TEX CYCLE

Tex Cycle Technology (M) Berhad

(642619-P)

ANNUAL REPORT **2018**

The Cover Story

The evolution of Green Technology has seen a marked increase in the past few years. From the dramatic events at Fukushima, to the wild fluctuations in the crude oil markets, the desire and awareness for renewable, sustainable, and safe alternative energy sources has been on a marked increase. While the goal of any recycling program is the reduction of waste materials and the elimination of toxic catastrophes in the future, rarely has the goal ever intersected with each other. As the forerunner in upcoming technological trends, Tex Cycle has chosen to embark upon this marriage of cutting-edge breakthroughs and ecological conservation. By fulfilling the increasing energy needs of an interconnected world and the desire for environmental preservation, Tex Cycle continues to ensure the advancement and support for the development and implementation of future Green advancements. As the digital world continues to grow and expand into the public consciousness, Tex Cycle is committed to preserving the splendour and majesty of the natural world, for a balanced and brighter tomorrow.

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CORPORATE INFORMATION

Board Of Directors
Ho Siew Choong, Executive Chairman
Periasamy Sinakalai, Managing Director
Ho Siew Cheong, Executive Director
Ho Siew Weng, Executive Director
Ravindran Markandu, Senior Independent Non-Executive Director
Alagasan A/L Varatharajoo, Independent Non-Executive Director
Razali Bin Jantan, Independent Non-Executive Director (resigned on 9 April 2018)
Chan Jee Peng, Independent Non-Executive Director (appointed on 8 October 2018)

Auditors
Messrs Grant Thornton Malaysia (AF: 0737), Chartered Accountants

Company Secretary
Wong Youn Kim (MAICSA 7018778)

Principal Banker
Hong Leong Bank Berhad (97141-X)

Share Registrar
Boardroom Share Registrars Sdn Bhd (378993-D)
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47301 Petaling Jaya, Selangor Darul Ehsan
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Tel : 03-2241 5800
Fax : 03-2282 5022

Corporate Office
Lot 8942, Jalan Besar Telok Gong
Kawasan Perindustrian Telok Gong
42000 Klang
Selangor Darul Ehsan
Tel : 03-3134 1984
Fax : 03-3134 1985
Email : info@texcycle.com.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
67 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. He attended all five (5) meetings held during the financial year ended 31 December 2018.

PERIASAMY A/L SINAKALAI
Managing Director
Member of Remuneration Committee
68 years of age, Malaysian, Male

Periasamy A/L Sinakalai was appointed to the Board of Tex Cycle Technology on 13 May 2005. He obtained a Senior Cambridge Certificate in 1968. He started his career in The New Straits Times Group in 1969 at the young age of 18. After 10 years of service in The New Straits Times Group he left his position as a Production Planner to join Papyrus Printing, a subsidiary of the Star Publications for two (2) years. He then joined Malaysian British Assurance Berhad and was promoted to the position of a Production Manager in 1979. His tenure in Malaysian British Assurance Berhad lasted for about five (5) years before he left in 1985 to join Tex Cycle as a Marketing Manager. 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). He attended all five (5) meetings held during the financial year ended 31 December 2018.

HO SIEW CHEONG
Executive Director
57 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 invention of all the products of Metro Koats, including camouflage paint and chemical formulae/ solutions for the process of treatment of contaminated waste and effluent. Due to his expertise in developing chemical formulae/solution, he has been appointed as the technical director of the Group and mainly be responsible for the R&D of the whole Group. He attended all four (4) meetings held during the financial year ended 31 December 2018.

HO SIEW WENG
Executive Director
62 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 Sdn Bhd 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. He attended all five (5) meetings held during the financial year ended 31 December 2018.

DIRECTORS' PROFILE

RAVINDRAN MARKANDU, FCA
Senior Independent Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee and Remuneration Committee
69 years of age, Malaysian, Male

Ravindran Markandu was appointed to the Board of Tex Cycle 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 consultancy and investment advisory services and through a family company he is involved in real estate investment in affordable and luxury property development. He is also involved with a number of not-for-profit organisations, being 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 Members' Society, Malaysian Chapter. He attended all five (5) meetings held during the financial year ended 31 December 2018.

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

Alagasan A/L 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. He attended all five (5) meetings held during the financial year ended 31 December 2018.

CHAN JEE PENG
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee and Nominating Committee
39 years of age, Malaysian, Male

Chan Jee Peng was appointed to the Board of Tex Cycle Technology on 8 October 2018. He has close to 18 years of audit and financial management experience. He started his career with 2 of the Big Four accounting firms and has held senior financial position in public listed companies. Subsequently, he joined a mid-tier accounting firm and rose to the ranks of an Executive Director and then joined UHY Malaysia as their Audit Partner. He was involved in various audit of Public Listed Companies, multinational companies and Local Government Agencies. He was in charge of many Reporting Accountants assignments for various corporate exercise of Public Listed Companied including Initial Public Offering restructuring and due diligence assignment. Currently, he is the Managing Partner of SFAI Malaysia which provides assurance, tax and advisory services. He attended one (1) meetings held during the financial year ended 31 December 2018.

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

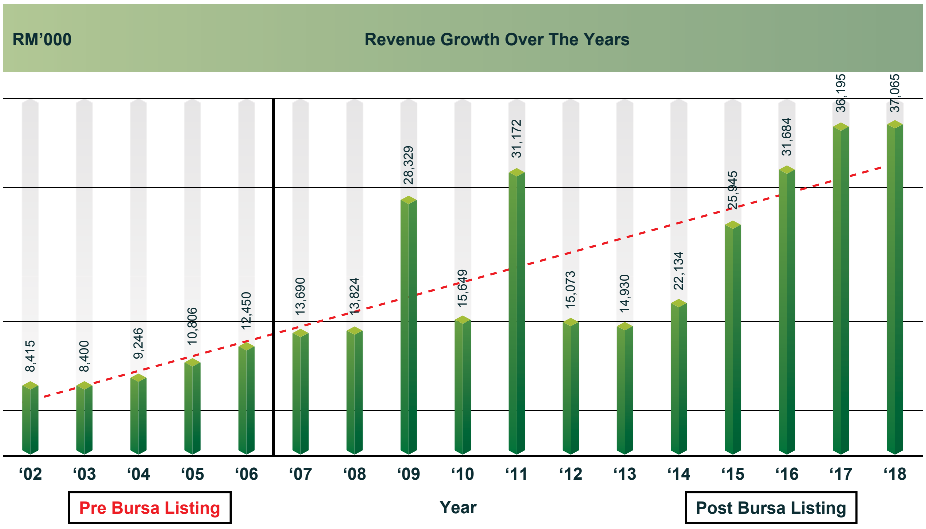
MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, in addition to other statements disclosed 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

Throughout the last thirty-four 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 our on-going endeavour 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. Up-to-date, TEX CYCLE has over 5,500 registered customers, with the numbers steadily increasing.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

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 purpose, 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 had performed a large number 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.

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 ("R&D") 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.

• Raising 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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

-Fire water run-offs 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

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 in place 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.

WORK HAZARDS

Safety is always a major concern to all industries especially with the booming of more sophisticated and complicated technologies. Work hazard or injuries are very prone to our kind of industry whereby the company deals in hazardous scheduled wastes. Tex Cycle do employ quite a significant number of general workers to run the daily production operations. All staffs have been trained and equipped with the necessary safety measures despite which, mishaps do come along occasionally due to negligence of the workers just as the saying goes "to err is human".

As a result, the downtime encountered from these mishaps may cause risk to the business in terms of cost and other non-financial areas. Same as for fire risk, 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 to avoid such mishaps. The production supervisors are always putting out an eagle eye on the workers and constantly conducting trainings in house to ensure the workers are updated with all relevant precaution measures to be adhered to during production hours.

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. In the long run, these will be able to comprehend rising cost of running the business itself.

CHANGES IN REGULATIONS

With the ever sprouting green technology industry, legislations and regulations are 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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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.

MACHINERIES BREAKDOWN

Tex Cycle possess state-of-the-art facilities in the factory. Many high-tech equipment had been stored in place for a much more efficient and environmental friendly output. A major risk is of course machine breakdown time causing a slowdown in production rates. Bearing in mind the increasing volume of scheduled waste into the prescribed premises of Tex Cycle, a machine breakdown could cause a huge pilling up of scheduled waste to be treated. This in turn results in increase in storage space area. To mitigate this huge risk, repairs and maintenance are always on-going to avoid devastative breakdowns in an untimely manner. Constant monitoring of equipments are also in practice by the engineers to ensure all variable elements are meeting the applicable standards set.

MILESTONES

Tex Cycle since its existence in 1984 has 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
- 2017, awarded with the Renewable Energy Power Purchase Agreement with Tenaga Nasional Berhad
- 2017, recognition award to TEX CYCLE SDN BHD for Exceptional Performance in Environmental Protection and Management from Environmental Management & Research Association Malaysia Council (ENSEARCH)

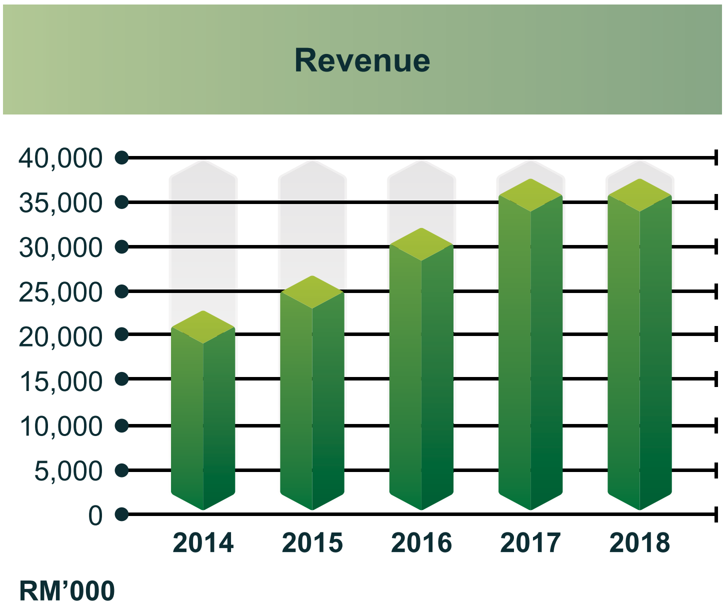
FINANCIAL OVERVIEW

FYE 31 December	2014	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	22,134	25,945	31,684	36,195	37,065
Profit before tax	5,361	8,112	16,517	15,398	9,957
Profit after tax	3,354	7,374	15,177	12,847	7,747
Net earnings per share (sen)	1.32	2.93	5.97	5.07	3.05

MANAGEMENT DISCUSSION & ANALYSIS REPORT

REVENUE

During the year of 2018, the Group's revenue increased marginally by 2%, from RM36.2 million to RM37.1 million as a result of moderate 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.



Improved logistics facilities

In the business world, "time is money". Hence, timely services have been a key driver in ensuring high customer satisfaction and securement of long term contracts. Thus, during the year 2018, 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.

In addition, the RRD still continues to encourage the 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;

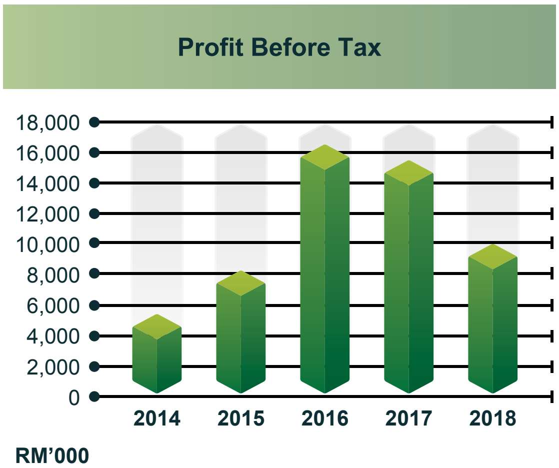
- Furnished the RRD, on a timely basis, with sales call reports, sales forecasts, and such other information pertinent to marketing team's performance;

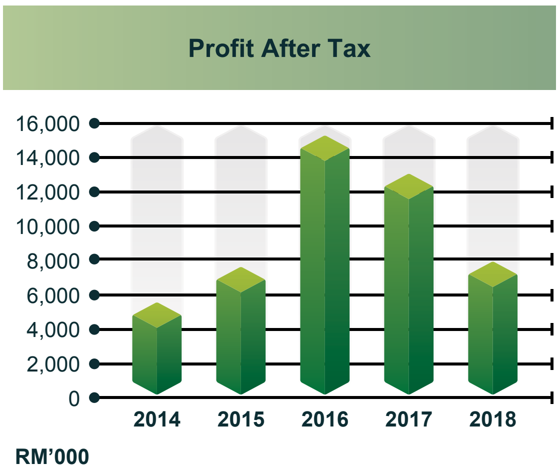
- Assisted the RRD in obtaining relevant financial information concerning the Company clients and potential clients within the country; and

- 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.

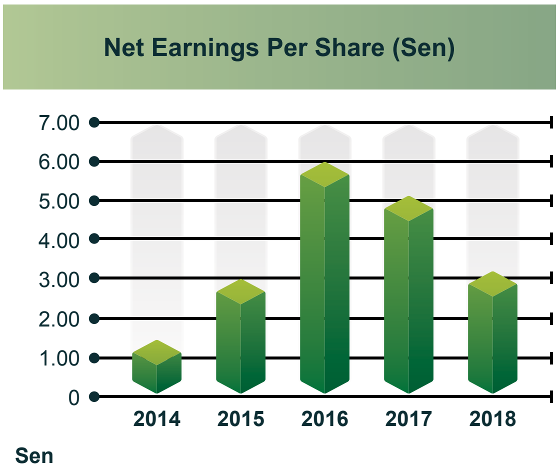
BOTTOM LINE IMPACT

The Group has its profit before taxation ("PBT") and profit after tax ("PAT") decreased, from RM15.4 million to RM10.0 million and from RM12.8 million to RM7.7 million respectively. This is mainly due to the one-off fair value gain of RM6.2million for the previous financial year and RM3.6million gain from partial MRT acquisition in the previous financial year from the Group's investment property. By excluding these one-off gains, the Group has a year-on-year net fall on its' PBT and PAT of 15% and 21% respectively which is mainly due to the one-off staff cost incurred for the Employees' Share Scheme of RM1.1million and impairment of RM0.7million in accordance with MFRS9 Financial Instruments.





MANAGEMENT DISCUSSION & ANALYSIS REPORT



Consolidation of production and administrative office team

During the year 2018, 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 line with the aforementioned, in 2017, the whole administrative and finance team was also moved over to Klang for the similar reasons and better monitoring of all the teams. In the long run, economies of scale had been achieved as a result of this synchronisation work. The office in which all administrative personnel are located at, is built with an energy saving and green concept. The office walls are partially designed with recycled materials like wooden pallets from our RRD.

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.

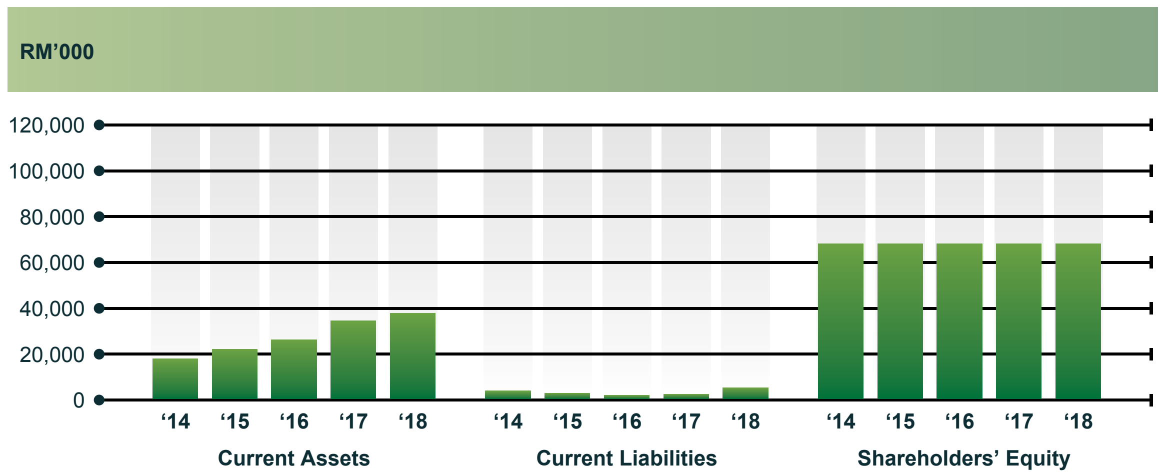
The machineries basically had been engineered upon taking into account of all advises and recommendations from international and local suppliers. This has helped in ensuring wastage of resources and time are minimised by a significant portion since the machineries are embedded with high capabilities and standards to perform multiple production task. These equipments are critical 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

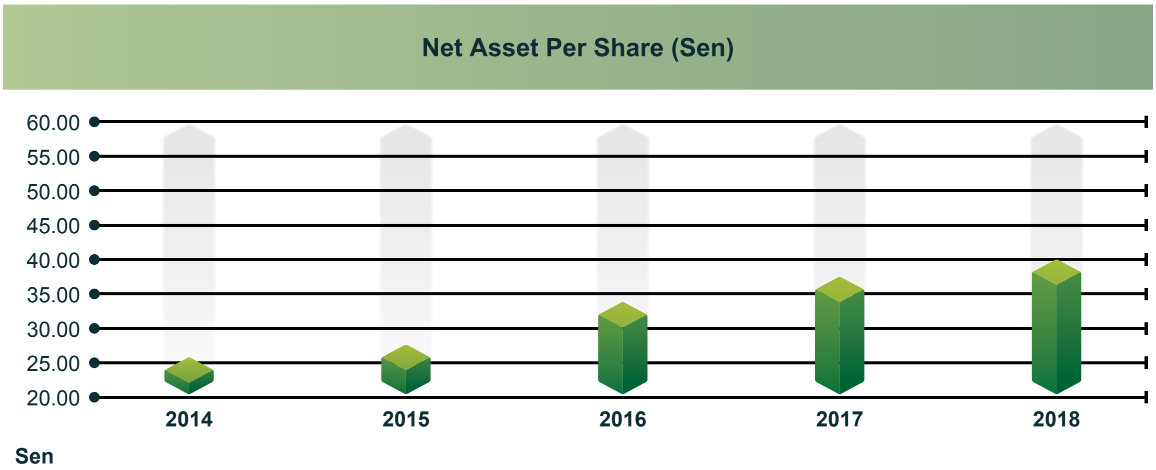
Outlined below are key financial ratios of the Group for the current financial year and the preceding financing year for comparison in all the key measures on profitability, liquidity, gearing, and valuation.

Group Ratios	FYE 2018	FYE 2017
Profitability		
Operational Return on Asset (EBIT/Average Assets)	8.54%	14.97%
Return on Equity (Net Earnings/Equity)	7.63%	13.41%
Gearing		
Debt to Equity Ratio	0.18 : 1	0.19
Valuation		
Net Asset per share (RM/share)	0.40	0.37
Enterprise value/Total comprehensive Income	18 times	16 times

FYE 31 December	2014	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	17,304	20,931	26,844	34,586	38,156
Current liabilities	3,297	2,598	2,693	3,715	4,583
Shareholders' equity	64,631	70,648	84,856	95,834	101,596
Net asset per share (sen)	25.39	27.78	33.37	37.84	39.98



MANAGEMENT DISCUSSION & ANALYSIS REPORT



OUTLOOK

In 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.

MOVING FORWARD

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 the 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.

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. With the implementation of the power generating project, it is expected to contribute positively to the Group's results from 2019.

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 plus increase the percentage from 2% to 20% of renewable energy for electricity generation. This 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. This concept is also brought to light by the Department of Environment ("DOE") with the way forward being an evolution towards excellence in Integrated Waste Management by a paradigm shift from a Cradle-to-Grave to Cradle-to-Cradle approach. Previously waste was regarded solely as an unwanted by-product, however, at present waste recycling and resource recovery are seen as potential resources.

Our very own extraordinary REEP's technology aims to further enhance and complement our existing scheduled waste management system with the following objectives:

Minimise the degradation of the environment

By using our in-house treated waste streams as fuel source replacing Liquefied Petroleum Gas (LPG), we have eliminated the use of new fossil fuel for the process. These waste streams if left untreated will contaminate ground and surface water, the waste will also degrade to form methane which is a potent greenhouse gas.

Zero or low Greenhouse Gas (GHG) emission

It has low greenhouse gas emission and the process stops the creation of methane gas created in the bio-degradation of biomass. Carbon Dioxide (CO2) is created in place of the methane.

Safe for use and promotes healthy and improved environment for all forms of life

The process will neutralise biomass residue and in turn improve the environment for all forms of life.

Conserve the use of energy & natural resources

The project seeks to use decontaminated biomass destined for secured landfill as a fuel source to produce electrical power, hence the project when implemented will conserve on the use of environmentally degradable fossil fuel.

Promote the use of renewable resource

The project will create a viable and sustainable means to dispose of the decontaminated biomass, thus encouraging industries to use more renewable resources.

As such, the Company is at present in the midst of expanding its renewable energy division aggressively through many of our mind-boggling projects in the pipeline. Responses have been portrayed to be very positive from all parties and possible announcements will be made once agreements have been signed off. Our goal is to reach out to as many biomass feedstocks producing businesses in order to promote this clean energy system which is the future business and will indirectly help save our environment rather than toying along the incineration method which is most commonly perused but may be extremely harmful to the flora and fauna around us.

RESEARCH AND DEVELOPMENT STRATEGIES

TEX CYCLE embraces Research and Development within our organization by working on with newer products or technologies subject to important shifts coherent with our blue and red ocean strategies. While research and development work can be instrumental in creating new products or adding features to old products, the work that the department does is more complex than simple innovation. R&D is connected to marketing, cost management and other parts of business strategy.

Market Participation

The idea is to allow Tex Cycle grasps the ability to attract new customers and win customer interest. At its core, research and development is about innovation, about offering consumers something they have never seen before. When the R&D team can pull off such a product offering, the interest that consumers have can cause a sharp leap in market participation and sales. It may even create an entirely new market for our Company.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Cost Management Benefits

Our Research and development idea does not create value directly in relation to how much funding the department receives. It is unique in this property; the success of R&D; depends more on the practices, talents and innovations of the people working there than on how much money the department receives. This means that our company can actually spend less money on research and development than many competitors but work to secure talented employees and proper goal orientation and still produce good results in return.

Marketing Strategies

With more upcoming Research and development outbreaks, it allows the Company to create strong marketing campaigns and advertising strategies. The two divisions comprehend each other very well. The research and development department work to make new product designs or add features, and the marketing department interprets these changes in the most exciting light possible in order to attract customers, creating synergies between the two branches.

Trend Matching

At many times a market is already embracing a trend, and the research and development department can be used to make the business active in that trend and increase sales. For example, in our current markets with rapid embracement of green products, Tex Cycle aims to use research and development to evolve products out of natural ingredients, recycled materials or biodegradable substances, allowing for the release of an eco-friendly version of the product that increases sales. When R&D; can catch up with trends, the business is seen as adaptable and profitable. On this ground, we had already kick started several R&Ds to uplift our goal of 4R Concept of “Reduce, Reuse, Recycle, Recover”.

Among the on-going R&D projects are as follows:

1) Research on potential renewable energy power generation methods by utilizing the various available renewable sources locally and globally.

2) Testing phase of our in-house built Anaerobic Thermal Desorption Unit (“ATDU”), a newly enhanced methodology of increasing the capacity of production to treat waste in a more efficient and economical method in addition to saving fossil fuel intakes.

3) Computerization of the logistic department to create more efficient collection services.

EMPLOYEES’ SHARE SCHEME (“ESS”)

During the year, Tex Cycle has embarked into a new staff rewards programme called the Employees’ Share Scheme (“ESS”). The implementation of the ESS primarily serves to align the interests of the Eligible Persons to the corporate goals of Tex Cycle Group. The ESS will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

(i) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of Tex Cycle Group;

(ii) to motivate the Eligible Persons towards improved performance through greater productivity and loyalty; and

(iii) to reward the Eligible Persons by allowing them to participate in the Group’s profitability and eventually realise any capital gains arising from appreciation in the value of the Company’s Shares.

In order to demonstrate a transparent and fair distribution of these shares, an ESS Committee was formed comprising of 2 Independent Directors, 2 Executive Directors and 1 Senior Management.

For the first batch of the ESS, evaluation was done based on the following criteria:

(i) Length of service

(ii) Attendance

(iii) Performance

(iv) Future Contribution

The Independent Directors conducted 7 interview sessions with a total number of 8 staffs and all 4 Executive Directors for their views. The final tabulation of shares to eligible staffs was made solely by the 2 Independent Directors to avoid management bias and maintain integrity of the whole exercise.

Allocation Basis

The basis of allocation of the number of Shares in respect of the Share Grant and the maximum number of Shares, which may be offered to an Eligible Person, shall be determined entirely at the discretion of the ESS Committee subject to provisions of the By-Laws. An Eligible Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Shares to be granted to or held or to be held by him or persons connected to him.

Notwithstanding the foregoing, subject to any adjustments which may be made under the By-Laws, the aggregate maximum number of Shares that may be allocated to any one category/designation of Eligible Person shall be determined by the ESS Committee provided that:

(i) the directors (including executive directors) and senior management of the Tex Cycle Group do not participate in the deliberation or discussion of their own allocation;

(ii) not more than 75% of Tex Cycle Shares available under the ESS on any date shall be allocated to the executive directors of the Tex Cycle Group; and

(iii) the allocation to any Eligible Person who, either singly or collectively through persons connected (as defined under the Listing Requirement) with the Eligible Person holds 20% or more of the total number of Shares (excluding treasury shares) of the Company, shall not exceed 10% (or such percentage as the relevant authorities may permit) of the maximum Tex Cycle Shares available under the ESS, provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

The ESS Committee shall determine the actual number of Share Grants to be allocated to the Selected Person after taking into consideration, amongst others, the Selected Persons' position, ranking, performance, seniority, the length of service, contribution and/or potential contribution to the continued success of the Group and any other factors deemed appropriate by the ESS Committee.

The ESS Committee has the discretion in determining whether the vesting conditions, performance targets to be met and the ESOS Options and Share Grants available for vesting under the ESS are to be awarded to the Selected Persons via single award or several awards where the vesting of any number of Shares is to be staggered, the number of Shares to be granted in each award and the timing for the vesting of the same shall be decided by the ESS Committee at its discretion and each award shall be separate and independent from the others. The new Tex Cycle Shares to be allotted and issued and/or transferred to the Scheme Participants pursuant to the ESS will not be subjected to any retention period unless the ESS Committee stipulates otherwise in the Offer.

Eligibility Conditions

Any executive directors or employee of Tex Cycle Group (excluding dormant subsidiaries within Tex Cycle Group), who meets the following criteria as at the date of the Offer shall be eligible for consideration and selection as a Selected Person by the ESS Committee:

(i) if he has attained the age of 18 years;

(ii) is not an undischarged bankrupt or subject to any bankruptcy proceedings;

(iii) falls under one of the following category:

(a) if he is employed on a full-time basis and is on the payroll of any corporation in the Group for a continuous period of 1 year and has not served a notice of resignation or received a notice of termination prior to the date of Offer. For avoidance of doubt, any foreign employees within the Group are not eligible to participate in the ESS; or

(b) if his employment has been confirmed in writing and has been in employment for a continuous period of 1 year in the Group or in the case of an executive director, he has been appointed to the board of directors of any companies of the Group at least 1 year prior to the date of Offer; or

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(c) if he is employed by a company or corporation which is acquired by the Group during the duration of the ESS and becomes a subsidiary of the Company upon such acquisition, he must have completed a continuous period of at least 1 year in the Group following the date that such company becomes or is deemed to be a subsidiary of the Group; or

(d) if he is serving under an employment contract for a fixed duration, the contract should be of a duration of at least 3 years in the Group; and

(iv) if he fulfills any other criteria and/or falls within such category as may be determined by the ESS Committee from time to time, provided always that the section of any Eligible Person for participation in the ESS shall be at the discretion of the ESS Committee and the decision of the ESS Committee shall be final and binding.

If the Eligible Person is:

(i) a director, chief executive officer and/or major shareholder of Tex Cycle; or

(ii) a person connected to the director, chief executive officer and/or major shareholder of Tex Cycle.

The specific allocation of Share Grants granted by the Company to him/ her must first be approved by the shareholders of Tex Cycle at a general meeting, unless such approval is no longer required under the Listing Requirements and they shall not participate in the deliberation or discussion of their own allocation.

Duration

The ESS shall continue to be in force for a period of 5 years, commencing from the effective date (12 October 2017) of the ESS provided always that on or before the expiry thereof, the Board shall have the discretion upon recommendation of the ESS Committee, to extend in writing the tenure of the ESS for another 5 years or such shorter period as it deems fit immediately from the expiry of the first 5 years.

INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY (CSR) FUND

Tex Cycle has also invested into a fund namely Interpac Social Enterprise and Responsibility Fund (“ISERF”) with the idea of a more sustainable funding for corporate social responsibility activities on top of our usual charity, donation and sponsorship drives as well as sustainability events with regards to the environment which is further elaborated under the Environmental Sustainability Report.

The ISERF is a conventional wholesale equity fund issued by Inter-Pacific Asset Management Sdn Bhd that encourages social responsibility and social enterprise participation by utilizing returns from investments. The Fund will disburse 20% of the gain in the financial year which is measured by the increase in the Fund’s NAV within the financial year, either in the form of dividend declaration, capital repayment or any other methods, back to the investors. The principal objective of the disbursement is for the investors to participate in social responsibility projects and causes of their choice. However, actual utilization of the disbursement is at sole discretion of the investors.

This is neither a capital protected nor capital guaranteed fund.

This Fund is suitable for sophisticated investors like us who:

- Have long term investment horizon;
- Seek capital gains; and
- Use a portion of the capital gain to participate in social projects of their choice.

Tex Cycle is always at a look out for such similar funds with CSR motives connected to it.

APPRECIATION

We, the Executive Directors and Key Management Team, would hereby like to extend 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 as we work towards saving the environment for the good of our current and future generations.

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.

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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

CORPORATE RESPONSIBILITY REPORT

Regulators

Regulators act as the backbone to Tex Cycle. As its core business operation revolves around the Environment, Regulators and their compliances play an important part in ensuring protected interest of all. Regulators whom Tex Cycle closely engages with are the Regulatory Bodies such as DOE, DOSH, JPJ, MPSJ and BOMBA. Environmental issues and green matters are the usual highlights in their engagement and occasionally, our facility is also used as learning ground for new regulatory officers as well as a site for visit by the regulatory bodies for international visitors. Tex Cycle as one of the pioneers in the Management of Scheduled Waste has 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 too connects with Customers through joint activities on their EMP projects. Tex Cycle believes that Customer's trust and confidence in us and our processes are enhanced through our transparency.

Suppliers

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

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

Tex Cycle's SHE Department ensures that Contractors attend briefing and trainings on a continuous basis on the following: -

- Tex Cycle's Environmental policy
- Regulations for Vendors and Contractors
- Fire Emergency Response Procedures
- Emergency Route
- Scheduled Waste Code and Warning Labels
- Tex Cycle Recycling and Waste Minimization Policy
- Environmental Legal Requirements
- Competent and qualified to handle (dealing with scheduled waste) Supplier and Contractor Development
- Practice: Tex Cycle provides environmental policy, training materials and available practices in the Contractor Safety Briefing.
- Knowledge Sharing: Contractors and suppliers are required to attend annual training at Tex Cycle on issues such as environmental impact, handling and safety procedures for the material/ product supplied to Tex Cycle
- Cooperation: Samples of new material/product from the contractor or supplier are tested in the lab at Tex Cycle to assess if new products worsen the environmental impact.

Community

Being in the Industry of Scheduled Waste Management, Tex Cycle's daily business operations matters to the Community as the hazards of the improper handling of toxic wastes may pose serious consequences to the people. And so, responsible daily operations matters most in this Community Engagement of Tex Cycle. Through various projects, collaborations, exhibitions and programs, Tex Cycle brings awareness on ways to create a better Environment to the Community.

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

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

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

Communication of Environmental -Related Information

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

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

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

Target and Achievement

Incorporating 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.

CORPORATE RESPONSIBILITY REPORT

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 2018

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

Prime Minister Hibiscus Awards

Tex Cycle was the winner of the year 2004 "Anugerah Alam Sekitar" Award. The Industry Environmental Award for SME is the highest award given out by the Selangor State Government.

- Prime Minister Hibiscus Award 2005/2006 (Notable / SMI Special Award)
- Prime Minister Hibiscus Award 2006/2007 Selangor Government
- Prime Minister Hibiscus Award 2006/2007 SME Special Award
- Prime Minister Hibiscus Award 2006/2007 Exceptional Achievement in Environmental Performance
- Prime Minister Hibiscus Award 2008/2009 for Notable Achievement in Environmental Performance

Malaysian Canadian Business Council

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

ACCA

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

Star Biz ICR Malaysia

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

KPMG Malaysia

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

ABOUT THIS REPORT
PREFERED SCHEDULED WASTE MANAGEMENT

Our theme "Preferred Scheduled Waste Management "highlights our efforts to continuously move towards a sustainable future. With the on-going technology advancements in the industry, we keep abreast of the latest waste management process and compliance requirements. As one of the foremost schedule waste management service provider we take vigilant concern of the quality, environment and compliance issues.

Our Sustainability Report ("SR") concentrates on Tex Cycle Technology (M) Berhad's sustainability practices in which we emphasize on the economic, environmental, and social ("EES") impacts of our business operations and initiatives. In our previous reporting we use Corporate Social Responsibility statement which consists of environment and social segments. Hence this will be our first attempt to comply with Bursa Malaysia requirements in sustainability reporting, we prioritized on reviewing our material issues and mapping out our route forward to embed sustainability throughout our business operations.

Furthermore, throughout this SR, we demonstrate our full commitment in integrating sustainability practices and preparing this statement on pursuant to the Bursa Malaysia Securities Berhad("Bursa Securities") ACE Market Listing Requirements ("AMLR"), and Sustainability Reporting Guide issued by the Exchange .

REPORTING SCOPE AND BOUNDARIES

Tex Cycle's SR 2018 has been prepared in conformity with Bursa requirements. This SR covers the reporting period from 1 January 2018 to 31 December 2018. Our main focus for this year is on assessing our material sustainability topics that encompasses the economic, environmental and social aspects. The content of this report is based on the material topics that we have identified. The scope and boundaries of this SR cover all our entities and operations in Malaysia. The Group will be advised by an external consultant to assist on the sustainability reporting enhancement and to support comprehensive sustainability efforts across the Group's progress.

ABOUT TEX CYCLE

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 as well as 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 equipment and upgrading its operations for more effectiveness and efficiency in all that it does.
- Tex Cycle addresses Corporate Responsibility to the future generation through various projects, collaborations, exhibitions and awareness programs to instil the importance of caring for the environment. Tex Cycle also readily extends assistance in whichever way possible to the less fortunate.

SUSTAINABILITY REPORT

Corporate Values

Tex Cycle's Codes of Ethics for Directors and employees govern the standards of conduct and behaviour of the employees. Tex Cycle's Board commits itself and its Directors to ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when playing the role as Board members. We practice the following corporate values in our business operations:

- 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.

WHO WE ARE

Tex Cycle Technology (M) Berhad ("Tex Cycle Technology" or "the Company") is an investment holding Company which was listed on the ACE Market (formerly known as MESDAQ 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., TC Chemical Sdn. Bhd. and TC Champ Sdn. Bhd.

The Company is primarily engaged in an environmentally friendly Waste Management Business which provides professional services preferred by companies from various industries, mainly of the Electronics, Engineering, Automobile, Oil & Gas and Printing industries in accordance with Environmental Quality Act.

Conversely, we also supply specialized products for the Defense industry and further endow chemical products for Oil & Gas, Agro-cultural and chemical related industries.

Our systems and procedures are technologically advanced and upgraded frequently. This allows us to offer a one-stop solution to our valued Customers with economical products and services in total compliance.

WHAT WE DO

Our core business is:

- Recovery and Recycling of Scheduled Waste

Recovery and Recycling of Scheduled Waste

Our Recovery and Recycling of Scheduled Wastes division was formed in 1984, a time when contaminated waste was unintentionally dumped in landfills or burned indiscriminately at obscure places. Sharing the same vision of the Department of Environment (DOE) to continuously protect the land we live on, we have developed to earn pioneer status in the recycling of scheduled waste. We practice and act on the worldwide effort of waste management, living the motto of "reduce, reuse, recover, recycle."

As a professional recycler, we collect contaminated materials directly from companies in the electronic, engineering, automobile, oil & gas, printing and other manufacturing industries. These materials are soiled with grease, inks, solvents and whatever substance imaginable. Such wastes are now highly regulated and have to be disposed off, at sites permitted by the DOE and handled only by licensed contractors. Every year, the ever increasing hundreds of tons of contaminated materials are transported by our licensed fleet of trucks to our sites.

Our job is to remove contaminants from the soiled materials so that they can be reused. Damaged materials can also be converted into safe recyclable products, fit for reuse.

Our new factory, utilizing the latest state-of-the-art technology is designed to handle the logistics and process involved in waste management. Safety and hygiene consciousness is our law. Our trained drivers and service personnel are committed to quality and provide the best solution in waste management. We pride ourselves in the fields of research, trend development and service excellence. We work closely with our customers and the authorities in complying with the latest environmental regulation. Being a major player in the environment business, we will continue to service and upgrade our processing methods to meet or exceed the stringent government standards for waste-water purity.

Location of Corporate Office
Lot 8942, Jalan Telok Gong
42000 Klang, Selangor Darul Ehsan, Malaysia.

Location of Registered Office
c/o HMC Corporate Services Sdn. Bhd.
Level 2, Tower 1, Avenue 5 Bangsar South City, 59200 Kuala Lumpur, Malaysia

Review of operations

The group's operations are illustrated in the Management Discussion & Analysis (MDA) section in the annual report.

Business and Operations Review

Throughout the last thirty-three 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 our on-going endeavour to be the preferred scheduled 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 to the singular licensed scheduled waste code at its inception. Up-to-date, Tex Cycle has over 5,300 registered customers, with the numbers steadily increasing.

Key Highlights For 2018

Market	**Market Capitalization : RM**	
Business	**Revenue**	RM 37.1 million
	Profit Before Tax	RM 10.0 million
	Profit after tax (PAT)	RM 7.7million
	Basic Earnings Per Share	3.05 sen
	Net Tangible Assets per share	RM0.40

OUR APPROACH TO DRIVING SUSTAINBILITY

Our approach to sustainability is based on our core values of excellence, unity, integrity, humility and building relationship, supported by policies and procedures at Group level. We consistently embed sustainability into the core of our business. The following value-added sustainability framework forms the basis of Tex Cycle's steps to strengthen our approach to sustainability.

SUSTAINABILITY STRATEGY

1. As a Public Listed Company

- As a public listed company we are pre-emptive of the sustainability matters mainly on the Economic value creation for the shareholder and stakeholder;
- We plan to elevate sustainability in company governance, through engaging in direct board oversight and accountability over environmental and social issues, more diversity and special expertise on boards, and linking executive and other employee compensation to sustainability goals;
- We want to robust regular dialogues with key company stakeholders on sustainability challenges, including employees, investors, suppliers and consumers;
- We are in progress to open reporting on sustainability strategies, goals and accomplishments;
- We are in progress to develop systematic performance improvements to achieve environmental neutrality and other sustainability goals across the entire value chain, including operations, supply chains and products.

2. As a service provider

- We plan to give a quality service to all of the clients as they are part of our valued stakeholders.

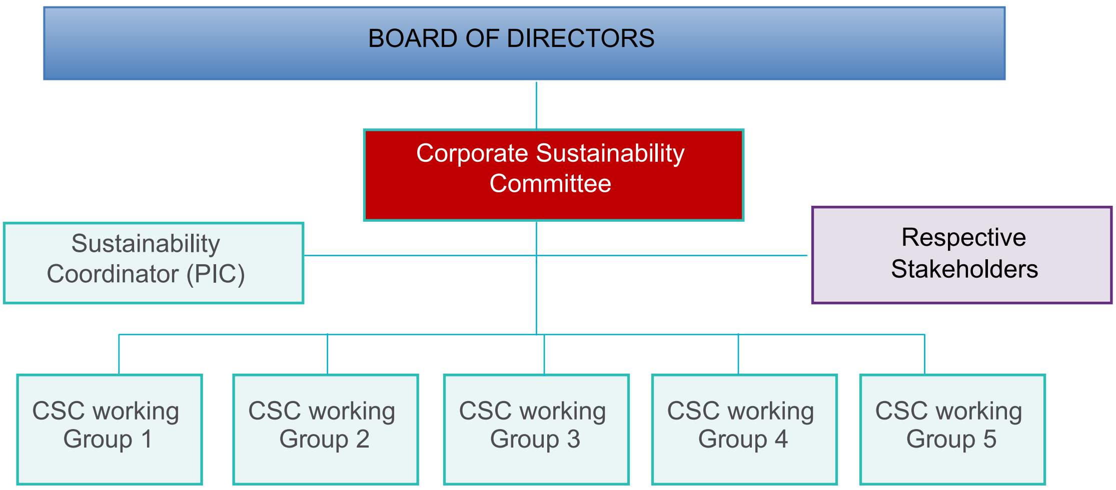
GOVERNANCE OF THE SUSTAINABILITY

Being a Public Listed Company, Tex Cycle complies with the high standards of corporate governance (CG) practices and being closely monitored under the leadership of our Board of Directors, as guided by the Malaysian Code on CG 2017.

In line with sustainability, The Board has the ultimate responsibility to ensure that the sustainability efforts are embedded in the strategic direction of the company. We have established a Corporate Sustainability Committee (CSC), to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies. The CSC is also supported by various working groups responsible for implementing the initiatives within the organization. The Managing Director will provide the Board on regular update relating to all key EES risks and opportunities (sustainability matters).

The governance of our sustainability agenda is a process that is important to the Company as it enables the business to effectively embed sustainability. Good governance structures also ensure that we are consistently aligned to our principles and standards. Demonstrating its commitment from the top, the Company's sustainability agenda is governed by a Corporate Sustainability Committee (CSC).

ORGANISATION STRUCTURE FOR SUSTAINBAILITY



STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, the Tex Cycle continues to practice prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Group is fully committed to uphold responsible financing which is reflected through its prudent infrastructure transformation as well as sustainability in its supply chain.

OUR MATERIALITY ASSESSMENT PROCESS

1. Objectives& Scope

Tex Cycle undertook a materiality study within the top management and middle management to determine the objectives and scope of the sustainability reporting. Our scope and boundaries covers all our entities and operations in Malaysia.

2. Identification of Relevant Sustainability Matters

The process initiated with sustainability issues relevant to the Tex Cycle Technology Berhad and its stakeholders. In generating the list, the Group assesses the operating environment and emerging trends affecting our sector and conducted study across a broad range of references to identify the relevant sustainability issues. The references include Bursa Malaysia's Sustainability Reporting Guide and Toolkits, and international standards such as the Global Reporting Initiative Standards on a segment basis.

Moving forward in 2019, we plan to undertake a continues review of material factors and sustainability matters in order to ensure that our understanding of both the current and future risks and opportunities facing our markets is adequately addressed, as well as to gather stakeholder perspectives and ensure we are responding to their needs. As we update our material factors, we will continue to evolve our management approach to ensure that we are addressing them in a holistic and integrated manner. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators as well as to establish a proper mechanism to capture, analyse and report sustainability data and information.

OUR MATERIAL FACTORS

As we monitor, manage and report on a wide variety of issues, key to our approach is focusing our resources on the material sustainability risks and opportunities that are associated with each material factor. Understanding our key priority allows us to set our time, resources and investment to the best use.

The materiality process involved several steps including:

- Identification of potential material topics by reviewing the partial segement of GRI aspects, benchmarking against key corporate peers and analyzing past reports, which reflects the feedback from customers, community representatives and employees generally.
- Inventory of aspects and topics most important to external stakeholders, customers and their supply chain vendors, based upon requests, surveys and ongoing engagement during the reporting period.

The materiality factors are based on the priority of the organisation.

Key Materiality

Material Factors	Description	What Are The Risk	What Are The Opportunities
Competition	Tex Cycle is exposed to competition within the industry	Lesser chance to secure contracts will impact the Company's business and performance	• Innovative products and eco-friendly system could be offered to the clients as to improve on our core value • Regional partnerships and collaborations
Market Stability	A well-facilitated business, supported together with an effective and balanced regulatory framework that provides adequate levels of client's protection while facilitating business efficiency and innovation, is imperative for the continued growth and development of our business.	Any event – such as breaches in regulation, lack of effective corporate governance (CG) practices – that undermines integrity or stability will influence stakeholder confidence, and possibly participation, in the market	• Having a robust approach to ensure the integrity and stability of the market serves to engender trust and confidence, which in turn encourages participation and growth • Fostering a strong CG and sustainability culture will also drive long-term value, both in the market and within Bursa Malaysia

SUSTAINABILITY REPORT

Materiality Selection

Combining the views from stakeholders and Tex Cycle's Management from the preliminary materiality process, the materiality table has been derived to show the different levels of importance of the sustainability matters. The below factors will be further enhanced in the coming years.

Significance Material Factors

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Compliance	Compliance with laws and regulations is one of our main requirements.	We provide adequate training and resources to ensure we meet compliance obligations.
		Corporate Governance	Corporate Governance is the basic ingredient of our business model.	Governance is conducted according to various regulations and sub committees. The board oversees the governance based on quarterly review of management reporting.
		Local Environmental Impact	It safeguards the environment impact.	We monitor and review the environmental compliance strategy and performance.
		Safety	Impact on safety of workforce to avoid workplace injuries and customers to ensure safety of products.	We support the on-going training of operational teams to ensure understanding in recognising and improving as well as maintaining safe working conditions.
		Innovation	It is vital to remain competitive in the industry.	We transform waste into value by instilling innovation in converting various disposed waste into useful and reusable products.
		Customer Satisfaction	It is important for us to benchmark our self and to collaborate closely with customers to achieve mutual success.	We conduct customer satisfaction surveys to obtain customer's feedbacks. Also visitation and telephone calls to their premises to obtain feedback.
MATERIALITY	Important	Business Ethics/Code	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to the employees.
		Business Mix	It offers a wider range/integrated system of goods and services to support the core services. This is to attract new consumers by aiming at a different target market.	We have various waste codes and continuous enhancement is our preference in order to be competitive in the market.
		Supplier Screening – Environment	Impact of suppliers activities on environment and society.	We choose to work with businesses across our supply chain that deploys good and sustainable practice within the environments and communities in which we and they operate.
		Anti-Corruption	This reduces risks of economic imbalance and compliance with laws, international charters and conventions.	On-going monitoring, briefing and review of compliance throughout the Group is carried out to make sure that the company's policies and procedures as well as system of internal controls are being properly implemented.
		Local Engagement Plans & Programs	It is to strengthen cooperation with local stakeholders such as governments and NGOs	We support the local communities in which we operate.
		Diversity	Diverse cultural perspectives can inspire creativity and drive innovation as well as productivity.	We recruit employees with good competency, skills and equality.

MATERIALITY		Risk Management	Risk management is essential to mitigate adverse impacts on achieving objectives.	We continuously review the organisation and maintain an up to date risk profile, and have an integrated risk management framework which is embedded into the governance structure and business operations.
	Important	Customer Privacy	It is important to build customer trust and loyalty.	We restrict customers' data access to only authorised employees by set passwords to access the data.
		Economic & Local Economic Impact	It is to balance the economic & local economic impact with regards to our nature of business.	We take great initiative to address these issues by getting our respective HOD's feedback on the market scenario.
		Executive Compensation	It is crucial to maintain productivity and retain high performing staff while attracting new talent.	The employees are paid with adequate compensations in line with their performances.
		Layoffs & Turnover	High employee turnover can lead to knowledge outflow and lower the return on investment to the company in terms of training and education of employees.	We engage and motivate our people, providing the opportunity to learn and grow supported through structured training programmes and development opportunities to reduce employee turnover.
		Social Media	The use of social media boosts visibility among potential customers and improves awareness about our brand.	We engage social media to promote our service and product.
		Local Procurement	It ensures the stable, sustainable procurement and supply of resources as well as creates opportunities for economic contribution through localization.	We always on a lookout for best quality and good pricing to be competitive

3. Our Stakeholders Engagement

Our interaction involves a large number of different stakeholder groups and this kind of engagement is important to ensure we can identify, prioritize and address material matters and be adopted in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. All issues raised by stakeholders are brought to the attention of the Management Committee or Management Meetings by the respective business and functional units. On-going engagements where applicable are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

Our key stakeholders are outlined on the below table, along with the forms of engagement approaches and key focus and objectives of engagement.

Engagement Approach	Engagement Focus & Objectives
CUSTOMERS	
1. Customer satisfaction and complaint survey 2. Creating strategic innovation 3. Proper project management 4. Project completed in compliance with standards, high quality and on time delivery 5. Cost optimization 6. Customers expectation and satisfaction 7. Fulfil customer schedule and collection within the time frame given 8. Long term relationship with customers (build good repo and trust) 9. Frequent collaboration on approval status of submitted documentation 10. Explanation of procedures and regulations governing Scheduled Waste storage and transport. 11. Exhibitions and presentations 12. Awareness campaigns, held in tandem with Government initiatives 13. Adoption of strategic innovations in technology and brand awareness 14. Interacting and aiding new customers 15. Optimizing cost management for customer created challenges 16. Completion of collection cycle with full compliance to existing standards, regulations and time sensitive requirements 17. Customer service	• Customer Feedback review • Quality Assessment System in Construction. • Progress meeting, updates and progress reports • Customer relationship management • Consultation meetings • One-to-one engagement • Policies • Engaging with customers will help to understand their expectations and needs and also identify new opportunities , improvement , weaknesses and challenges to improve our current work practice and work performance and at the same time protecting company reputation • Updated time assessments on on-going approval processes • Increasing visibility and understanding of evolving regulations and methodologies • Customer retention • Personal consumer engagement • Removing consumer unhappiness due to procedural misunderstandings • Brand loyalty through personal interactions • Increasing profitability • Market position

Engagement Approach	Engagement Focus & Objectives
EMPLOYEES	
1. Employees induction programs and appraisal 2. Set targets/ KPI review 3. Consultation & monitoring 4. Safety Committee at factories 5. Online portal (intranet), newsletters, emails 6. Employee satisfaction surveys 7. CSR event 8. Meetings, feedback sessions and coaching 9. Other employee engagement activities (such as annual dinner, festive celebrations, outdoor sports and volunteering work) 10. Creating strategic innovation 11. Career development and progression 12. Knowledge and skills enhancement 13. Fair remuneration 14. Work-life balance 15. Internal engagement activities 16. Welfare meetings 17. Operational meetings 18. Assemblies and briefings 19. Productivity 20. Pleasant working Environment 21. Employee self-development 22. Career opportunities such as promotion 23. On job training i.e. internal or external training or attend relevant courses 24. Employee recognitions 25. Rewards for outstanding achievement	• Career progression, employee development needs. • Safety at workplace • Employee engagement survey • Dialogue and engagement • Subsidized employee trips • Training and attachment programmes • Performance evaluation and management • Staff remuneration and benefits • Employee well-being • Periodic union meetings • Leadership engagement sessions • Job satisfaction • Work-life balance • Operational performance and issues • Talent management • High performance Culture • Welfare and benefits • Fun, healthy and safe working environment • Employee will be self-motivated and every potential employee can achieved and utilize their full potential, with this we can assure that we can expect customer expectation and increase company mission and vision.

SUSTAINABILITY REPORT

Engagement Approach	Engagement Focus & Objectives
SUPPLIERS 1. Code of Ethics 2. Request for Proposal 3. Supplier Evaluations and selection 4. Periodic review for new purchases 5. Training and workshops 6. Outreach programmes 7. Creating strategic innovation 8. Timely payment 9. Professional and transparent procurement process 10. Intellectual capital (system & process) 11. Specific knowledge and skills 12. Meetings, capacity building sessions and business alliance meetings 13. Site visits 14. Contracts 15. Rate, promote and increase the performance of suppliers 16. Ensure continual improvement 17. Trust and ethics 18. Responsible procurement 19. Safety, health and environmental procurement 20. Proper PPE 21. Hazardous work (welding) by contractors or subcontractors	• Sound payment practices and vendor performance • Supplier assessment review • Subcontractors assessment • Regular engagement with suppliers and subcontractors to understand their needs. • One-to-one engagement • Contractors forum • Code of conduct and business ethics • Corporate integrity pledge • Procurement process, terms and practices • Strategic partnerships • Working alliance • Compliance of business conduct • 2 way communication with our suppliers to achieved our sales target • We encourage our suppliers to work openly and collaboratively with us to improve our work performance and product (rags) quality. • We encourage our suppliers to work safely and collaboratively with us to improve our safe work performance

Engagement Approach	Engagement Focus & Objectives
REGULATORS 1. Compliance with local authorities, governmental bodies/agencies such as SIRIM, DOE, DOSH, local enforcement authority such as MPK, JPJ and SPAD and Bomba with their requirements and certification bodies (ISO) requirements 2. Reporting of energy savings initiatives. 3. Meetings and briefings 4. Site visits 5. Round table sessions 6. Outreach programmes 7. Policies 8. Regulatory compliance training 9. Regular dialogue 10. Creating strategic innovation 11. Authorization and license to operate 12. Participation in Government and Regulator events 13. Regulatory and technical association 14. Face-to-face meetings 15. Collaboration activities 16. Conformance to legislation and license requirements	• Comply with all the requirements • Special industrial tariffs • Regular engagements and • Invitations for site visits • Town hall meetings • Interpretation of laws/legislations/guidelines • Continuous engagement through formal and informal events • Constructive feedback sessions • Participation in surveys, forums & reporting • Direct consultation • Corporate Integrity Pledge • Best practices • Branding and reputation • Participation • Establishing and maintaining relationships with the regulators. Companies may provide stakeholders with expertise by participating in industry consultations and conferences
COMMUNITY 1. Educating community about the risk from work 2. Update the neighbourhood about the danger from work (odor) 3. Educating community the nature of our business and the risk involved 4. Participation in company's safety & environmental month activities 5. Communication with the community regarding the processes in the plant	• We are building positive relationship with the communities around the work place and focus on supporting the communities to our relevant operations • Day to day participation with the community surrounding area that can build trust and better understanding and supportive from the community itself towards our business • Participation in conference • Public booth • Posters

SUSTAINABILITY REPORT

Engagement Approach	Engagement Focus & Objectives
MEDIA 1. Road show 2. Company website	• Media is the most important element for business success and it is the most powerful tools to promote our services and compete with our fellow competitors
NON-GOVERNMENTAL ORGANIZATION 1. Environmental, Safety and Health concerns	• Collaborating with NGO's to improve our services
ECONOMIC SHAREHOLDERS & THE INVESTMENT COMMUNITY 1. Financial and Economic impact and performance 2. Business development	• Through company annual meeting and directors meeting
GENERAL PUBLIC 1. Responsible for corporate governance 2. Social responsibility communications 3. Dealing with public complaint	• Company website • Improve company performance and reputation by fully utilizing available knowledge and technology in used to reduce the risks of environmental in a cost efficient and sustainable way
TALENT 1. Recruiting talent 2. Training and development new and existing talent 3. Retaining talent 4. Developing leadership talent 5. Creating talented ethical culture 6. Training planning 7. Open communication in both ways 8. Survey or interviews with stake holders 9. Provide mentoring, coaching & support to employees 10. Peer to peer feedback 11. Provide sufficient tools/equipment for the employee to perform optimally	• Improve company performance and reputation by fully utilizing available knowledge and technology in used to reduce the risks of environmental in a cost efficient and sustainable way • Improve business performance • Quality feedback to the management • Growth opportunity

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 also 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.

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.

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, and 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.

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, local authority 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.

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.

4. Prioritization of Material Sustainability Matters

Tex Cycle has undertaken a stakeholder prioritization and engagement process to engage with its stakeholders. These include ongoing efforts to engage with stakeholders in the usual course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback. The outcome of these engagements was considered in the course of the Group's materiality assessment.

As part of the process in conducting the materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence and dependence on the Group.
- To gain an insight into these key stakeholders' concerns, interests and expectations, the Group conducted discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified.
- Where applicable, Tex Cycle also took into account feedbacks from other stakeholder groups, gathered through various channels and through the on-going engagements during the course of conducting its business operation.

5. Process Review

The materiality process is undertaken as a key component of the Tex Cycle journey towards identifying the material sustainability matters. The SMC has reviewed and approved the processes and outcome of the materiality process including the Group's materiality which guides the Group in addressing and managing its material sustainability matters in its business operations. Selected materiality are illustrated below

ECONOMICS

WHISTLE-BLOWER POLICY AND PROCEDURES

Tex Cycle Technology (M) Berhad group of companies is committed to achieve the highest possible ethical standards in all of its practices. To achieve these means it encourages freedom of speech. All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or dangers to the Company or the environment, it can be difficult to know what to do.

Employees may be worried about raising such issues or may want to keep the concerns to themselves, perhaps feeling that it is none of their business or that it is only a suspicion. Employees may feel that raising the matter would be disloyal to colleagues, managers or to the Company. Employees may decide to say something but find that they have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

The Company has introduced this policy to encourage all employees to release any information that is evidence of illegal, immoral conduct or malpractices in the Company.

CODE OF CONDUCT AND ETHICS

The Group is committed to conduct its businesses and operations with integrity, openness and accountability and to also conduct its affairs in an ethical responsible and transparent manner. The Group has a code of Ethics and Conduct that set out the standards and ethical conduct expected of all employees and Directors of the Group.

The Ethics Conduct provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

CORPORATE GOVERNANCE AND COMPLIANCE

Tex Cycle, guided by the Malaysian Code on Corporate Governance, has been proactive in promoting good corporate governance and ensures that the principles and best practices of good governance are applied throughout the Group. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Report available in Bursa Malaysia Securities Berhad's website.

RISK MANAGEMENT

An integral part of good corporate governance, a comprehensive Risk Management framework enables Tex Cycle to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessment. Fraud and corruption risk have been identified as material to ensure sustainability.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee (AC). The AC, supported by the External Auditors and Internal Auditor who provides an independent assessment of the effectiveness of the Group's financial Risk and on Controls.

OUR SUPPLY CHAIN

Sustainability in supply chain has been increasingly recognized as an important aspect in corporate responsibility. In making responsible sourcing decisions, Tex Cycle has started to explore putting in place an appropriate approach to consider suppliers' economic, environmental and social ("EES") credentials in the lifecycle of supply chain.

In the emplacement of new suppliers, the Group has begun to incorporate sustainability – related criteria in assessing the suppliers' business practices such as workplace relations and, occupational health and safety. For existing vendors and suppliers, the Group in the process of sending out surveys to selected suppliers for them to share and affirm their commitment towards EES.

Tex Cycle is cognizant that there is still much to improve on managing sustainability in supply chain, and will continue to collaborate with its suppliers and vendors to work towards enhanced sustainability practices with respect to EES matters.

COMMITMENT TO QUALITY

Tex Cycle has the policies, procedures and best practices in place to deliver products and services of outstanding quality. Furthermore, regular reviews, process improvements and quality control assessments are ensuring that our processes remain in compliance and are continually enhanced.

CUSTOMER SATISFACTION

Customer satisfaction and engagement was identified as one of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly what customers expect from us improves our bottom line and strengthens our brands and reputation in the long term. The feedback generated provides insights into customer expectations that enable us to develop and deliver better products and services.

BUSINESS CONDUCT

We strive to be environmentally responsible and encourage all our stakeholders to do the same. Consequently, they need to use sustainable materials whenever they are cost-effective.

SAFETY AND HEALTH

It is one of our key priorities to maintain a safe and healthy work environment for our workforce. Our Safety and Health Policy goes beyond the requirements of the Occupational Safety and Health Act 1994 to ensure that our talent work under safe conditions. Our operations are governed by an internally established occupational safety, health and environmental management system, which is compliant with the international standards of ISO14001. We also believe in providing a comfortable and conducive working environment for our employees.

Tex Cycle is committed to protect the safety, health and welfare of all people and the environment. Our safety, health and environmental objectives have equal status with our other primary business and the management is responsible for implementing them.

SUSTAINABILITY REPORT

We promise to:

1. Create a safe and healthy working environment for our employees.
2. Obey all laws and regulations that apply to our business.
3. Act upon all unsafe work practices and conditions immediately
4. Reduce, Reuse and recycle wastes before disposal
5. Conserve energy, minimize the use of resources and prevent pollution.

ENVIRONMENTAL

Towards a Greater Planet

We are mindful of the environmental impact of our activities and maintain full compliance with all the environmental regulations. We take responsibility to managing our environmental impacts seriously. Tex Cyclewill continue to develop effective environment initiatives to protect the environment.

The industry we are in have extensive direct and indirect impacts on the environment and aligning ourselves with the goals of sustainable of sustainable development.

Tex Cycle has been in the industrial recycling business for nearly two decades and as the leading recycling company in the region, we feel an obligation to be a steward for the environment.

1. We are concerned with suitable development and continual protection as an integral part of the organization process development.
2. We commit to continual improvement and strive to prevent pollution and works towards reducing waste and consumption of resources that can affect the environment.
3. We make efforts to ensure all our activities comply with environment regulation. Any non-compliance would be tackled in the shortest time possible.
4. We set objectives and targets on a continual basis on environment impact assessment findings and review them annually.
5. Provide documentation of environmental Management System and make employees and all other members working at the site aware of them.
6. We communicate our environmental Policy to all employees and make it available to the public upon request.

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.

Pollution Control Monitoring – Air Emission

The Air Emission Monitoring was carried out by UiTM – A & A Laboratory in December 2018. The monitoring results and the Conclusion summary which has been certified by the accredited lab are as below:

PARAMETER	Unit	Results	Regulation 13
		Wet scrubber	CAR 2014
Oxides of Nitrogen as Nox	mg/m	Complied	700
Chlorine as Cl2	mg/m	Complied	32
Hydrogen Chloride as HCl	mg/m	Complied	200
Hydrogen Sulphide as H2S	mg/m	Complied	7.6
Hydrogen Fluoride as HF	mg/m	Complied	50
Oxide of sulphur as SOx	mg/m	Complied	500
Mercury as Hg	mg/m	Complied	3
Arsenic as As	mg/m	Complied	1
Cadmium as Cd	mg/m	Complied	3
Lead as Pb	mg/m	Complied	5
Antimony as Sb	mg/m	Complied	76
Ammonia as NH3	mg/m	Complied	76
Benzene	mg/m	Complied	5
Formaldehyde	mg/m	Complied	20
Zinc as Zn	mg/m	Complied	-

Conclusion:

The wet scrubber of Tex Cycle (P2) Sdn. Bhd. had complied with Regulation 13 of the Environmental Quality (Clean Air) Regulation, 2014.

Pollution Control Monitoring – Boundary Noise

The Boundary Noise Monitoring for Tex Cycle was carried out by UiTM – A & A Laboratory in December 2018. The monitoring results and the Conclusion summary which has been certified by the accredited lab are portrayed below:

Sampling Points		Limit (dB)	LAeq (dBA)	Compliance Against DOE's guideline Schedule of Permissible Sound Levels (Schedule 1)
Garden (N1)	Day	56.9	70	• Complied
	Night	49.4	60	• Complied
Production Area (N2)	Day	52.2	70	• Complied
	Night	47.5	60	• Complied
Receiving Area (N3)	Day	51	70	• Complied
	Night	49.8	60	• Complied
Treatment Plant (N4)	Day	54.7	70	• Complied
	Night	49.9	60	• Complied

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.

Treated Wastewater Quality Analysis Year 2018

No.	Parameter	Units	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	Std. B	Std. A
1	Temperature	°C	23.4	23.4	22.4	25.6	23.7	23.7	23.5	19.20	23.7	23.4	21.4	23.4	**40.00**	**40.00**
2	pH Value		7.0	7.8	8.1	7.2	6.9	7.20	8.1	8.20	9.0	7.3	7	7.1	**5.5 - 9.0**	**6.0 - 9.0**
3	BOD at 20 °C	mg/L	13.0	8.0	14.0	5.0	7.0	9.00	7	11.00	15.00	12	11	13.0	**50**	**20**
4	COD	mg/L	33.0	20.0	60.0	20.0	23.0	20.00	16	46	51	43	36	40	**200**	**200**
5	Suspended Solids	mg/L	10.0	4.0	12.0	4.0	5.0	5.0	13	7	82	12	12	3	**100**	**50**
6	Mercury	mg/L	0.001	0.001	0.001	0.001	0.001	0.0010	0.0010	0.0010	0.0010	<0.0010	<0.0010	<0.0010	**0.05**	**0.005**
7	Cadmium	mg/L	0.005	0.005	0.005	0.005	0.005	0.0050	0.0050	0.0050	0.0050	<0.0050	<0.0050	<0.0050	**0.02**	**0.1**
8	Chromium, Hexavalent	mg/L	0.05	0.05	0.05	0.05	0.05	0.05	0.0500	0.0500	0.0500	<0.05	<0.05	<0.05	**0.05**	**0.05**
9	Chromium, Trivalent	mg/L	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	<0.10	<0.10	<0.10	**0.10**	**0.20**
10	Arsenic	mg/L	0.05	0.05	0.05	0.05	0.06	0.05	0.05	0.05	0.05	<0.05	<0.05	<0.05	**0.10**	**0.05**
11	Cyanide	mg/L	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	<0.050	<0.050	<0.050	**0.10**	**0.05**
12	Lead	mg/L	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.15	0.05	<0.05	<0.05	<0.05	**0.5**	**0.10**
13	Copper	mg/L	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	<0.10	<0.10	<0.10	**1.0**	**0.20**
14	Manganese	mg/L	0.55	0.26	0.32	0.24	0.42	0.30	0.37	0.32	0.10	0.30	<0.10	0.32	**1.0**	**0.20**
15	Nickel	mg/L	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	<0.10	<0.10	<0.10	**1.0**	**0.20**
16	Tin	mg/L	0.10	0.10	0.10	0.10	0.20	0.10	0.40	0.40	0.60	<0.1	<0.1	<0.1	**1.0**	**0.20**
17	Zinc	mg/L	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	<1.0	<1.0	<1.0	**2.0**	**2.0**
18	Boron	mg/L	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	<0.5	<0.5	<0.5	**4.0**	**1.0**
19	Iron (Fe)	mg/L	2.42	0.50	0.50	0.50	0.80	0.50	0.50	0.50	0.50	<0.50	<0.50	<0.50	**5.0**	**1.0**
20	Silver	mg/L	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	<0.05	<0.05	<0.05	**1.0**	**0.1**
21	Aluminium	mg/L	5.00	5.00	5.00	5.00	5.00	5.00	5.0	5.0	14.2	<5.00	<5.00	<5.00	**15.0**	**10**
22	Selenium	mg/L	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	<0.010	0.011	<0.010	**0.5**	**0.02**
23	Barium	mg/L	1.80	1.70	1.60	1.80	1.80	1.70	1.90	1.70	1.40	1.8	1.5	1.6	**2.0**	**1.0**
24	Fluoride	mg/L	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	<0.10	<0.10	<0.10	**5.0**	**2.0**
25	Formaldehyde	mg/L	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.03	<0.5	<0.5	<0.5	**2.0**	**1.0**
26	Phenol	mg/L	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	<0.02	<0.02	0.03	**2.0**	**1.0**
27	Free Chlorine	mg/L	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	<0.5	<0.5	<0.5	**5.0**	**2.0**
28	Sulphide	mg/L	0.20	0.20	0.20	0.20	0.20	0.20	1.20	0.20	0.20	<0.2	<1	<0.2	**2.0**	**1.0**
29	Oil & Grease	mg/L	1.0	1.0	1.0	1.0	4.0	1.0	1.0	1.0	1.0	<1	<5.00	<1	**10.0**	**1.0**
30	Ammonia	mg/L	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	<5.00	<10	<5.00	**20.00**	**10**
31	Colour	mg/L	139.0	10.0	31.0	10.0	18.0	10.0	10.0	10.0	10.0	<10	<10	<10	**200**	**100**

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.

WATER MANAGEMENT & CONSUMPTION

We promote the water saving practices among employees and adopting water-efficient technologies and equipment wherever possible. The water consumed at our head office is obtained from the municipal water supply. We have taken small steps to control the water usage to be in line with the sustainability efforts, namely:

- Slow the flow. Adjusting water pressure/outflow for toilets, wash basins, pantry, throughout our head office building.
- Seek the Leak. Conducting checks and fixing leaks immediately, where possible.

The Water usage below is presented for the Head Office.The date presented below is representative of our first attempt to consolidate the water and electricity consumption statistics in the head office.

Environment	2016 (RM)	2017 (RM)	2018 (RM)
Total Water Consumption - Head Office	11,356	11,896	23,081
Total Electricity Consumption – Head Office	359,540	493,962	531,343

ENERGY MANAGEMENT

We understand that the energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Our electricity supply is from the local supply and we aim to minimize the energy usage in our head office by implementing the following efforts:

- A lighting schedule across key areas in our head office to switch off lights during certain hours of least use.
- Maintenance and replacement of electrical equipment and light fittings to maximize energy efficiency
- Campaign to remind all staff to switch off the lighting, water dispenser, air conditioning, or
- Other electrical appliances in office and pantry when they are not required.

WASTE MANAGEMENT

Tex Cycle Technology (M) Berhad acknowledges that the environmental impact of paper usage is significant. The Group's approach to waste management is to avoid unnecessary paper consumption and waste generation, where possible and appropriate, in order to reduce the wastage. Tex Cycle has always looked at ways to reduce paper usage, so that less waste. Generally the group practises the following on the paper management:

- Reducing paper – by encouraging avoiding printing and photocopying and emphasising on paperless and electronic mode. In addition to this, practise double sided printing or reduce the size to have the best economical usage of papers.
- Reusing – by printing on the other side of the printed papers
- Recover Recycle – recycle the papers by having proper recycling bins

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.

STORAGE AND COLLECTION OF RECYCLABLES

Tex Cycle has also come out with initiative for storage and collection of wastages and recyclables. This initiative objective includes:

- To provide dedicated area and storage for collection of non-hazardous material for recycling
- To facilitate the reduction of scheduled waste generated that is hauled to generate energy.
- To designate a dedicated area where on-site sorted waste materials can be stored in separate skids for collection facilities.

Table below shows the types of items recycle/ reused/ disposal at site.

Colour	Items
Orange	Plastic & Aluminium Cans
Blue	Paper
Brown	Glass

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

SOCIAL

The Importance of Community

The Group is committed to promote social responsibilities as an integral part of the Group whilst pursuing business growth to enhance shareholders and stakeholders value. Management recognises that for long term sustainability, its strategic orientation will need to cater beyond the financial parameters.

As we look back on 2018, we are proud of these values for safety, quality, integrity, diversity, innovation and sustainability have shaped our on-going commitment to corporate social responsibility and have challenged us to reach even higher to ensure we are a responsible corporate citizen, employer of choice, and a positive contributor to the economy during economic downpour.

SUSTAINABILITY REPORT

A strong commitment to social responsibility programs can protect and enhance a company's brand. As the word gets out about a company's good works, it can help create a positive working environment and attract desirable employee a strong commitment to corporate social responsibility programs.

The Company manage to organise several activities to sustain its corporate social responsibilities (CSR) to the environment, employees and community. Among the main programmes initiated were Quality, Health, Safety, Security and Environmental (QHSSE) campaign, Sport and Recreational activities and welfare events.

The social 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 objective
- Exhibition and roadshows on environmental awareness and community projects
- Annual Report that summarize Financial Report and Corporate Responsibility (CR) activities
- Sustainability Report (Environmental Report) according to ACCA guidelines
- Website provides more information on activities, products, community services and events

Our Approach

Our initiatives in the community are concentrated on:

1. Workplace

    (a) Education and Individual Development

    (b) Sports and Recreational Activities

2. Community;

3. Safe Workplace Practices;

4. Leadership & Commitment;

1. Workplace

a. Education and Individual Development

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 humans. 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 training
- 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

b. Sports and Recreational Activities

In addition to encouraging continued participation, Tex Cycle prides itself on developing programmed and projects in partnership with the community that promotes a series of benefits beyond the traditional aspirations of improved health and wellbeing.

It's our culture and belief that sport and recreation can be a vehicle for positive social change. By participating in sport can improve the quality of life of individuals and communities, promote social inclusion, improve health, counter anti-social behaviour, raise individual self-esteem and confidence, and widen horizons.

We establish partnership with a range of organisations and agencies, to demonstrate the extent to which sports can contribute as well as to assist the organisations to achieve its objectives. We promote the following elements for the wellbeing of the individuals and community:

- Brings people together, providing opportunities for social interaction.
- Empowers, inspires and motivates individuals.
- Improves mental health.
- Reduces pollution – promotes use of active modes of transport like walking and cycling.
- Provides a vehicle for inclusion, drawing together people of different races, religions and cultures.
- Creates opportunities for, and promotes, volunteering.
- Contributes to higher levels of self-esteem and self-worth.
- Helps to sustain the environment through protecting open space and natural areas.

2. Community

Tex Cycle is dedicated to support the community by reaching out to the community around us. During the financial year, the Group had made monetary donation to various organizations like charities, sports activities and religious establishments. These contributions were in line with the Group's commitment to support and keep abreast with society's evolving needs.

A major focus of our community initiatives is in education. Each year we provide internships to deserving Malaysians to take part in the internship programme whereby we provide practical training to the undergraduates where opportunities of employment are given to them upon completion of their studies. The training provided them with valuable experiences and knowledge besides the opportunity to fulfil their university requirements.

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.

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.

Another focus of Tex Cycle 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.

3. Safe Workplace Practices

Tex Cycle is committed to providing a safe work environment and ensuring team members are properly trained in all aspects of their work. Therefore, the company's, Health, Safety, Security and Environmental programme is designed to integrate HSSE initiatives into all aspects of business operations.

4. Leadership & Commitment

Top management ensure that the requirements of the management system, including the policies and objectives, are consistent with the strategic context and direction of our organisation, and that the policies and objectives are established whilst ensuring that the human and financial resources needed for implementing the Management System are available.

We continue to strive to adhere to stringent occupational safety and health practices, providing a safer working environment for our workforce.

Our commitments are:

a. 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.
b. 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.
c. 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.
d. 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.
e. 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.
f. Customer EMP - We support Customers' EMS, ISO14001 certification and environmental program by assisting customers with their regulation and compliance issues.

g. 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.

5. Management Review for HSSE Policies & Procedures

The Management Review process requires that the HSSE policies and procedures is reviewed by Management at planned intervals to ensure continued system effectiveness and efficiency.

The details of amendments were made accordingly.

Awards Achieved Prior 2017

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

Prime Minister Hibiscus Awards

Tex Cycle was the winner of the year 2004 "AnugerahAlamSekitar" Award. The Industry Environmental Award for SME is the highest award given out by the Selangor State Government.

- Prime Minister Hibiscus Award 2005/2006 (Notable / SMI Special Award)
- Prime Minister Hibiscus Award 2006/2007 Selangor Government
- Prime Minister Hibiscus Award 2006/2007 SME Special Award
- Prime Minister Hibiscus Award 2006/2007 Exceptional Achievement in Environmental Performance
- Prime Minister Hibiscus Award 2008/2009 for Notable Achievement in Environmental Performance

Malaysian Canadian Business Council

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

ACCA

- ACCA – MaSRA First Time Reporting 2006
- ACCA Malaysia Sustainability Reporting Awards for Transparency (MaSRA) 2009 (shortlisted)
- ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2011 – (shortlisted) National Award for ManagementAccounting
- 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)

SUSTAINABILITY REPORT

- 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 StarBiz ICR Malaysia
- Corporate Responsibility Award 2010 for Marketplace Category for market capitalization be low RM1billion from StarBiz ICR Malaysia

KPMG Malaysia

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

Looking Ahead

For several years we continuously publish our Sustainability Statement under the category of CSR, and although we have made some development towards formalising sustainability within our business, we recognise that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure. As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

Moving forward, we will enhance the materiality factors and metrics and targets to measure issues that are material to our business and move towards benchmarking our progress against international standards of reporting.

As we look to the future, it is our hope that we will continue to introduce new and exciting quality for our customers, enrich our local communities, create value for our stakeholders, and be an organisation that people will be proud to associate.

SHE Month

- Trainings for drivers – Safety & Spillage Trainings
- Environmental Movie Night
- BOMBA training for Emergency Response Team

Instructions are in place to ensure fast and effective response to the emergency situation. The production staff and drivers are trained on the standard operating procedures for these emergency situations and also carry out emergency mock drills.

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

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

Customers and contractors are also briefed on the emergency route and plan before entering into the production floor. The staff also have the opportunity to train with our customers on the cross training program on emergency spillage exercise. Tex Cycle staff will be able to cross examine the experience and knowledge they have gained from their own trainings.

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

- Product Submission
- Gotong Royong
- Poster & Product Judgement by DOE
- Futsal league
- Badminton Tournament – 06.10.2018
- First Aider training - ST. JOHN'S training on First Aid, CPR, bleeding, fracture, shock, responsibility, do's and don'ts of a first aider.
- Poster Submission

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 2018.

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
Ravindran Markandu
Senior Independent Non-Executive Director

Members
Razali Bin Jantan (Resigned on 9 April 2018)
Independent Non-Executive Director

Alagasan A/L Varatharajoo
Independent Non-Executive Director

Chan Jee Peng (Appointed on 8 October 2018)
Independent Non-Executive Director

The Audit Committee comprises three (3) Non-Executive Directors during FYE 31 December 2018, all of whom are Independent Directors. The Chairman of the Audit Committee, Mr. Ravindran Markandu is a Fellow Member 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")

Subsequent to the resignation of Encik Razali Bin Jantan on 9 April 2018, the Nominating Committee and the Board of Directors had on 8 October 2018 appointed Mr. Chan Jee Peng as the Independent Non-executive Director as well as a member of the Audit Committee.

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.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are available on Tex Cycle Technology (M) Berhad's website at http://texcycle.com.my/texcycle/terms-of-reference-of-audit-committee/.

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.

The Audit Committee has met with the external and internal auditors without executive board members present at least twice a year.

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

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

Committee Members	Meeting Attendance
Ravindran Markandu	6/6
Alagasan A/L Varatharajoo	6/6
Chan Jee Peng (Appointed on 8 October 2018)	1/1
Razali Bin Jantan (Resigned on 9 April 2018)	2/2

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 tha 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.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Group's internal audit function ("IAF") is outsourced to a professional Internal Audit firm, Smart Focus Group which adopts internal audit standards and best practices based on the International Professional Practices Framework, endorsed by the Institute of Internal Auditors Malaysia. The IAF team is headed by an Associate Director - Advisory, who is a member of the Malaysian Institute of Internal Auditors and was assisted by three staff during the financial year under review.

None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions. IAF 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

Details of the Groups' internal control system and risk management framework are set out under Statement on Risk Management and Internal Control in this Annual Report.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committees' activities during the financial year under review comprised the following:-

Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and

- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-

  - Any change in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

External Auditors

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the external audit review memorandum and audit planning memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of external auditors; and
- reviewed and evaluated the factors relating to the independence of the external auditors.

At the Audit Committee Meeting held on 13 November 2018, the Audit Committee recommended to the Board for approval of the audit fee of RM93,000.00 in respect of the financial year ended 31 December 2018.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm, namely Smart Focus. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report directly to the Audit Committee, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

Internal Control and Risk Management

The internal control and risk management activities carried out during the financial year are as follows:-

- reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- reviewed risk management report and internal audit reports;
- reviewed the effectiveness and adequacy of risk management, operational and compliance processes;
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised; and
- monitored and reviewed fraud cases.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions (“RPT”) and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The Audit Committee reviews the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The Audit Committee also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Tex Cycle Technology (M) Berhad ("TEX CYCLE" or "the Company") is committed to uphold the high standards of corporate governance throughout TEX CYCLE and its subsidiaries ("the Group") with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This corporate governance overview statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group's website at www.texcycle.com.my .

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board 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.

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.

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 A/L 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.

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 http://texcycle.com.my/texcycle/board-charter/ and will be reviewed annually to ensure it remains consistent with the Board's objectives, responsibilities and practices

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The details of the Whistle-blowing Policy are available for reference at the Company's website at http://texcycle.com.my/texcycle/whistle-blowing-policy/.

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's constitutions, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

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 A/L Sinakalai	5/5	100%
Ho Siew Cheong	4/5	80%
Ho Siew Weng	5/5	100%
Non-Executive Directors		
Razali Bin Jantan (Resigned on 9 April 2018)	2/2	100%
Ravindran Markandu	5/5	100%
Alagasan A/L Varatharajoo	5/5	100%
Chan Jee Peng (Appointed on 8 Oct 2018)	1/1	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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

During the financial year ended 31 December 2018, the Directors have attended several relevant courses as below:

Directors	Seminar / Conference / Workshop
Ho Siew Choong	Setting the Stage for a New Malaysia and Dana Malaysia Talk
Periasamy A/L Sinakalai	Environmentally Sound Management of Mercury Waste Generated from Oil & Gas Industries in Malaysia
Ho Siew Weng	Risk First Approach and Market Outlook
	Forex Outlook
	Inaugural Town Hall Session: Re Industry with YB Puan Yeo Bee Yin
	Investment Forum 2018 What is Next
	Waste Management and Waste to Energy Asia Summit 2018 Malaysia Focus
	Setting the Stage for a New Malaysia and Dana Malaysia Talk
Ho Siew Cheong	SEDA Renewable Energy (RE) Focus Group Discussion – Waste to Energy Sector
	Inaugural Town Hall Session: Re Industry with YB Puan Yeo Bee Yin
Ravindran Markandu	Sustainability Report Training by Smart Focus
	Case Study Workshop for Independent Directors
Alagasan A/L Varatharajoo	Sustainability Report Training by Smart Focus
Chan Jee Peng (Appointed on 8 Oct 2018)	Accountants of Today: Charting Tomorrow's Future
	Going Concern – ISA 570 (Revised)
	Audit Quality Enhancement Programme for SMPs 2018

II. Board Composition

The Board currently consists of seven (7) members, comprising the Executive Chairman, Managing Director, two (2) Executive Director, and three (3) Independent Non-Executive Directors. Based on the annual review of the composition of the Board carried out by the Nomination Committee, the Board is satisfied that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

Nonetheless, the Company is engaging with various parties including some retiring officers from the government to join the Board as Independent Non-Executive Directors to meet the requirement under Practice 4.1.

The Board reviews and assesses the independence of directors annually based on the criteria set by the Nomination Committee. One of the assessment criteria is the ability of the individual director to exercise objectivity in the discharge of his or her responsibilities in the interest of the Company. During the financial year, a self-declaration was conducted at each Board meeting where all Directors declared the nature of their interest in the Company, whether direct or indirect, or any circumstance which may potentially affect their independence. The Board had also carried out independence assessment of its Non-Executive Directors in terms of their relationship and dealings with the Company and the Board is of the view that all the Non-Executive Directors remain independent.

The Board is of the view that throughout their tenure, the Independent Directors had demonstrated independence in character and judgement, and had always looked out for the best interest of the Company without fear or favour. The Independent Directors had provided independent view based on their experience and knowledge that allow for diverse and objectives perspectives on the Group's business and direction. The Board believes that the length of service on the Board did not impair the objectivity of these Independent Directors. Moreover, the Independent Directors had made significant contributions to the Board in view of their sufficient breadth of understanding of the Group's activities and corporate history that will continue to add value to the Board.

The Company currently does not have a policy to limit the tenure of its independent directors to nine (9) years. Nevertheless, pursuant to Practice 4.2 of the MCCG, the Company will seek its shareholders' approval to retain its Independent Director at the forthcoming AGM.

III. 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 was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website at http://texcycle.com.my/texcycle/terms-of-reference-of-remuneration-committee-meeting/.

During the financial year, the Remuneration Committee had carried out the following activities:

(a) reviewed and assessed the performance and the remuneration package of the Executive Directors;
(b) reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2018;
(c) reviewed and assessed the performance and the remuneration package of the key Senior Management;
(d) reviewed and updated its Terms of Reference; and
(e) reviewed the Board Remuneration Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(i) Received from the Company

		Fees and meeting allowances (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPS, SOCSO & EIS (RM)	Benefit-in-Kind (RM)	Total (RM)
Executive Directors							
1.	Ho Siew Choong	60,000	6,000	-	-	-	66,000
2.	Periasamy A/L Sinakalai	-	4,900	-	-	-	4,900
3.	Ho Siew Weng	-	4,200	-	-	-	4,200
4.	Ho Siew Cheong	-	3,500	-	-	-	3,500
Non-Executive Directors							
5.	Ravindran Markandu	37,500	10,500	-	-	-	48,000
6.	Alagasan A/L Varatharajoo	36,000	11,800	-	-	-	47,800
7.	Chan Jee Peng	9,000	3,100	-	-	-	12,100
8.	Razali Bin Jantan (Resigned on 9 April 2018)	9,000	3,500	-	-	-	12,500
Total:		151,500	47,500	-	-	-	199,000

(ii) Received from the Subsidiaries Companies

		Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPS, SOCSO & EIS (RM)	Benefit-in-Kind (RM)	Total (RM)
Executive Directors							
1.	Ho Siew Choong						
2.	Periasamy A/L Sinakalai	Please refer to page 125 of the Annual Report 2018.					
3.	Ho Siew Weng						
4.	Ho Siew Cheong						
Non-Executive Directors							
5.	Ravindran Markandu						
6.	Alagasan A/L Varatharajoo	Please refer to page 125 of the Annual Report 2018.					
7.	Chan Jee Peng						
Total:							

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Group comprises the following members:

Chairman
Ravindran Markandu
Senior Independent Non-Executive Director

Members
Alagasan A/L Varatharajoo
Independent Non-Executive Director

Chan Jee Peng (Appointed on 8 October 2018)
Independent Non-Executive Director

Razali Bin Jantan (Resigned on 9 April 2018)
Independent Non-Executive Director

The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its TOR which is available on the Company's website.

The Board, through its Audit Committee maintains a formal and transparent relationship with its External Auditors. The Audit Committee ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The Audit Committee assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

In the course of their audit, the External Auditors highlighted to the Audit Committee matters pertaining to the financial reporting. Private meetings between them were held twice during the financial year without the presence of the Management and Executive Directors, to discuss any issues that may require the attention of the Audit Committee.

The full details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report of this Annual Report.

II. Risk Management and Internal Control Framework

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.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.

The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Bursa Malaysia's website and engagement through the investor relation function.

II. Conduct of General Meetings

General meetings are the important platform for the shareholders to exercise their rights in the Company, either in AGM or Extraordinary General Meetings.

Shareholders are invited to the general meetings through a notice of meeting that specify the venue, day and hour of the meeting, as well as the business of the meeting. The notice of meeting together with the annual report is sent to the shareholders at least 21 days prior to the AGM, so as to maximise their attendance and to provide sufficient time for them to consider the business to be discussed at the meeting. Concurrently, the notice of AGM is advertised in a nationally circulated English daily newspaper. In order to facilitate informed decision by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.

All the directors present themselves at the previous AGMs. The Audit Committee Chairman, the Nomination Committee Chairman and the Remuneration Committee Chairman were being informed that questions relating to the Committee under their purview will be addressed by them accordingly.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts a manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 21 March 2019.

NOMINATING COMMITTEE REPORT

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

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

The Nominating Committee comprise of the following during the financial year ended 31 December 2018:

Chairman
Alagasan A/L Varatharajoo
Independent Non-Executive Director

Members
Ravindran Markandu
Senior Independent Non-Executive Director

Chan Jee Peng (appointed on 8 October 2018)
Independent Non-Executive Director

Razali Bin Jantan (resigned on 9 April 2018)
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 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.

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;
- 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.

NOMINATING COMMITTEE REPORT

Activities of Nominating Committee

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

- Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Review and assess 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, who has served on the Board for a cumulative period of more than 9 years.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board is fully aware of the importance of the internal audit function and has engaged an independent professional firm namely Smart Focus Group to provide independent assurance to the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The IA Firm adopts a risk based approach and prepares its audit plan based on the risk profiles from the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the Audit Committee. On a half yearly basis the IA Firm presents the Audit Committee with the internal audit reports.

During the year under review, Internal audit reviews were carried out by the Internal Audit team to address the related internal control weaknesses. Significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

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 AND INTERNAL CONTROL

In 2018, 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 Review, Follow-up Review and Risk Management profiling reports. The Internal Audit function has reviewed the state of internal control on various operations within the company based on the information provided by the management and line managers. namely,

- Governance
- Plant Operations
- 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 in line with the international standards (COSO and ISO Standards) 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 AND INTERNAL CONTROL

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 2018 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.

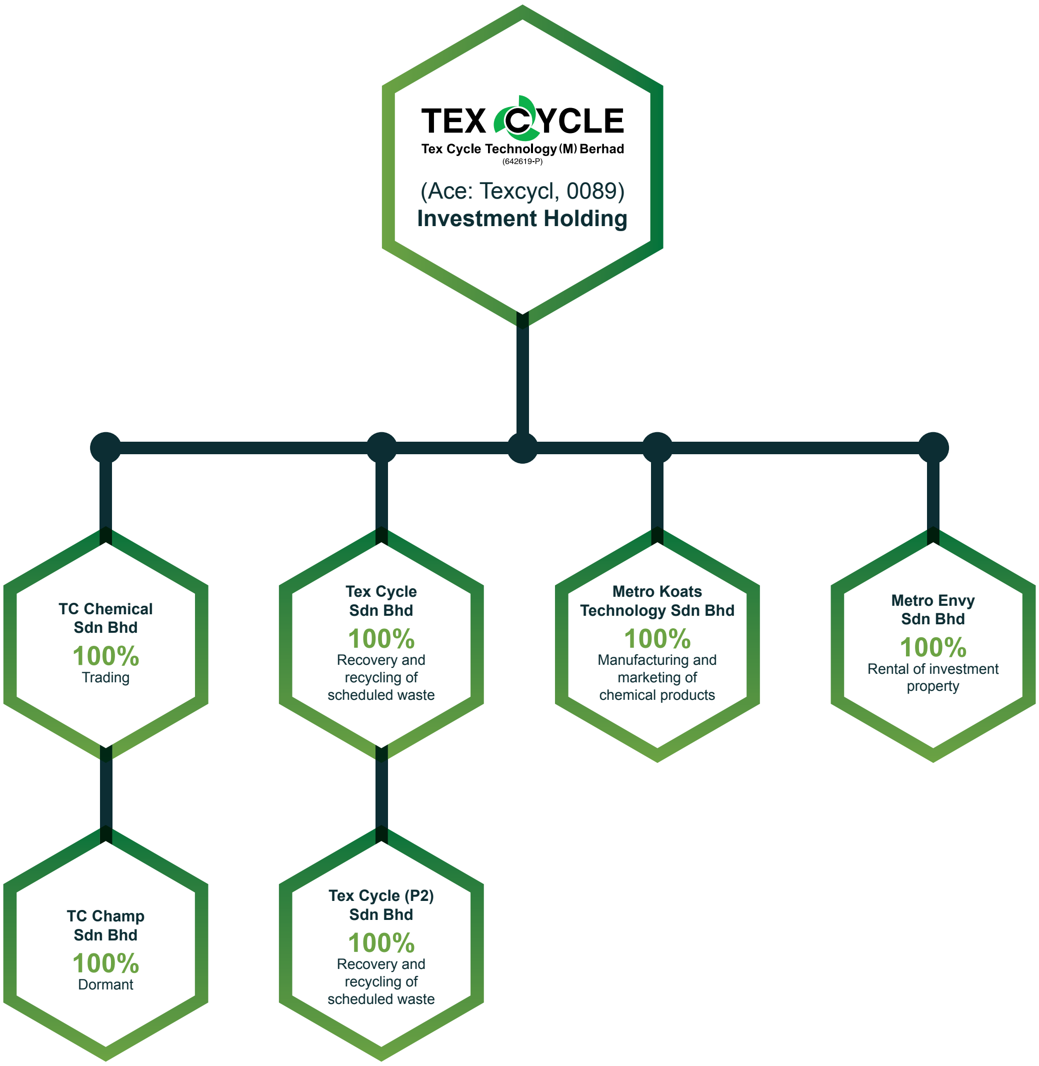
The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of 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. , TC Chemical Sdn. Bhd. and TC Champ 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.

TC CHAMP SDN. BHD.

TC Champ was incorporated on 1 November 2018. Its intended principal activity is trading and manufacturing, including import and export of food and feed additive, supplement 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.

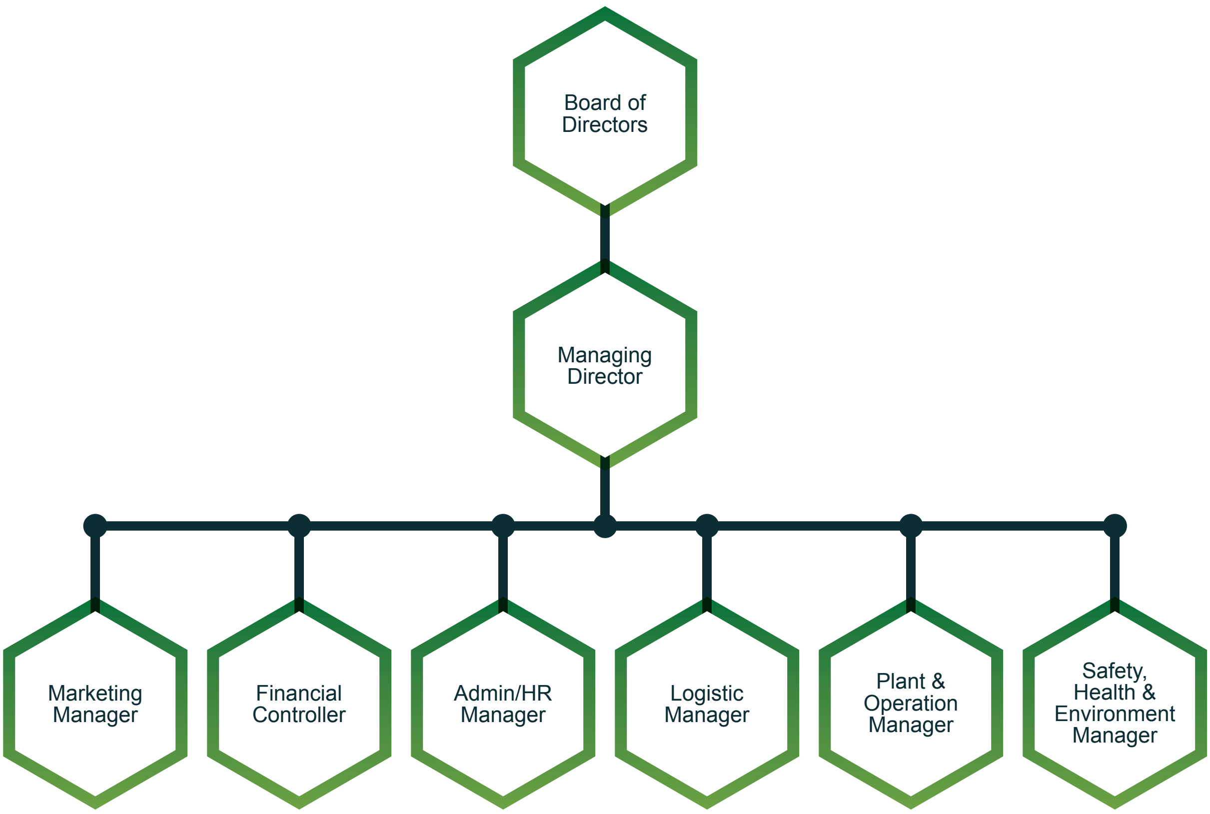
TEX CYCLE SDN. BHD.

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



CORPORATE PROFILE

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


SIRIM QAS INTERNATIONAL

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.


IQNet
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


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
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Managing Director
SIRIM QAS International Sdn. Bhd.


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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

VISION

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

MISSION

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

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

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

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

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

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

CORPORATE VALUES

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

TEX CYCLE'S GROWTH STRATEGY

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

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

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:-

Employee Share Scheme

During the year 2017, the Company has establishment an Employees' Share Scheme ("ESS") of up to 10% of the total number of Shares (excluding treasury shares) at any point in time during the 5 years duration of the scheme to the eligible executive directors and employees of Tex Cycle and its subsidiaries which are not dormant.

The first ESS amounting to 1,460,000 units of ordinary shares had been allocated and distributed on 11 January 2018 with the following details:

Shares granted to:-

	Unit of Shares	%
Directors and Senior Management	1,023,200	70
Other Employees of the Group	436,800	30
Total	1,460,000	100

New Issuance of Share

The Company has proposed special Bumiputera issue of up to 40,260,000 new shares representing 12.50% of the enlarged total number of Shares to the Bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry ("MITI") at RM0.75 per share. There was no acceptance by the placees identified and/or approved by the Ministry of International Trade and Industry ("Bumiputera Investors") and as such, no new Tex Cycle Shares were placed out to the Bumiputera Investors pursuant to the Special Bumiputera Issue. On 23 May 2018 The Company notified the Equity Compliance Unit of Securities Commission Malaysia ("SC(ECU)") that Tex Cycle is deemed to have complied with the Bumiputera equity condition imposed by the SC(ECU) in relation to the approval granted to Tex Cycle for its listing proposal, thus marking the completion of the Special Bumiputera Issue.

Status of Utilisation of Proceeds

There were no corporate proposals involving the raising of funds during the financial year ended 31 December 2018.

Share Buy-back

During the year, the Company purchased 1,404,100 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM876,408 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 RM0.62 per share. The repurchased shares are held as treasury shares in accordance with Section 127 of the Companies Act, 2016.The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 16 May 2018, renewed their approval for the Company's plan to repurchase its own shares.

ADDITIONAL COMPLIANCE INFORMATION

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)
March 2018	104,000	0.76	0.69	0.74	77
April 2018	385,400	0.69	0.67	0.68	263
May 2018	52,600	0.69	0.67	0.68	36
June 2018	27,100	0.69	0.68	0.68	19
Sep 2018	127,800	0.67	0.60	0.64	82
October 2018	269,700	0.63	0.58	0.60	179
November 2018	226,900	0.60	0.57	0.59	134
December 2018	287,600	0.58	0.56	0.58	166

As at 31 December 2018, the cumulative total number of shares repurchased was 2,966,650 (2017: 1,945,700). Of the total 256,189,496 (2017: 256,189,496) issued and fully paid ordinary shares as at 31 December 2018, 2,966,650 (2017: 1,945,700) are held as treasury shares by the Company.

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 2018.

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 2018.

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 2018.

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 2018 amounted to RM28,000.

Variation in Results

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2018.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2018.

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 2018 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 2018.

DIRECTOR'S RESPONSIBILITY 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 2016 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.

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FINANCIAL STATEMENTS

CORPORATE INFORMATION

DIRECTORS	Ho Siew Choong (Executive Chairman) Periasamy A/L Sinakalai (Managing Director) Ho Siew Cheong (Executive Director) Ho Siew Weng (Executive Director) Ravindran Markandu (Senior Independent Non-Executive Director) Alagasan A/L Varatharajoo (Independent Non-Executive Director) Chan Jee Peng (Independent Non-Executive Director) (Appointed on 8 October 2018) Razali Bin Jantan (Independent Non-Executive Director) (Resigned on 9 April 2018)
AUDIT COMMITTEE	Ravindran Markandu (Senior Independent Non-Executive Director) Alagasan A/L Varatharajoo (Independent Non-Executive Director) Chan Jee Peng (Independent Non-Executive Director) (Appointed on 8 October 2018)
SECRETARY	Wong Youn Kim (MAICSA 7018778)
AUDITORS	Grant Thornton Malaysia (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
REGISTERED OFFICE	HMC Corporate Service Sdn. Bhd. Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	Lot 8942, Jalan Telok Gong 42000 Klang Selangor Darul Ehsan
BANKERS	Public Bank Berhad Hong Leong Bank Berhad CIMB Investment Bank Berhad Malayan Banking Berhad United Overseas Bank Berhad Maybank Islamic Berhad Affin Hwang Asset Management Berhad Libra Invest Berhad
STOCK EXCHANGE LISTING	ACE Market of Bursa Malaysia Securities Berhad

REPORT OF THE DIRECTORS

The Directors 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 2018.

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issue share capital held by the holding company in the subsidiary is as disclosed in Note 13 to the Financial Statements.

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

FINANCIAL RESULT

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

	Group RM	Company RM
Profit for the financial year	7,747,031	879,308

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid and declared since the end of the previous financial year were as follows:

In respect of the financial year ended 31 December 2018	RM
First single tier interim dividend of RM0.0060 per share declared on 13 June 2018 and paid on 18 July 2018	1,533,722

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up shares capital of the Company during the financial year.

There were no new issuance of debentures by the Company.

TREASURY SHARES

During the financial year, the Company purchased 1,508,100 units of its own shares as disclosed in Note 19 to the Financial Statements. The total amount paid for acquisition of the shares was RM953,588 including transaction costs and has been deducted from equity. The repurchased transactions were financed by internally generated funds and the average price paid for the shares was RM0.63 per share.

REPORT OF THE DIRECTORS

TREASURY SHARES (CONT'D)

On 11 January 2018, the Company utilised 1,460,000 units of its treasury shares for distribution of 1,460,000 units of shares for employees share grant plan.

As of 31 December 2018, the Company held 2,966,650 treasury shares out of its 256,189,496 issued ordinary shares. The treasury shares are held in accordance with Section 127(6) of the Companies Act, 2016.

EMPLOYEES SHARE SCHEME

At the Extraordinary General Meeting held on 4 October 2017, the Company's shareholders approved the establishment of employees share grant plan and employees share option scheme under the employees share scheme for the eligible Directors and employees of the Group.

During the financial year, 1,460,000 unit of shares are granted for employees share grant plan.

No employees share option are granted for the employees share option scheme during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements 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 in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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 would 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 have become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

DIRECTORS OF THE COMPANY

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

Ho Siew Choong (Executive Chairman)*
Periasamy A/L Sinakalai (Managing Director)*
Ho Siew Cheong (Executive Director)*
Ho Siew Weng (Executive Director)*
Ravindran Markandu (Senior Independent Non-Executive Director)
Alagasan A/L Varatharajoo (Independent Non-Executive Director)
Chan Jee Peng (Independent Non-Executive Director) (Appointed on 8 October 2018)
Razali Bin Jantan (Independent Non-Executive Director) (Resigned on 9 April 2018)

* Directors of the Company and its subsidiaries

DIRECTORS' INTERESTS IN SHARES

The interests 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 in Malaysia, are as follows:

	Number of ordinary shares			
	Balance as of 1.1.2018	Bought	Sold	Balance as of 31.12.2018
Interest in the Company				
Ho Siew Choong				
Direct	12,349,354	146,000*	-	12,495,354
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	308,250	46,100	-	354,350
Periasamy A/L Sinakalai				
Direct	11,584,147	146,000*	(1,500,000)	10,230,147
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	906,750	1,563,700	-	2,470,450
Ho Siew Cheong				
Direct	6,427,447	146,000*	-	6,573,447
Deemed (Note 1)	106,007,938	-	-	106,007,938
Ho Siew Weng				
Direct	3,374,395	146,000*	-	3,520,395
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	596,250	-	-	596,250

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES (CONT'D)

The interests 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 in Malaysia, are as follows (cont'd):

	Number of ordinary shares			
	Balance as of 1.1.2018	Bought	Sold	Balance as of 31.12.2018
Interest in the Company (cont'd)				
Ravindran Markandu				
Direct	357,500	15,000	-	372,500
Indirect (Note 2)	4,500	-	-	4,500
Alagasan A/L Varatharajoo				
Direct	45,000	5,000	-	50,000

Note 1: Deemed interest by virtue of his interest in Can Cycle Sdn. Bhd. pursuant to Section 8(4) of the Companies Act, 2016.

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.

* Employees share grant plan

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 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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 6 to Financial Statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Significant events during and subsequent to the financial year are disclosed in Note 32 to the Financial Statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 31 December 2018 are amounted to RM40,000 and RM58,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

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

....
HO SIEW CHOONG
DIRECTORS

....
PERIASAMY A/L SINAKALAI
DIRECTORS

Telok Gong
21 March 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 88 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

....

HO SIEW CHOONG PERIASAMY A/L SINAKALAI

Telok Gong
21 March 2019

STATUTORY DECLARATION

I, Geraldine Hii Siaw Wei, being the officer primarily responsible for the financial management of Tex Cycle Technology (M) Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 88 to 157 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Petaling Jaya in)
the Selangor Darul Ehsan this day of)
21 March 2019) ....

GERALDINE HII SIAW WEI
(MIA No: 26872)

Before me:

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 as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 157.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

Key audit matters	How our audit addressed the key audit matters
Provision for expected credit losses ("ECL") for trade receivables	
The Group has material amounts of trade receivables. The adequacy of assessment on recoverability of trade receivables require the use of estimates and judgements of the management. The Group uses a provision matrix to calculate ECL for trade receivables.	We have challenged the management's estimates in provision rate used to provide ECL allowance on trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has put in place.
Investment property	
The Group owns an investment property carried at fair value. The fair value of the Group's investment property was estimated by the Directors. The determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions, which increase the risk of error or potential management bias.	We have obtained the valuation based on Directors' estimation in concluding the fair value of investment property during the financial year. We have evaluated the basis of valuation and also the input to derive the fair value of the investment property.

There are no key audit matters in relation to financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise 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.

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

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the 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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 is in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 of the Company's internal control.

- 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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicated 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 identified during our audit.

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

Other Matters

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

2. The financial statements of the Company as at 31 December 2017 were audited by another firm of Chartered Accountants whose auditors' report dated 15 March 2018 expressed a qualified opinion on those financial statements on fair value of investment property.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO: 3087/10/19 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
21 March 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	5	37,064,648	36,194,710	1,520,000	8,000,000
Cost of sales		(14,606,762)	(14,560,360)	-	-
Gross profit		22,457,886	21,634,350	1,520,000	8,000,000
Other income		2,060,770	4,504,837	110,745	17,755
Administrative expenses		(10,707,809)	(9,065,062)	(494,990)	(694,084)
Selling and distribution costs		(1,264,269)	(1,209,726)	-	-
Other expenses		(2,577,251)	(414,714)	(256,266)	(19,430)
Profit from operations		9,969,327	15,449,685	879,489	7,304,241
Finance costs		(12,437)	(51,366)	-	-
Profit before tax	6	9,956,890	15,398,319	879,489	7,304,241
Income tax expense	7	(2,209,859)	(2,551,075)	(181)	-
Profit for the financial year		7,747,031	12,847,244	879,308	7,304,241
Total comprehensive income for the financial year, net of tax		7,747,031	12,847,244	879,308	7,304,241
Earnings per share - Basic and diluted (sen)	8	3.05	5.07		

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	44,053,301	41,339,827	-	-
Prepaid lease payments	10	21,022,016	21,366,000	-	-
Investment property	11	16,110,000	15,871,700	-	-
Goodwill on consolidation	12	583,937	583,937	-	-
Investment in subsidiaries	13	-	-	11,732,682	10,579,282
Total non-current assets		81,769,254	79,161,464	11,732,682	10,579,282
Current assets					
Inventories	14	119,383	217,149	-	-
Trade receivables	15	9,174,263	12,880,494	-	-
Other receivables	15	955,480	799,291	1,000	17,850
Investment in unit trusts	16	20,803,331	12,126,870	2,747,223	1,095,117
Amount owing by subsidiaries	17	-	-	11,114,762	14,119,276
Tax recoverable		1,599,865	2,735,958	180	-
Cash and bank balances	18	5,503,608	5,825,805	523,857	340,471
Total current assets		38,155,930	34,585,567	14,387,022	15,572,714
Total assets		119,925,184	113,747,031	26,119,704	26,151,996

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	19	26,256,904	25,618,950	26,256,904	25,618,950
Treasury shares	19	(1,468,523)	(1,030,381)	(1,468,523)	(1,030,381)
Retained earnings	20	76,807,997	71,245,553	801,263	1,455,677
Total equity		101,596,378	95,834,122	25,589,644	26,044,246
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	21	186,149	185,136	-	-
Term loans	22	10,728,108	12,159,978	-	-
Deferred tax liabilities	23	2,831,000	1,852,457	-	-
Total non-current liabilities		13,745,257	14,197,571	-	-
Current liabilities					
Trade payables	24	118,318	195,914	-	-
Other payables	24	2,801,379	2,763,498	45,302	32,750
Amount owing to subsidiaries	17	-	-	484,758	75,000
Finance lease liabilities	21	120,276	166,058	-	-
Term loans	22	1,488,767	526,653	-	-
Tax payable		54,809	63,215	-	-
Total current liabilities		4,583,549	3,715,338	530,060	107,750
Total liabilities		18,328,806	17,912,909	530,060	107,750
Total equity and liabilities		119,925,184	113,747,031	26,119,704	26,151,996

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital RM	Treasury shares RM	Non-distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
Balance as of 1 January 2017		17,079,300	(1,017,881)	4,521,517	64,273,995	84,856,931
Total comprehensive income for the financial year		-	-	-	12,847,244	12,847,244
Shares buy back	19	-	(12,500)	-	-	(12,500)
Dividends paid	25	-	-	-	(1,857,553)	(1,857,553)
Bonus issues	19	8,539,650	-	(4,521,517)	(4,018,133)	-
Balance as of 31 December 2017		25,618,950	(1,030,381)	-	71,245,553	95,834,122
Effect of adopting MFRS 9	4	-	-	-	(650,865)	(650,865)
Balance as of 1 January 2018, restated		25,618,950	(1,030,381)	-	70,594,688	95,183,257
Total comprehensive income for the financial year		-	-	-	7,747,031	7,747,031
Shares buy back	19	-	(953,588)	-	-	(953,588)
Dividend paid	25	-	-	-	(1,533,722)	(1,533,722)
Utilisation for employees share grant plan		637,954	515,446	-	-	1,153,400
Balance as of 31 December 2018		26,256,904	(1,468,523)	-	76,807,997	101,596,378

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Company	Note	Share capital RM	Treasury shares RM	distributable reserve - Share premium RM	Distributable reserve - Retained earnings RM	Total RM
Balance as of 1 January 2017		17,079,300	(1,017,881)	4,521,517	27,122	20,610,058
Total comprehensive income for the financial year		-	-	-	7,304,241	7,304,241
Shares buy back	19	-	(12,500)	-	-	(12,500)
Dividends paid	25	-	-	-	(1,857,553)	(1,857,533)
Bonus issues	19	8,539,650	-	(4,521,517)	(4,018,133)	-
Balance as of 31 December 2017		25,618,950	(1,030,381)	-	1,455,677	26,044,246
Total comprehensive income for the financial year		-	-	-	879,308	879,308
Shares buy back	19	-	(953,588)	-	-	(953,588)
Dividend paid	25	-	-		(1,533,722)	(1,533,722)
Utilisation for employees share grant plan		637,954	515,446	-	-	1,153,400
Balance as of 31 December 2018		26,256,904	(1,468,523)	-	801,263	25,589,644

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
OPERATING ACTIVITIES					
Profit before tax		9,956,890	15,398,319	879,489	7,304,241
Adjustments for:					
Allowance for doubtful debts		-	301,784	-	-
Amortisation of prepaid lease payments		343,984	251,463	-	-
Allowance for doubtful debts no longer required		-	(206,376)	-	-
Reversal of allowance for expected credit losses		(962,090)	-	-	-
Bad debts written off		1,555,193			
Compensation claim from compulsory acquisition		-	(3,716,469)	-	-
Depreciation of property, plant and equipment		3,099,062	2,985,696	-	-
Dividend income		-	-	(1,520,000)	(8,000,000)
Fair value loss/(gain) on investment in unit trusts		877,342	(55,168)	256,266	19,430
Fair value gain on investment property		(238,300)	-	-	-
Gain on disposal of property, plant and equipment		-	(58,302)	-	-
Dividend income from investment in unit trusts		(493,853)	(187,073)	(64,544)	(14,547)
Loss/(Gain) on disposal of investment in unit trusts		99,081	(79,836)	(43,828)	-
Interest expenses					
- Finance lease liabilities		11,817	7,242	-	-
- Term loans		620	44,124	-	-
Interest income		(12,703)	(11,538)	(2,332)	(3,208)
Unrealised loss on foreign exchange		-	8,320	-	-
Expenses on employees share grant plan		1,153,400	-	-	-
Operating profit/(loss) before working capital changes		15,390,443	14,682,186	(494,949)	(694,084)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
OPERATING ACTIVITIES (CONT'D)					
Change in working capital:					
Inventories		97,766	5,144	-	-
Trade receivables		2,462,263	(2,639,174)	-	-
Other receivables		(156,189)	438,237	16,850	15,416
Trade payables		(77,596)	89,588	-	-
Other payables		37,881	779,882	12,552	(20,100)
Cash generated from/(used in) operations		17,754,568	13,355,863	(465,547)	(698,768)
Interest paid		(12,437)	(51,366)	-	-
Tax refund		1,287,583	-	-	-
Tax paid		(1,391,212)	(2,029,192)	(361)	-
Net cash from/(used in) operating activities		17,638,502	11,275,305	(465,908)	(698,768)
INVESTING ACTIVITIES					
Proceed from disposal of investment property		-	7,074,069	-	-
Interest received		12,703	11,538	2,332	3,208
Proceeds from disposal of property, plant and equipment		-	58,302	-	-
Purchase of property, plant and equipment	A	(5,702,536)	(12,199,186)	-	-
Additional of prepaid lease payments		-	(7,824,686)	-	-
Net additional of investment in unit trusts		(9,159,031)	(4,944,771)	(1,800,000)	(1,100,000)
Repayment from/(Advances to) subsidiaries		-	-	3,414,272	(4,162,726)
Dividend received from a subsidiary		-	-	1,520,000	8,000,000
Net cash (used in)/from investing activities		(14,848,864)	(17,824,734)	3,136,604	2,740,482

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
FINANCING ACTIVITIES					
Dividends paid		(1,533,722)	(1,857,553)	(1,533,722)	(1,857,553)
Drawdown of term loans		897,808	9,139,319	-	-
Repayment of term loans		(1,367,564)	(407,379)	-	-
Repayment of finance lease liabilities		(154,769)	(144,820)	-	-
Shares buyback		(953,588)	(12,500)	(953,588)	(12,500)
Net cash (used in)/from financing activities		(3,111,835)	6,717,067	(2,487,310)	(1,870,053)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(322,197)	167,638	183,386	171,661
Effect of changes in exchange rate		-	(8,320)	-	-
At beginning of financial year		5,825,805	5,666,487	340,471	168,810
At end of financial year	18	5,503,608	5,825,805	523,857	340,471

NOTE TO STATEMENTS OF CASH FLOWS:

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment during the financial year are financed by:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash	5,702,536	12,199,186	-	-
Finance lease arrangements	110,000	300,000	-	-
	5,812,536	12,499,186	-	-

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

1. GENERAL INFORMATION

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

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

The information on the name, place of incorporation, principal activities, and percentage of issue share capital held by the holding company in the subsidiary is as disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries 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 Lot 8942, Jalan Telok Gong, 42000 Pelabuhan Klang, 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 21 March 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of measurement (cont'd)

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company except as those explanations as disclosed in Note 4 to the Financial Statements.

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group and the Company.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impact to the financial statements of the Group and of the Company except as mentioned below:-

2.4.2.1 MFRS 16 Leases

MFRS 16, *Leases* becomes mandatory with annual periods beginning on or after 1 January 2019. The new Standard replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4 *Determining Whether an Arrangement Contains A Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving The Legal Form of A Lease*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2.1 MFRS 16 Leases (cont'd)

Essentially, the new Standard requires all lease arrangements ("right of use assets") to be recognised on the statement of financial position. The structure of the statement of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right of use assets and the interest expense on the corresponding lease liability. The related cash flows will be divided into a repayment of the lease liability and interest portion, thus changing the structure of the cash flows.

As of 31 December 2018, the Group has non-cancellable operating lease arrangements of RM909,330 from its investment property.

Accordingly, there will not be material impact to the Group gearing ratio, results of operations, operating cash flows and earning before income tax, depreciation and amortisation ("EBITDA").

The Group will apply MFRS 16 for the first time using the modified retrospective method which the comparative amounts for the financial year prior to the first adoption of the new Standard will not be restated.

2.5 Significant accounting estimates and judgements

The preparation of financial statements for the Group and the Company requires the use of certain judgements, estimates and assumptions. Accounting estimates and judgements are being constantly reviewed against historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. However, because of uncertainty in determining future events and its impact, actual result could differ from the estimates reported.

2.5.1 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

2.5.2 Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.3 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present values of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. These estimates are most relevant to goodwill recognised by the Group. Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 12 to the Financial Statements.

2.5.4 Provision for expected credit losses ("ECL") of trade receivables under MFRS 9 Financial instruments

Credit losses are the difference between all contractual cash flows the Company is due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Company's judgement. The expected credit losses are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Group's receivables at the end of the reporting date is disclosed in Note 15 to the Financial Statements.

2.5.5 Impairment of loans and receivables under MFRS 139 Financial instruments: Recognition and measurement

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

2.5.6 Fair value measurement and valuation processes

Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.6 Fair value measurement and valuation processes (cont'd)

In estimating the fair value of financial asset or financial liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the financial assets and financial liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

The Group measures its investment property at fair value being recognised in statement of profit or loss respectively. The Directors of the Group estimate the fair value based on the valuation report done by Group in prior years to determine fair values adjusted for recent transaction prices in the market of properties with similar condition and location.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Notes 11, 16 and 27 to the Financial Statements.

2.5.7 Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to financial statements for the periods presented, unless otherwise stated.

3.1 Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all its subsidiaries 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 an 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 begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiary is attributed to the owners of the Company.

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.

3.2 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 acquire 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.

3.3 Revenue recognition – MFRS 15 and MFRS 118

3.3.1 Revenue recognition under MFRS 15 Revenue from Contracts with Customers

The Group and the Company applied five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 January 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 Revenue applied previously.

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this Standards:

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue recognition – MFRS 15 and MFRS 118 (cont'd)

3.3.1 Revenue recognition under MFRS 15 Revenue from Contracts with Customers (cont'd)

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this Standards (cont'd):

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or

iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:

3.3.1.1 Render of services and sales of goods

All revenue is recognised at a point in time, which is typically on service rendered. A service is rendered and goods are sold when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 5 to the Financial Statements.

3.3.1.2 Dividend income

Dividend income from investment is recognised when the Group's and the Company's right to receive payment is established.

3.3.1.3 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Revenue recognition – MFRS 15 and MFRS 118 (cont'd)

3.3.1 Revenue recognition under MFRS 15 Revenue from Contracts with Customers (cont'd)

3.3.1.4 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

3.3.2 Revenue recognition under MFRS 118 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.3.2.1 Render of services

Revenue from waste collection is recognised when the service is rendered to the customers.

Revenue from render of services and sale of goods are measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and taxes. Revenue is recognised when the service is rendered and significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.3.2.2 Dividend income

Dividend income from investment is recognised when the Group's and the Company's right to receive payment is established.

3.3.2.3 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

3.3.2.4 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

3.4 Foreign currencies

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Income tax expenses

Tax expenses comprise current tax and deferred tax but exclude taxes arising from business combinations and items recognised directly in equity or other comprehensive income. Current and deferred tax are recognised as expenses or income in the profit or loss.

3.5.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous financial years. Tax payable (recoverable) for current and prior financial years is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

3.5.2 Deferred tax

Deferred tax is provided using liability method for temporary differences between carrying amount of an asset or liability in the statements of financial position and its tax base at reporting date. However, deferred tax on temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Where investment property are carried at their fair value in accordance with the accounting policy set out in Note 3.10 to the Financial Statements, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the realisation or settlement of the carrying amount of the assets and liabilities, using tax rate enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets or liabilities will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.5.3 Indirect tax

Supply of goods and services in Malaysia and other jurisdiction is subject to Goods and Services Tax ("GST").

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Income tax expenses (cont'd)

3.5.3 Indirect tax (cont'd)

Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, such taxes incurred are recognised as part of the cost of acquisition of the asset.

During the financial year, GST reset at standard rated of 0% with effective on 1 June 2018.

3.6 Employee benefits

3.6.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when employees' entitlement to future compensated absences increases. Other short term non-accumulating compensated absences such as sick leave are recognised as and when it occurred.

3.6.2 Defined contribution plans

Defined contribution plans are post-employment benefit plan under which the Group and the Company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.6.3 Employees share grant plan

Eligible employees of the Group and of the Company received remuneration in the form of share grant as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the grant at the date on which the grant are granted.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and capital work-in-progress are not depreciated. 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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Property, plant and equipment (cont'd)

Land and 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%

Capital work-in-progress consists of buildings and plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 finance lease arrangements

Property, plant and equipment acquired under finance lease 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 finance lease liabilities.

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

3.8 Leased assets

3.8.1 Finance leases

Property, plant and equipment acquired under lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and to the Company are classified as finance leases. The leased asset is measured at fair value of the leased asset or, if lower, at the present value of the minimum lease payments at inception. Initial direct costs are added to the amount recognised above. Leased asset is accounted in accordance with accounting policy applicable to that asset.

Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

Leasehold land which in substance is a finance lease is classified as investment property if held to earn rental income or for capital appreciation or for both.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leased assets (cont'd)

3.8.2 Operating leases

Leases where the Group and the Company do not assume substantially all the risk and benefits of ownership are classified as operating lease, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on straight-line basis over the lease period. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments. The payments are amortised over the lease terms which are between 49 to 74 years.

Where the Groups acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

3.9 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 (see below).

3.10 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 and the Company.

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.

3.11 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Goodwill on consolidation (cont'd)

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 directors for the next two years and extrapolates cash flows for the following three years based on estimated growth rate of 14.00% (2017: 5.88%). This rate does not exceed the average long-term growth rate for the relevant markets.

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

3.12 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.

3.13 Financial instruments – MFRS 9 & MFRS 139

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.1 Financial assets under MFRS 9 Financial instruments

At initial recognition, financial assets are classified and subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Financial assets are subsequently classified into the following categories:

(i) Financial assets at amortised cost

Financial assets measures at amortised cost if both of the conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

(i) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, most of the other receivables, amount owing by subsidiaries and cash and bank balances.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.2 Financial assets under MFRS 139 Financial instruments (cont'd)

(ii) Financial assets at FVTPL

Financial assets at FVTPL include financial asset held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had no irrevocably elected to classify FVTOCI. Dividends on listed equity investments are also recognised in the statements of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivate if: the economic characteristics and risks are not closely related to the host; and the hybrid contract is not measured at FVTPL. Embedded derivatives measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

The Group and the Company categorise financial instruments as follows and all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets which are held for trading or those designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term and contingent consideration in a business combination fall into this category, except for those that are financial guarantee contracts or those designated and effective as hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets which are held primarily for trading purposes are presented as current whereas financial assets which are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.2 Financial assets under MFRS 139 Financial instruments (cont'd)

The Group and the Company categories financial instruments as follows and all financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using effective interest method, less provision for impairment. Gains and losses from loans and receivables are recognised in profit or loss through amortisation process or upon derecognition or impairment. Discounting is omitted where the effect of discounting is immaterial in subsequent measurement.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Financial assets included in loans and receivables are cash and bank balances, amount owing by subsidiaries, trade and most of the other receivables.

3.13.3 Impairment of financial assets under MFRS 9 Financial instruments

The Group and the Company assess on a forward looking basis the expected credit losses ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension grant) over which the Group and the Company are exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date: and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms, irrespective of the timing of the default to which ECL model applies.

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.3 Impairment of financial assets under MFRS 9 Financial instruments (cont'd)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

3.13.4 Impairment of financial assets under MFRS 139 Financial instruments

All financial assets (except for financial assets categorised as investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

Trade and other receivables and other financial assets carried at amortised cost

An impairment loss in respect of loans and receivables is recognised in profit or loss. The Group and the Company consider factors such as significant delay in payment, default or the probability of insolvency of the loan and receivables to determine whether there is objective evidence that an impairment loss has occurred. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

When loan and receivables becomes uncollectible, it is written off against the allowance account. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions.

If in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.13.5 Financial liabilities under MFRS 9 Financial instruments

Financial liabilities are classified, at initial recognition, as liabilities at FVTPL, loans and borrowings, payables, or derivatives financial instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction cost.

The Group's and the Company's financial liabilities include trade and most of the other payables, amount owing to subsidiaries, finance lease liabilities and term loans.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.5 Financial liabilities under MFRS 9 Financial instruments

The subsequent measurement of financial liabilities depends on their classification, as described below:

(i) Other liabilities measured at amortised cost

Other financial liabilities including term loans, amount owing to subsidiaries, and trade and most of the other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a lost it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract become probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.13.6 Financial liabilities under under MFRS 139 Financial instruments

All financial liabilities are subsequently measured at amortised cost.

(i) Other liabilities measured at amortised cost

Other financial liabilities including finance lease liabilities, term loans, amount owing to subsidiaries, and trade and most of the other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the specified debtor fails to make payment to the holder of the financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

3.13.7 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset have expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfers nor retains 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 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 assets, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognise a financial liability when their contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.13.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.14 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 is the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in the profit or loss in the period in which it occurs.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and bank balances which are readily convertible to known amount of cash and are not subject to risk of significant changes in value.

3.16 Equity and reserves

Share capital represents the nominal value of shares that have been issued. Ordinary shares are equity instruments and they are contracts evidencing residual interest in the assets of the Company after deducting all of its liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Equity and reserves (cont'd)

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Retained earnings include all current and prior financial years retained earnings.

All transactions with owners of the Company are recorded separately within equity.

3.17 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.

3.18 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will occur, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and they are disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible assets or obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.19 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group and the Company in connection with the borrowing of funds. They are recognised as expenses in the profit or loss in the period incurred. However, borrowing costs directly attributable to finance the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets and it ceases or is suspended when the activities necessary to prepare the qualifying asset for its intended use is completed or interrupted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Related parties

A related party is a person or entity that is related to the Group and to the Company and they could be:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Company, or the Group; and

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the Group.
- (iii) Both the Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
- (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses related to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Executive Directors to determine the resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprised mainly of corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, prepaid lease payments and capital work-in-progress.

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 9 Financial Instruments

The Group and the Company have adopted MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company have applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

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4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.1 MFRS 9 Financial Instruments (cont'd)

4.1.1 Classification and measurement of financial instruments

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost. The classification above depends on the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group and the Company as at 1 January 2018 are reclassified to the following categories and remeasured accordingly as follows:

				Group			Company		
		Measurement category		Carrying amount as at 1 January 2018			Carrying amount as at 1 January 2018		
	Note	Original (MFRS 139)	New (MFRS9)	Original (MFRS 139)	Remeasured	New (MFRS9)	Original (MFRS 139)	Remeasured	New (MFRS9)
				RM	RM	RM	RM	RM	RM
Financial assets:									
Trade receivables	(1)	LAR*	Amortised cost	12,880,494	(650,865)	12,229,629	-	-	-
Other receivables	(1)	LAR*	Amortised cost	799,291	-	799,291	17,850	-	17,850
Investment in unit trusts	(2)	FVTPL^	FVTPL	12,126,870	-	12,126,870	1,095,117	-	1,095,117
Amount owing by subsidiaries	(1)	LAR*	Amortised cost	-	-	-	14,119,276	-	14,119,276
Cash and bank balances	(1)	LAR*	Amortised cost	5,825,805	-	5,825,805	340,471	-	340,471

The effect of remeasurement will be adjusted against the retained earnings as at 1 January 2018.

* LAR - Loans and receivables
^ FVTPL - Fair value through profit or loss

Note:

(1) Trade receivables, other receivables, amount owing by subsidiaries and cash and bank balances that were previously classified as loans and receivables are now reclassified to amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(2) Investment in unit trusts is classified as fair value through profit or loss. The Group and the Company manage the financial asset with the objective of realising cash flows through the sale of the asset. There is no change in the classification of this financial asset.

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.1 MFRS 9 Financial Instruments (cont'd)

4.1.1 Classification and measurement of financial instruments (cont'd)

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not identify any requirements to reclassify financial liabilities at 1 January 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

4.1.2 Impairment of financial assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected credit losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

	Group RM
Trade receivables	
ECL allowances at 31 December 2017 under MFRS 139	1,464,080
Additional impairment recognised at 1 January 2018	650,865
ECL allowances at 1 January 2018 under MFRS 9	2,114,945

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4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.1 MFRS 9 Financial Instruments (cont'd)

4.1.3 Effect on initial impact

The following table is a reconciliation of the carrying amounts on the impact of adopting MFRS 9 as at 1 January 2018:

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM	Impairment RM	New (MFRS 9) Carrying amount as at 1 January 2018 RM
Group			
Trade receivables			
Opening balance	14,344,574	-	14,344,574
Increase in allowance for expected credit losses	(1,464,080)	(650,865)	(2,114,945)
Total trade receivables	12,880,494	(650,865)	12,229,629
Retained earnings			
Opening balance	71,245,553	-	71,245,553
Increase in allowance for expected credit losses	-	(650,865)	(650,865)
Total retained earnings	71,245,553	(650,865)	70,594,688
Deferred tax liabilities			
Opening balance	1,852,457	-	1,852,457
Deferred tax related to allowance for expected credit losses	-	(180,749)*	(180,749)
Total deferred tax liabilities	1,852,457	(180,749)	1,671,708

* The above are the deferred tax impact of recognising the additional allowance for impairment under MFRS 9. However, the Group only recognises the tax impact during the financial year which included in Note 7 to the Financial Statements as part of the "over provision in prior year".

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.2 MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods and services.

The Group provides waste recovery and recycling services, rent recycled products to manufacturing companies, trade chemicals and other products and receives rental income from third party. The Group sells to customers solely based on purchase orders.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.2 MFRS 15 Revenue from contracts with customers (cont'd)

The Company received dividend income from its subsidiaries.

Revenue is recognised for these arrangements over time or at a point in time depending on the Group's evaluation of when the customer obtains control of the promised products or services. The Group has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised at a point in time, which is typically on delivery or render of services. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Group and the Company to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group and the Company remain generally unaltered. No adjustment to the opening balance of unappropriated profits has been made as there are no changes in timing of the revenue recognition.

5. REVENUE

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by major products and timing of revenue recognition in the following table:

	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Total RM
Group					
2018					
Major products/service lines					
Manufacturing and marketing of chemical products	-	11,307	-	-	11,307
Recovery and recycling of scheduled waste	35,685,461	-	-	-	35,685,461
Trading of chemicals and other products	-	-	295,836	-	295,836
Rental of investment property	-	-	-	1,072,044	1,072,044
	35,685,461	11,307	295,836	1,072,044	37,064,648
Timing of revenue recognition					
Products and services transferred at a point in time	35,685,461	11,307	295,836	1,072,044	37,064,648

5. REVENUE (CONT'D)

Disaggregation of revenue from contracts with customers (cont'd)

Revenue from contracts with customers is disaggregated by major products and timing of revenue recognition in the following table (cont'd):

	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Total RM
Group (cont'd)					
2017					
Major products/service lines					
Manufacturing and marketing of chemical products	-	15,545	-	-	15,545
Recovery and recycling of scheduled waste	34,283,238	-	-	-	34,283,238
Trading of chemicals and other products	-	-	846,683	-	846,683
Rental of investment property	-	-	-	1,049,244	1,049,244
	34,283,238	15,545	846,683	1,049,244	36,194,710
Timing of revenue recognition					
Products and services transferred at a point in time	34,283,238	15,545	846,683	1,049,244	36,194,710

6. PROFIT BEFORE TAX

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Allowance for doubtful debts	-	301,784	-	-
Allowance for doubtful debts no longer required	-	(206,376)	-	-
Amortisation of prepaid lease payments	343,984	251,463	-	-
Bad debts written off	1,555,193	-	-	-
Compensation claim from compulsory acquisition	-	(3,716,469)	-	-
Depreciation of property plant and equipment	3,099,062	2,985,696	-	-
Directors' remuneration	3,080,537	2,387,570	199,000	229,400
Dividend income from investment in unit trusts	(493,853)	(187,073)	(64,544)	(14,547)
Fair value gain in investment property	(238,300)	-	-	-
Fair value loss/(gain) on investment in unit trusts	877,342	(55,168)	256,266	19,430
Gain on disposal of property, plant and equipment	-	(58,302)	-	-
Gain arising from insurance claim on loss of property, plant and equipment	-	(20,799)	-	-
Loss/(Gain) on disposal of investment in unit trusts	99,081	(79,836)	(43,828)	-
Interest expenses:				
- Finance lease liabilities	11,817	7,242	-	-
- Term loans	620	44,124	-	-
Interest income	(12,703)	(11,538)	(2,332)	(3,208)
Realised loss on foreign exchange	1,253	26,604	-	-
Reversal of expected credit losses allowances	(962,090)	-	-	-
Staff costs	7,833,560	6,747,716	-	-
Unrealised loss on foreign exchange	-	8,320	-	-
Expenses on employees share grant plan	1,153,400	-	-	-

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6. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Executive Directors:				
Paid by the Company:				
Fees	60,000	60,000	60,000	60,000
Other emoluments	18,600	25,200	18,600	25,200
	78,600	85,200	78,600	85,200
Paid by the subsidiaries:				
Fees and other emoluments	2,129,993	1,879,344	-	-
Contributions to EPF	290,184	278,826	-	-
Share grant expenses	461,360	-	-	-
	2,881,537	2,158,170	-	-
Non-executive Directors:				
Paid by the Company:				
Fees	92,800	96,000	92,800	96,000
Other emoluments	27,600	48,200	27,600	48,200
	120,400	144,200	120,400	144,200
	3,080,537	2,387,570	199,000	229,400

The number of Directors of the Group whose total remuneration during the financial year falls within the following bands are as follows:

	Number of Directors 2018	Number of Directors 2017
Executive Directors:		
Above RM150,000	4	4
Non-executive Directors:		
Below RM50,000	3	3

7. INCOME TAX EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Estimated tax payable:				
Current year	1,136,453	1,924,207	-	-
Under/(Over) provision in prior financial year	94,863	(61,124)	181	-
	1,231,316	1,863,083	181	-
Deferred tax (Note 23):				
Current year	631,000	(30,115)	-	-
Under provision in prior financial year	347,543	718,107	-	-
	978,543	687,992	-	-
	2,209,859	2,551,075	181	-

7. INCOME TAX EXPENSE (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable income for the financial year.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	9,956,890	15,398,319	879,489	7,304,241
Tax at the statutory income tax rate of 24%	2,389,654	3,695,597	211,077	1,753,018
Tax effects of:				
Non-deductible expenses	771,731	858,059	179,732	166,982
Pioneer business income	(2,078,320)	(1,774,630)	-	-
Income not subject to tax	(170,844)	(457,282)	(390,809)	(1,920,000)
Change in Real Property Gain Tax Rate	562,182	-	-	-
Deferred tax liabilities recognised upon expiry of pioneer status	339,850	-	-	-
Deferred tax assets not recognised	(46,800)	(427,652)	-	-
Under/(Over) provision in prior financial year:				
- Current tax	94,863	(61,124)	181	-
- Deferred tax	347,543	718,107	-	-
	2,209,859	2,551,075	181	-

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 from 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 2018, TCP2 has tax-exempt income of approximately RM27,855,957 (2017: RM19,196,291) in which is subject to agreement to tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

7. INCOME TAX EXPENSE (CONT'D)

As mentioned in Note 3 to Financial Statements, the deductible temporary differences, unutilised business losses and unabsorbed capital allowance 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, unutilised business losses and unabsorbed capital allowance can be utilised. As of the end of the reporting period, the estimated deductible temporary differences, unutilised business losses and unabsorbed capital allowance for which the related deferred tax assets have not been recognised in the financial statements due to uncertainty of their realisation are as follows:

	Group	
	2018 RM	2017 RM
Deductible temporary differences		
- Property, plant and equipment	1,641,000	1,514,000
Unutilised business losses	(2,073,000)	(2,180,000)
Unabsorbed capital allowance	(5,405,000)	(5,366,000)
	(5,837,000)	(6,032,000)

The unutilised business losses and unabsorbed capital allowance are subject to agreement by the tax authorities.

8. 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:

	Group	
	2018	2017
Basic		
Profit for the financial year (RM)	7,747,031	12,847,244
Weighted average number of ordinary shares in issue (unit)	254,138,227	253,274,919
Basic earnings per share (sen)	3.05	5.07

Diluted

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

9. PROPERTY, PLANT AND EQUIPMENT

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 2017	870,968	733,377	13,005,947	2,976,033	19,573,028	5,042,433	510,445	5,299,797	48,012,028
Additions	-	-	241,940	66,731	247,176	368,695	47,968	11,526,676	12,499,186
Disposals	-	-	-	-	-	(263,426)	-	-	(263,426)
Reclassification	-	-	1,369,899	126,733	314,298	-	17,994	(1,828,924)	-
As of 31 December 2017	870,968	733,377	14,617,786	3,169,497	20,134,502	5,147,702	576,407	14,997,549	60,247,788
Additions	-	-	266,119	33,397	165,095	492,447	20,540	4,834,938	5,812,536
Reclassification	-	-	-	-	1,438,661	-	-	(1,438,661)	-
As of 31 December 2018	870,968	733,377	14,883,905	3,202,894	21,738,258	5,640,149	596,947	18,393,826	66,060,324
Accumulated depreciation									
As of 1 January 2017	-	214,985	751,434	982,853	10,427,131	2,739,138	441,896	-	15,557,437
Charge for the financial year	-	14,668	239,873	68,049	1,794,097	808,051	60,958	-	2,985,696
Disposals	-	-	-	-	-	(263,426)	-	-	(263,426)
As of 31 December 2017	-	229,653	991,307	1,050,902	12,221,228	3,283,763	502,854	-	18,279,707
Charge for the financial year	-	14,668	260,948	81,374	1,874,186	822,639	45,247	-	3,099,062
As of 31 December 2018	-	244,321	1,252,255	1,132,276	14,095,414	4,106,402	548,101	-	21,378,769

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)	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 2017, 31 December 2017 and 31 December 2018	-	-	-	-	628,254	-	-	-	628,254
Net carrying amount									
As of 31 December 2018	870,968	489,056	13,631,650	2,070,618	7,014,590	1,533,747	48,846	18,393,826	44,053,301
As of 31 December 2017	870,968	503,724	13,626,479	2,118,595	7,285,020	1,863,939	73,553	14,997,549	41,339,827

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment of the Group as of the end of the reporting period are motor vehicles acquired under finance lease arrangements with net carrying amount amounting to RM655,687 (2017: RM690,198).

As of the end of the reporting period, leasehold building with a net carrying amount amounting to RM2,242,904 (2017: RM2,002,659) has been pledged as security for term loans disclosed in Note 22 in the Financial Statements. The Group is not allowed to pledge this asset as security for other borrowings or to sell it to another entity.

The accumulated impairment loss was 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.

10. PREPAID LEASE PAYMENTS

	Group	
	2018 RM	2017 RM
Cost		
At beginning of financial year	22,869,187	15,044,501
Addition	-	7,824,686
At end of financial year	22,869,187	22,869,187
Accumulated amortisation		
At beginning of financial year	1,503,187	1,251,724
Charge for the financial year	343,984	251,463
At end of financial year	1,847,171	1,503,187
Net carrying amount	21,022,016	21,366,000

As of the end of the reporting period, the unexpired lease periods of the said leasehold land ranged from 49 years to 74 years (2017: 50 years to 75 years).

As of the end of the reporting period, certain leasehold lands with carrying amount of RM13,422,025 (2017: RM13,607,401) have been pledged as security for term loan disclosed in Note 22 to the Financial Statements. The Group is not allowed to pledge the said leasehold lands as security for other borrowings or to sell them to another entity.

11. INVESTMENT PROPERTY

	Group	
	2018 RM	2017 RM
Fair value:		
At beginning of financial year	15,871,700	19,229,300
Disposal	-	(3,357,600)
Fair value gain on investment property	238,300	-
At end of financial year	16,110,000	15,871,700

Investment property of the Group comprises a parcel of leasehold land with a building erected thereon. The said land has a leasehold tenure of 99 years expiring on 25 May 2065.

11. INVESTMENT PROPERTY (CONT'D)

The fair value of the investment property of the Group was estimated at RM16,110,000 (2017: RM15,871,700) based on Director's estimation. The Directors assessed based on the last valuation reports in prior years adjusted for recent transaction prices in the market of properties with similar condition and location to derive fair value.

The following are recognised in profit or loss in respect of investment properties:

	Group 2018 RM	Group 2017 RM
Rental income	1,072,044	1,049,244
Direct operating expenses:		
- Income generating investment properties	52,285	53,503

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 relevant information is as below:

Description	Fair value as of end of reporting period RM	Valuation techniques	Significant unobservable inputs	Range
The subject entitlement - long term leasehold land located in Jalan Kuchai Lama	RM16,110,000 (2017:RM15,871,700)	Sales transaction comparison based on similar location and condition	Estimated transaction price per square foot	RM295 - RM354 per square foot (2017: RM284 - RM350 per square foot)

12. GOODWILL ON CONSOLIDATION

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group 2018 RM	Group 2017 RM
Tex Cycle Sdn. Bhd.	583,937	583,937

Goodwill acquired in business combinations is allocated, at acquisition date, to 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. The Directors estimate 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 the Directors for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 14.00% (2017: 5.88%) per annum. The discount rate used is 4.75% (2017: 7.40%) per annum.

12. GOODWILL ON CONSOLIDATION (CONT'D)

Sensitivity to change in assumption

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

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
At cost:		
Unquoted shares	10,829,282	10,829,282
Employees share grant plan granted to the employees and Directors of subsidiaries	1,153,400	-
Accumulated impairment loss	(250,000)	(250,000)
	11,732,682	10,579,282

Details of the direct and indirect subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of companies	Proportion of ownership interest and voting rights held by the Company 2018 %	2017 %	Principal Activities
Direct subsidiaries:			
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.
Indirect subsidiaries:			
Held through Tex Cycle Sdn. Bhd.			
Tex Cycle (P2) Sdn. Bhd.	100	100	Recovery and recycling of scheduled waste.
Held through TC Chemicals Sdn. Bhd.			
TC Champs Sdn. Bhd.	100	-	Trading and manufacturing including import and export of food and feed additive, supplement and other related products.

Incorporation of a new subsidiary

On 1 November 2018, the Company's wholly owned subsidiary, TC Chemical Sdn. Bhd. incorporated a 100% owned subsidiary in Malaysia with cash subscription of RM100,000, namely TC Champs Sdn. Bhd.

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14. INVENTORIES

	Group 2018 RM	Group 2017 RM
Finished goods	119,383	217,149

15. TRADE AND OTHER RECEIVABLES

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 24 hours to 150 days (2017: 24 hours to 150 days).

15.1 Trade receivables under MFRS 9 Financial instruments

The Group always measures the loss allowance for trade receivables at an amount equal to 12-months expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors.

	Group 2018 RM	Group 2017 RM
Trade receivables	10,327,118	14,344,574
Less: ECL allowance	(1,152,855)	(1,464,080)
	9,174,263	12,880,494

The closing balance of the ECL allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	2018 RM	2017 RM
ECL allowance as at 1 January calculated under MFRS 139	1,464,080	2,004,963
Amounts restated through opening retained earnings	650,865	-
ECL allowance as at 1 January	2,114,945	2,004,963
ECL allowance recognised during the financial year	-	301,784
ECL allowance unused and reversed during the financial year	(962,090)	(206,376)
Written off	-	(636,291)
ECL allowance as at 31 December	1,152,855	1,464,080

15. TRADE AND OTHER RECEIVABLES (CONT'D)

15.1 Trade receivables under MFRS 9 Financial instruments (cont'd)

Analysis of trade receivables as of the end of the financial year was:

	ECL %	Gross RM	Group ECL allowance RM	Net RM
31.12.2018				
Within term	1.337%	3,682,349	49,222	3,633,127
Past due				
- 1 to 30 days	1.933%	2,373,733	45,873	2,327,860
- 31 - 60 days	2.486%	1,296,276	32,231	1,264,045
- 61 - 90 days	3.036%	640,423	19,441	620,982
- 91 - 120 days	3.573%	385,029	13,758	371,271
- 121 - 365 days	6.047%	1,018,566	61,588	956,978
- More than 365 days	100.000%	930,742	930,742	-
		10,327,118	1,152,855	9,174,263
1.1.2018				
Within term	1.290%	4,216,798	54,401	4,162,397
Past due				
- 1 to 30 days	1.861%	2,992,916	55,699	2,937,217
- 31 - 60 days	2.482%	1,076,041	26,711	1,049,330
- 61 - 90 days	3.042%	536,609	16,322	520,287
- 91 - 120 days	3.626%	533,238	19,334	513,904
- 121 - 365 days	6.190%	3,247,520	201,026	3,046,494
- More than 365 days	100.000%	1,741,452	1,741,452	-
		14,344,574	2,114,945	12,229,629

15.2 Trade receivables under MFRS 139 Financial instruments: Recognition and measurement

	Group 31.12.2017 RM
Trade receivables	14,344,574
Less: Allowance for doubtful debts	(1,464,080)
	12,880,494

Movement in allowance for doubtful debts

	Group 31.12.2017 RM
At beginning of financial year	2,004,963
Charge for the financial year	301,784
Allowance for doubtful debts no longer required	(206,376)
Written off	(636,291)
At end of financial year	1,464,080

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

15.2 Trade receivables under MFRS 139 Financial instruments: Recognition and measurement (cont'd)

Analysis of trade receivables as of the end of the financial year was:

	Group 31.12.2017 RM
Neither past due nor impaired	4,216,798
Past due but not impaired	
- 1 - 30 days	2,992,916
- 31 - 60 days	1,076,041
- 61 - 90 days	536,609
- 91 - 120 days	533,238
- 121 - 545 days	3,524,892
Past due and impaired	
- More than 545 days	1,464,080
	14,344,574

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Company. None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Financial assets that are past due but not impaired

Trade receivables amounting to RM8,663,696 that were due at the reporting date but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The Directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers. These receivables are unsecured.

Financial assets that are impaired

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.

15.3 Other receivables consist of:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-trade receivables	25,604	600	-	-
Refundable deposits	453,345	488,132	1,000	1,000
Prepayments	223,279	285,722	-	16,850
GST receivable	253,252	24,837	-	-
	955,480	799,291	1,000	17,850

16. INVESTMENT IN UNIT TRUSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fair value:				
At beginning of financial year	12,126,870	6,860,022	1,095,117	-
Additions	27,518,320	16,083,529	1,800,000	1,100,000
Dividend income from investment	493,853	187,073	64,544	14,547
(Loss)/Gain on disposal of investment	(99,081)	79,836	43,828	-
Fair value (loss)/gain	(877,342)	55,168	(256,266)	(19,430)
Disposal	(18,359,289)	(11,138,758)	-	-
At end of financial year	20,803,331	12,126,870	2,747,223	1,095,117

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.

17. AMOUNT OWING BY/(TO) SUBSIDIARIES

Amounts owing by/(to) subsidiaries which arose mainly from advances and payments on behalf, are unsecured, interest-free and repayable on demand.

18. CASH AND BANK BALANCES

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia ("RM")	4,946,330	5,770,970	523,857	340,471
United States Dollar ("USD")	156,664	54,835	-	-
Great Britain Pound ("GBP")	400,614	-	-	-
	5,503,608	5,825,805	523,857	340,471

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018

19. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares		Amount	
	2018 Unit	2017 Unit	2018 RM	2017 RM
Issued and fully paid:				
Ordinary shares:				
At the beginning of financial year	256,189,496	170,793,000	25,618,950	17,079,300
Bonus issues	-	85,396,496	-	8,539,650
Fair value gain on employees share grant plan	-	-	637,954	-
At end of financial year	256,189,496	256,189,496	26,256,904	25,618,950
Treasury shares:				
At the beginning of financial year	2,918,550	1,935,700	1,030,381	1,017,881
Repurchased during the financial year	1,508,100	10,000	953,588	12,500
Bonus issues	-	972,850	-	-
Utilisation for employees share grant plan	(1,460,000)	-	(515,446)	-
At end of financial year	2,966,650	2,918,550	1,468,523	1,030,381

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Company, all rights are suspended until those shares are reissued.

During the financial year, the Company purchased 1,508,100 units of its own shares. The total amount paid for acquisition of the shares was RM953,588 including transaction costs and has been deducted from equity. The repurchased transactions were financed by internally generated funds and the average price paid for the shares was RM0.63 per share.

On 11 January 2018, the Company utilised 1,460,000 units of its treasury shares for distribution of 1,460,000 units of shares for employees share grant plan.

As of 31 December 2018, the Company held 2,966,650 treasury shares out of its 256,189,496 issued ordinary shares. The treasury shares are held in accordance with Section 127(6) of the Companies Act, 2016.

20. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable:				
Retained earnings	76,807,997	71,245,553	801,263	1,455,677

The Company is currently under the single tier income tax system and accordingly, the entire retained earnings as of the end of the reporting period is available for distribution as dividend under the single tier income tax system. Under this system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax.

21. FINANCE LEASE LIABILITIES

	Group	
	2018 RM	2017 RM
Minimum lease payments		
- Within 1 year	131,688	166,718
- Between 2 to 5 years	196,660	205,228
	328,348	371,946
Less: Interests in suspense	(21,923)	(20,752)
Present value of finance lease liabilities	306,425	351,194
Present value of finance lease liabilities		
- Within 1 year	120,276	166,058
- Between 2 to 5 years	186,149	185,136
	306,425	351,194

It is the Group's policy to acquire certain of its property, plant and equipment under finance lease arrangements. The average term of finance lease is approximately 3 years. For the financial year ended 31 December 2018, the effective borrowing rate ranged from 4.48% to 4.49% (2017: 4.49% to 4.66%) per annum. Interest rates are fixed at the inception of the finance lease.

The Group's finance lease payables are secured by the financial institutions' charge over the assets under finance lease.

22. TERM LOANS

	Group	
	2018 RM	2017 RM
Current		
Secured:		
Term loans	1,488,767	526,653
Non-current		
Secured:		
Term loans	10,728,108	12,159,978
	12,216,875	12,686,631

22. TERM LOANS (CONT'D)

The details of term loans are as follows:

	Purpose	Interest rate	Securities
Term loan (I)	Working capital	4.48% (2017: 4.66%) p.a	(i) A registered open all monies first party charge stamped nominally over the leasehold land and building as mentioned under Note 9 to the Financial Statements; and (ii) A corporate guarantee by the Company.
Term loan (II)	Capital expenditure	4.49% (2017: 4.49%) p.a	(i) Two parcels of the leasehold land as mentioned in Note 10 to the Financial Statements.

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 base lending rate -2.2%.

There is minimal interest expense for this secured term loan as this secured term loan is under flexi-loan arrangement and the designated bank account balance has exceeded the outstanding term loan amount throughout the financial year.

In 2018, the Group obtained a term loan amounting to RM10,000,000 from a licensed bank for capital expenditures purposes. The term loan bears interest at effective cost of fund plus 1% per annum. The total term loan's interest expense has been capitalised in capital work-in-progress is amounted to RM264,136 (2017: RMNil).

23. DEFERRED TAX LIABILITIES

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

	Group	
	2018 RM	2017 RM
At beginning of financial year	1,852,457	1,164,465
Recognised in profit or loss (Note 7)	978,543	687,992
At end of financial year	2,831,000	1,852,457

The deferred tax liabilities are made up of tax effect on temporary differences arising from:

	Group	
	2018 RM	2017 RM
Property, plant and equipment	2,080,000	1,429,500
Investment property	1,125,000	539,957
Trade receivables	(260,000)	(117,000)
Unutilised business losses	(89,000)	-
Unabsorbed capital allowance	(25,000)	-
	2,831,000	1,852,457

24. TRADE AND OTHER PAYABLES

24.1 Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranged at 30 to 60 days (2017: 30 to 60 days).

24.2 Other payables consist of:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-trade payables	1,775,413	1,546,328	1,802	-
Refundable deposits	320,267	319,700	-	-
Accrued expenses	595,187	790,746	43,500	32,750
GST payable	110,512	106,724	-	-
	2,801,379	2,763,498	45,302	32,750

25. DIVIDENDS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
In respect of financial year ended 31 December 2018:				
First single tier interim dividend of RM0.0060 per share on 256,189,496 ordinary shares	1,533,722	-	1,533,722	-
In respect of financial year ended 31 December 2017:				
First single tier interim dividend of RM0.0050 per share on 170,793,000 ordinary shares	-	844,353	-	844,353
Single tier interim dividend of RM0.0050 per share on 170,793,000 ordinary shares	-	1,013,200	-	1,013,200
	1,533,722	1,857,553	1,533,722	1,857,553

26. RELATED PARTY TRANSACTIONS

During the financial year, significant transaction undertaken with the subsidiaries are as follows:

	Company	
	2018 RM	2017 RM
Dividend income received from a subsidiary	1,520,000	8,000,000
Employees share grant plan granted to employees and Directors of subsidiaries	1,153,400	-

26. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

The remuneration of key management personnel (excluding Directors whose remuneration are disclosed in Note 6 to the Financial Statements) during the financial year is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term employee benefits	1,033,645	353,600	-	-
Contributions to EPF	77,592	42,432	-	-
	1,111,237	396,032	-	-

27. FINANCIAL INSTRUMENTS

Categories of financial instruments under MFRS 9 Financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Financial assets measured at amortised cost ("FA");

(b) Financial assets designated as fair value through profit or loss ("FVTPL"); and

(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Group				
31.12.2018				
Financial assets				
Trade receivables	9,174,263	9,174,263	-	-
Other receivables	478,949	478,949	-	-
Investment in unit trusts	20,803,331	-	20,803,331	-
Cash and bank balances	5,503,608	5,503,608	-	-
	35,960,151	15,156,820	20,803,331	-
Financial liabilities				
Trade payables	118,318	-	-	118,318
Other payables	2,690,867	-	-	2,690,867
Finance lease liabilities	306,425	-	-	306,425
Term loans	12,216,875	-	-	12,216,875
	15,332,485	-	-	15,332,485
1.1.2018				
Financial assets				
Trade receivables	12,229,629	12,229,629	-	-
Other receivables	488,732	488,732	-	-
Investment in unit trusts	12,126,870	-	12,126,870	-
Cash and bank balances	5,825,805	5,825,805	-	-
	30,671,036	18,544,166	12,126,870	-
Financial liabilities				
Trade payables	195,914	-	-	195,914
Other payables	2,656,774	-	-	2,656,774
Finance lease liabilities	351,194	-	-	351,194
Term loans	12,686,631	-	-	12,686,631
	15,890,513	-	-	15,890,513

27. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments under MFRS 9 Financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

(a) Financial assets measured at amortised cost ("FA");
(b) Financial assets designated as fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Company				
31.12.2018				
Financial assets				
Other receivables	1,000	1,000	-	-
Amount owing by subsidiaries	11,114,762	11,114,762	-	-
Investment in unit trusts	2,747,223	-	2,747,223	-
Cash and bank balances	523,857	523,857	-	-
	14,386,842	11,639,619	2,747,223	-
Financial liabilities				
Other payables	45,302	-	-	45,302
Amount owing to subsidiaries	484,758	-	-	484,758
	530,060	-	-	530,060
1.1.2018				
Financial assets				
Other receivables	1,000	1,000	-	-
Amount owing by subsidiaries	14,119,276	14,119,276	-	-
Investment in unit trusts	1,095,117	-	1,095,117	-
Cash and bank balances	340,471	340,471	-	-
	15,555,864	14,460,747	1,095,117	-
Financial liabilities				
Other payables	32,750	-	-	32,750
Amount owing to subsidiaries	75,000	-	-	75,000
	107,750	-	-	107,750

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31 DECEMBER 2018

27. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments under MFRS 139 Financial instruments: Recognition and measurement

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Financial assets designated at fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("AC").

	Carrying amount RM	L&R RM	FVTPL RM	AC RM
Group				
31.12.2017				
Financial assets				
Trade receivables	12,880,494	12,880,494	-	-
Other receivables	488,732	488,732	-	-
Investment in unit trusts	12,126,870	-	12,126,870	-
Cash and bank balances	5,825,805	5,825,805	-	-
	31,321,901	19,195,031	12,126,870	-
Financial liabilities				
Trade payables	195,914	-	-	195,914
Other payables	2,656,774	-	-	2,656,774
Finance lease liabilities	351,194	-	-	351,194
Term loans	12,686,631	-	-	12,686,631
	15,890,513	-	-	15,890,513
Company				
31.12.2017				
Financial assets				
Other receivables	1,000	1,000	-	-
Amount owing by subsidiaries	14,119,276	14,119,276	-	-
Investment in unit trusts	1,095,117	-	1,095,117	-
Cash and bank balances	340,471	340,471	-	-
	15,555,864	14,460,747	1,095,117	-
Financial liabilities				
Other payables	32,750	-	-	32,750
Amount owing to subsidiaries	75,000	-	-	75,000
	107,750	-	-	107,750

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, foreign currency risk and other price 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 of the Group and of the Company.

27.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company adopt the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts. For other financial assets, the Group and the Company adopt the policy of dealing with reputable institutions.

27.1.1 Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Classes of financial assets:				
Trade receivables	9,174,263	12,880,494	-	-
Other receivables	478,949	488,732	1,000	1,000
Investment in unit trusts	20,803,331	12,126,870	2,747,223	1,095,117
Amount owing by subsidiaries	-	-	11,114,762	14,119,276
Cash and bank balances	5,503,608	5,825,805	523,857	340,471
Carrying amount	35,960,151	31,321,901	14,386,842	15,555,864

The Group and the Company continuously monitor credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. External credit ratings and/or reports on customers and other counterparties may also be used.

The Group's and the Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's and the Company's financial assets are secured by collateral or other credit enhancements.

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27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.1 Credit risk (cont'd)

27.1.2 Credit risk concentration

In respect of trade and most of the other receivables, the Group and the Company are not subjected to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are past due but not impaired to be good.

27.1.3 Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 15 to the Financial Statements. Deposits with banks and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default.

27.1.4 Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 to the Financial Statements.

27.1.5 Financial guarantees

The Company provides secured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 22 to Financial Statement as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

27.2 Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its obligations as and when they fall due. The Group and the Company are exposed to liquidity risk arising from payables, loans and borrowings and it maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure it has sufficient liquidity to meet its obligations as and when they fall due.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.2 Liquidity risk (cont'd)

27.2.1 Analysis of financial liabilities by remaining contractual maturity period

The following is a summary of the financial liabilities of the Group and of the Company according to maturity period:

	Current	Non-Current	
	Within 1 year	2 to 5 years	More than 5 years
Group	RM	RM	RM
2018			
Non-derivative financial liabilities			
	131,688	196,660	-
Term loans	2,161,128	7,872,442	6,267,162
Trade payables	118,318	-	-
Other payable	2,690,867	-	-
Total undiscounted financial liabilities	5,102,001	8,069,102	6,267,162
2017			
Non-derivative financial liabilities			
Finance lease liabilitie	166,718	205,228	-
Term loans	1,817,952	8,191,558	8,109,176
Trade payables	195,914	-	-
Other payable	2,656,774	-	-
Total undiscounted financial liabilities	4,837,358	8,396,786	8,109,176
Company			
2018			
Non-derivative financial liabilities			
Other payables	45,302	-	-
Amount owing by subsidiarie	484,758	-	-
Total undiscounted financial liabilities	530,060	-	-
Financial guarantee*	1,508,728	6,896,607	3,921,540

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.2 Liquidity risk (cont'd)

27.2.1 Analysis of financial liabilities by remaining contractual maturity period (cont'd)

The following is a summary of the financial liabilities of the Group and of the Company according to maturity period (cont'd):

Company (cont'd)	Current	Non-current	
2017	Within	2 to 5	More than
Non-derivative financial liabilities	1 year	years	5 years
	RM	RM	RM
Other payables	32,750	-	-
Amount owing by subsidiarie	75,000	-	-
Total undiscounted financial liabilities	107,750	-	-
Financial guarantee*	526,653	6,806,568	5,353,410

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

The above amounts reflected the contractual undiscounted cash flows of the financial liabilities, which may differ from carrying values of the liabilities at the end of the financial year.

27.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the Group. The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings at variable interest rates are exposed to the risk of change in cash flow due to changes in interest rate. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.3 **Interest rate risk (cont'd)**

27.3.1 **Interest rate sensitivity analysis**

The Group and the Company are exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The following is interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:

	Group 2018 RM	Group 2017 RM
Fixed rate instruments		
Financial liabilities		
Finance lease liabilities	(306,425)	(351,194)
Net financial liabilities	(306,425)	(351,194)
Floating rate instruments		
Financial liabilities		
Term loans	(12,216,875)	(12,686,631)
Net financial liabilities	(12,216,875)	(12,686,631)

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2017: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group Effect on profit for the financial year RM	RM
2018 (+/- 25bp)	(30,542)	30,542
2017 (+/- 25bp)	(31,717)	31,717

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.4 Foreign currency risk

The Group is exposed to foreign currency risk on cash and bank balances denominated in currency other than functional currencies of the Group's respective entities. The currencies giving rise to this risk are primarily US Dollar ("USD") and Great Britain Pound ("GBP").

Carrying amounts of the Group's exposure to foreign currency risk are as follows:

	USD RM	GBP RM
Group		
2018		
Cash and bank balances	156,664	400,614
Net exposure	156,664	400,614
2017		
Cash and bank balances	54,835	-
Net exposure	54,835	-

27.4.1 Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and the RM/USD and RM/GBP exchange rate assuming all other things being equal.

A +/-5% (2017: +/-5%) change in the exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD and GBP then the impact would be as follows:

	Effect on profit for the financial year	
	USD RM	GBP RM
Group		
2018	7,833	20,031
2017	2,742	-

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

27.4 Foreign currency risk (cont'd)

27.4.1 Foreign currency sensitivity analysis (cont'd)

If the RM had weakened against the USD and GBP and others, then the impact on profit for the financial year would be the opposite.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

27.5 Other price risk sensitivity analysis

The Group and the Company are exposed to equity price risk due to fluctuation in prices of quoted securities under investments in unit trust. The movements in quoted price of these securities are monitored continuously.

An increase or decrease of 1% (2017: 1%) in the prices of the quoted securities would result in an increase or decrease of RM208,033 (2017: RM121,269) and RM27,472 (2017: RM10,951) to the profit or loss of the Group and of the Company.

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 of fair values of the principal financial assets and financial liabilities of the Group and of the Company are as follows:

- **Deposits, cash and bank balances, trade and other receivables, refundable deposits, trade and other payables, accrued expenses and indebtedness with subsidiary:** 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.

- **Finance lease liabilities:** The fair value of finance lease 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.

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27. FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial assets and financial liabilities (cont'd)

The methodologies used in arriving at of fair values of the principal financial assets and financial liabilities of the Group and of the Company are as follows (cont'd):

- **Term loans:** As the term loans were obtained from licensed financial institutions at the prevailing market rate, the carrying values of these financial liabilities approximates its fair values.

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 RM	Total RM
Group		
31 December 2018		
Financial asset at FVTPL:		
Investment in unit trusts	20,803,331	20,803,331
31 December 2017		
Financial assets at FVTPL:		
Investment in unit trusts	12,126,870	12,126,870
Company		
31 December 2018		
Financial asset at FVTPL:		
Investment in unit trusts	2,747,223	2,747,223
31 December 2017		
Financial assets at FVTPL:		
Investment in unit trusts	1,095,117	1,095,117

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

28. 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.

28. SEGMENT INFORMATION (CONT'D)

Group 2018	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Revenue							
External sales	-	35,685,461	11,307	295,836	1,072,044	-	37,064,648
Inter-segment sales	1,520,000	1,545,469	4,862	-	-	(3,070,331)	-
Total revenue	1,520,000	37,230,930	16,169	295,836	1,072,044	(3,070,331)	37,064,648
Results							
Segment results	877,157	9,477,828	(31,222)	(50,643)	1,203,504	(1,520,000)	9,956,624
Finance costs							(12,437)
Interest income							12,703
Profit before tax							9,956,890
Income tax expense							(2,209,859)
Profit for the year							7,747,031

28. SEGMENT INFORMATION (CONT'D)

Group (cont'd) 2018 (cont'd)	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Assets							
Segment assets	26,119,704	133,996,464	2,731,627	23,614,116	25,411,706	(92,113,754)	119,759,863
Consolidated total assets							119,759,863
Liabilities							
Segment liabilities	530,060	66,982,632	176,702	25,643,265	3,195,835	(78,365,009)	18,163,485
Consolidated total liabilities							18,163,485
Other Information							
Additions to property, plant and equipment	-	5,684,154	-	128,382	-	-	5,812,536
Depreciation	-	2,821,022	15,299	418,717	-	(155,976)	3,099,062
Amortisation	-	188,008	-	-	-	155,976	343,984

28. SEGMENT INFORMATION (CONT'D)

Group (cont'd) 2017	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Revenue							
External sales	-	34,283,238	15,545	846,683	1,049,244	-	36,194,710
Inter-segment sales	8,000,000	1,275,940	12,793	-	-	(9,288,733)	-
Total revenue	8,000,000	35,559,178	28,338	846,683	1,049,244	(9,288,733)	36,194,710
Results							
Segment results	7,301,033	14,449,374	(95,196)	(132,537)	699,004	(10,500,000)	11,721,678
Compensation claim from compulsory acquisition							3,716,469
Finance costs							(51,366)
Interest income							11,538
Profit before tax							15,398,319
Income tax expense							(2,551,075)
Profit for the financial year							12,847,244

28. **SEGMENT INFORMATION (CONT'D)**

Group (cont'd) 2017 (cont'd)	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Assets							
Segment assets	26,151,996	129,344,913	2,726,480	23,564,613	24,800,287	(92,929,310)	113,658,979
Consolidated total assets							113,658,979
Liabilities							
Segment liabilities	107,750	69,371,801	140,333	3,098,929	25,540,009	(80,433,965)	17,824,857
Consolidated total liabilities							17,824,857
Other Information							
Additions to property, plant and equipment	-	11,778,613	-	720,573	-	-	12,499,186
Additions to prepaid lease payments	-	7,824,686	-	-	-	-	7,824,686
Depreciation	-	2,748,268	15,418	377,986	-	(155,976)	2,985,696
Amortisation	-	29,400	66,087	-	-	155,976	251,463

28. SEGMENT INFORMATION (CONT'D)

Major customers

The followings are the major customer with revenue equal or more than 10% of the Group's revenue:

	Segment	Revenue 2018 RM	2017 RM
- Customer A	Recovery and recycling services	2,705,338	4,075,962

29. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company'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 and of the Company comprises a mixture of issued capital, retained earnings and external borrowings.

The Group and the Company manage their capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company 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 2018.

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.

30. CAPITAL COMMITMENTS

As of the end of the reporting period, the Group has the following capital commitment in respect of the purchase of property, plant and equipment:

	Group 2018 RM	2017 RM
Authorised and contracted for	200,000	500,000
Authorised but not contracted for	150,000	100,000
	350,000	600,000

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.

31. OPERATING LEASE ARRANGEMENTS (CONT'D)

The future minimum rental receivable by the Group under non-cancellable operating lease commitments are:

	Group 2018 RM	Group 2017 RM
Future minimum rental receivable:		
Within 1 year	658,430	1,072,044
Between 2 to 5 years	250,900	909,330
	909,330	1,981,374

32. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

(i) Employees' Share Grant Plan under the Employees' Share Scheme which was approved by the shareholders of the Company on 4 October 2017 has been completed on 11 January 2018. A total of 1,460,000 shares under employees share grant plan have been granted to the Directors and eligible employees of the Group and of the Company.

(ii) 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 to build and operate a renewable electrical energy power plant with a capacity to supply 2 Megawatt per hour of electricity to Tenaga National Berhad ("TNB"), a national grid provider, for a period of 16 years.

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

On 17 January 2018, the said subsidiary has been granted with Energy Commission Public License for the renewable electrical energy power generation. The renewable electrical energy power plant is expected to begin operations in March 2019.

(iii) On 17 January 2019, a total of 2,000,000 shares under employees share grant plan have been granted to the Directors and eligible employees of the Group and of the Company.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The movements of liabilities to cash flows financing activities arising from is as follows:

Group	Finance lease liabilities RM	Term loans RM
As of 1 January 2017	196,014	3,954,691
Cash flows:		
Drawdown	-	9,139,319
Repayment	(144,820)	(407,379)
Non-cash change:		
Addition under finance lease arrangements	300,000	-
As of 31 December 2017	351,194	12,686,631
Cash flows:		
Drawdown	-	897,808
Repayment	(154,769)	(1,367,564)
Non-cash change:		
Addition under finance lease arrangements	110,000	-
As of 31 December 2018	306,425	12,216,875

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2019

SHARE CAPITAL

Total Number of Issued Shares	:	253,222,846 Shares*
Issued Share Capital	:	RM25,322,284.60
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	:	2,966,650

**Excluding a total of 2,966,650 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	23	2.38	857	0.00
100 to 1,000	69	7.14	28,752	0.01
1,001 to 10,000	389	40.23	1,952,400	0.77
10,001 to 100,000	361	37.33	11,279,300	4.42
100,001 to less than 5% of issued shares	125	12.93	135,941,749	53.91
5% and above of issued shares	1	0.10	106,007,938	41.54
Total	**967**	**100.00**	**255,210,996**	**100.00**

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	< -------Direct-------- >		< -----Indirect------ >	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Ho Siew Choong	12,695,354	4.955	106,428,388*	41.543
Periasamy A/L Sinakalai	10,430,147	4.071	108,478,388^	42.343
Ho Siew Cheong	6,773,447	2.644	106,007,938#	41.379
Ho Siew Weng	3,720,395	1.452	106,604,188##	41.611
Ravindran Markandu	372,500	0.146	4,500###	0.002
Alagasan A/L Varatharajoo	50,000	0.020	-	-
Chan Jee Peng	-	-	-	-

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 1 APRIL 2019

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.	106,007,938	41.379	-	-
Ho Siew Choong	12,695,354	4.955	106,428,388*	41.543
Periasamy A/L Sinakalai	10,430,147	4.071	108,478,388^	42.343
Ho Siew Cheong	6,773,447	2.644	106,007,938#	41.379
Ho Siew Weng	3,720,395	1.452	106,604,188##	41.611

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.

TEX CYCLE
Tex Cycle Technology (M) Berhad
(642619-P)

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2019

THIRTY (30) LARGEST SHAREHOLDERS AS AT 1 APRIL 2019

No.	Name of Shareholders	No. of Shares	%
1	Can Cycle Sdn Bhd	106,007,938	41.54
2	Ho Siew Choong	12,695,354	4.97
3	Periasamy A/L Sinakalai	10,430,147	4.09
4	Ho Siew Cheong	6,329,447	2.48
5	RHB Nominees (Tempatan) Sdn Bhd OSK Technology Ventures Sdn Bhd	5,896,950	2.31
6	Citigroup Nominees (Tempatan) Sdn 131-113 Employees Provident Fund Board	5,392,350	2.11
7	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Equity Trust	5,356,100	2.10
8	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	4,975,500	1.95
9	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Kidsave Fund	4,590,400	1.80
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Private Fund – Series 3	4,137,600	1.62
11	Teo Kwee Hock	3,691,100	1.45
12	Ho Mah Lee @ Ho Chwee Keng	3,544,500	1.39
13	Ho Siew Weng	2,801,395	1.10
14	Fong Yuet Siong	2,766,000	1.08
15	Ho Siew Kee	2,756,505	1.08
16	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Balanced Fund	2,590,900	1.02
17	Uob Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	2,533,000	0.99
18	Chuah Kooi Peng	2,439,600	0.96
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Income Fund	2,407,400	0.94
20	CIMB Group Nominees (Tempatan) Sdn Bhd Pembangunan Sumber Manusia Berhad	2,253,400	0.88
21	Lee Yuen Kong	2,216,700	0.87
22	Soong Ik Lin	2,069,850	0.81
23	Yusseri Bin Said	2,025,195	0.79
24	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Yee Wah (M09)	1,630,000	0.64
25	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Malaysia Dividend Fund	1,529,800	0.60
26	Melissa Shamini A/P Periasamy	1,500,000	0.59
27	Maybank Nominees (Tempatan) Sdn Bhd Yusseri Bin Said	1,317,300	0.52
28	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Interpac Dana Safi	1,191,400	0.47
29	Chong Yoke Yin	1,125,000	0.44
30	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Koh Kin Lip (MY0502)	1,110,000	0.43
	Total	**209,310,831**	**82.02**

LIST OF PROPERTIES

List of Properties
As at 31 December 2018

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2018 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	21 years	99 years leasehold up to 18 January 2093	1,093,600	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	21 years	99 years leasehold up to 18 January 2093	1,301,233	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	15 year	Freehold	1,360,024	2003	N/A

List of Properties (cont'd)
As at 31 December 2018

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2018 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^	3,783	3,668.65	23 years	99 years leasehold up to 25 May 2065	16,110,000	2005	16.5.2018
TC Chemical Sdn Bhd No. 8942 HS(M) 1528 Mukim Klang Negeri Selangor	Single storey detached factory / Recycling and storage facility	12,000	8,861.20	12 years	99 years leasehold up to 28 January 2068	3,880,674	2011	N/A
No. 8960 HS(M) 1380, Mukim Klang, Daerah Klang, Negeri Selangor	Single storey detached factory / Recycling and storage facility	19,906	8,199.16	4 years	99 years leasehold up to 26 February 2112	7,146,519	2012	N/A
Tex Cycle (P2) Sdn Bhd No. 8941 HS(M) 1388 Mukim Klang Negeri Selangor	Vacant land with three (3) units of single storey house	11,559	N/A	N/A	99 years leasehold up to 17 December 2067	7,599,991	2017	N/A

^ *Rented for RM89,337 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.*

SHARE BUY-BACK STATEMENT

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to take, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused the contents of this Share Buy-Back Statement ("Statement") prior to its issuance and 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 Share Capital"	256,189,496 ordinary shares in Tex Cycle (including 1,533,550 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

"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 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 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 2018

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY ("Proposed Share Buy-Back Renewal")

1. INTRODUCTION

On 21 March 2019, 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 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 DETAILS OF THE PROPOSED SHARE BUY-BACK RENEWAL

The Board had, during the Fourteenth AGM held on 16 May 2018 obtained its shareholders' approval to purchase up to 10% of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") as at the point of purchase. In accordance with the Listing Requirements of Bursa Securities ("the Listing Requirements") governing the purchase of own shares by a listed company, the aforesaid approval will continue in force until the conclusion of the forthcoming Fifteenth AGM of the Company.

The Board proposes to seek approval from the shareholders for a renewal of authorisation to enable Tex Cycle to purchase up to 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase.

The Proposed Share Buy-Back Renewal shall be effective upon the passing of the resolution in the forthcoming Fourteenth AGM of Tex Cycle until:

(i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting, whichever is occur first.

2.1 Maximum Number or Percentage of Shares to be Acquired

As at 1 April 2019, the total issued shares of Tex Cycle comprising 256,189,496 ordinary shares ("Tex Cycle Shares").

Assuming no further Tex Cycle shares are issued, a total of up to 25,618,949 Tex Cycle Shares may be purchased pursuant to the Proposed Share Buy-Back Renewal.

2.2 Treatment of Tex Cycle Shares Purchased

2.2.1 In accordance with Section 127 of the Companies Act, 2016 ("the Act"), the Board may, at its discretion, deal with any of Tex Cycle Shares so purchased in the following manner:

(i) to cancel Tex Cycle Shares so purchased; or

(ii) to retain Tex Cycle Shares so purchased as treasury shares where the Board may:

a. distribute all or part of the treasury shares as share dividends to the shareholders of Tex Cycle;
b. resell all or part of the treasury shares in accordance with the Listing Requirements;
c. transfer all or part of the treasury shares for purposes of or under an employees' share scheme;
d. transfer all or part of the treasury shares as purchase consideration; or

in any other manner as may be prescribed by all applicable laws and/or regulations and guidelines applied from time to time by Bursa Securities and/or any relevant authority for the time being in force and that the authority to deal with the purchased Tex Cycle Shares shall continue to be valid until all the purchased Tex Cycle Shares have been dealt with by the Board.

2.2.2 The Board intends to retain the purchased Tex Cycle Shares as treasury shares, or cancel the purchased Tex Cycle Shares or a combination of both.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK RENEWAL

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.

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

4.1 Potential Advantages

The potential advantages of the Proposed Share Buy-Back Renewal are as follows:

(i) Allows the Company to take preventive measures against speculations, particularly when its Tex Cycle Shares are undervalued which would in turn stabilise the market price of Tex Cycle Shares and hence, enhance investors' confidence;

(ii) Allow the Company flexibility in attaining its desired capital structure in terms of the debt and equity composition and the size of equity; and

(iii) If the treasury shares are distributed as dividends by the Company, it may then serve to reward the shareholders of the Company.

4.2 Potential Disadvantages

The potential disadvantages of the Proposed Share Buy-Back Renewal are as follows:

(i) The Proposed Share Buy-Back Renewal will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in future; and

SHARE BUY-BACK STATEMENT 2018

(ii) As the Proposed Share Buy-Back Renewal can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back Renewal is not expected to have any potential material disadvantage to the Company and the shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact.

5. FUNDING

The maximum amount of funds to be allocated by the Company for the Proposed Share Buy-Back Renewal shall not exceed the retained earnings of the Company.

Based on the latest audited financial statements of Tex Cycle as at 31 December 2018, the Company's audited accumulated retained earnings is RM801,263.00. Meanwhile, based on the unaudited financial statements as at 31 December 2018, the Company's unaudited accumulated retained earnings is RM801,263.00.

The funding for the Proposed Share Buy-Back Renewal will be made from internally generated funds of the Company. The Proposed Share Buy-Back Renewal will reduce the cash flow of the Company by an amount equivalent to the purchase price of Tex Cycle Shares and the actual number of Tex Cycle Shares bought-back. Therefore, the Company will ensure that sufficient funds are available to effect the Proposed Share Buy-Back Renewal. There is no restriction on the type of funds which may be utilised for the Proposed Share Buy-Back Renewal so long as it is backed by an equivalent amount of the retained earnings of the Company.

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 1 April 2019 assuming the Proposed Share Buy-Back Authority is carried out in full by Tex Cycle are as follows:

Directors' Shareholdings

	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	12,695,354	4.955	106,428,388*	41.543	12,695,354	5.506	106,428,388*	46.159
Periasamy A/L Sinakalai	10,430,147	4.071	108,478,388^	42.34	10,430,147	4.524	108,478,388^	47.048
Ho Siew Cheong	6,773,447	2.644	106,007,938#	41.379	6,773,447	2.938	106,007,938#	45.976
Ho Siew Weng	3,720,395	1.45	106,604,188##	41.611	3,720,395	1.614	106,604,188##	46.235
Ravindran Markandu	372,500	0.146	4,500###	0.002	372,500	0.162	4,500###	0.002
Alagasan A/L Varatharajoo	50,000	0.020	-	-	50,000	0.022	-	-
Chan Jee Peng	-	-	-	-	-	-	-	-

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

	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.	106,007,938	41.379	-	-	106,007,938	45.976	-	-
Ho Siew Choong	12,695,354	4.955	106,428,388*	41.543	12,695,354	5.506	106,428,388*	46.159
Periasamy A/L Sinakalai	10,430,147	4.071	108,478,388^	42.343	10,430,147	4.524	108,478,388^	47.048
Ho Siew Cheong	6,773,447	2.644	106,007,938#	41.379	6,773,447	2.938	106,007,938#	45.976
Ho Siew Weng	3,720,395	1.452	106,604,188##	41.611	3,720,395	1.614	106,604,188##	46.235

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.

SHARE BUY-BACK STATEMENT 2018

7. PUBLIC SHAREHOLDING SPREAD

As at 1 April 2019, the public shareholding spread of the Company based on the Issued Share Capital was 43.97%. 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 37.74%. However, the Company will ensure that it will not purchase its own Shares which will result in Tex Cycle's public shareholding spread falling below the minimum requirement of 25%.

8. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK RENEWAL

The effects of the Proposed Share Buy-Back Renewal are presented below based on the assumption that the implementation of the Proposed Share Buy-Back Renewal and the purchased Tex Cycle Shares are further to be cancelled.

8.1 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 25,618,949 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 1 April 2019	256,189,496
Less: Maximum number of Shares that may be cancelled	(25,618,949)
Reduced Issued and Paid-Up Share Capital in the event that the Purchased Shares are cancelled	230,570,547

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.

8.2 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.

8.3 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.

8.4 Dividends

For the financial year ended 31 December 2018, the Company had declared an interim single-tier tax exempt dividend of RM0.006 per share on 13 June 2018 and paid on 18 July 2018.

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.

9. IMPLICATIONS RELATING TO THE CODE IN RELATION TO THE PROPOSED SHARES BUY-BACK

Based on the Register of Substantial Shareholders as at 1 April 2019, the substantial shareholder of the Company, namely Can Cycle Sdn. Bhd. has a shareholding of 106,007,938 Tex Cycle Shares, through its direct shareholdings, representing approximately 41.38% 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.

10. PREVIOUS PURCHASE, RESALE, CANCELLATION AND/OR TRANSFER OF TREASURY SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS

Information on the Tex Cycle Shares purchased during the financial year ended 31 December 2018 is set out on page 72 and 73 of the 2018 Annual Report of the Company.

11. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Tex Cycle Shares as traded on Bursa Securities for the past 12 months from April 2018 to March 2019 are as follows:-

	High RM	Low RM
2018		
April	0.70	0.65
May	0.70	0.645
June	0.735	0.66
July	0.70	0.65
August	0.69	0.625
September	0.68	0.6
October	0.62	0.56
November	0.60	0.565
December	0.585	0.53
2019		
January	0.58	0.51
February	0.56	0.53
March	0.555	0.52

Last transacted market price of Tex Cycle Shares on 20 March 2019 being the day prior to the date of announcement of the Proposed Share Buy-Back.	RM0.53
Last transacted market price of Tex Cycle Shares on 5 April 2019 being the latest practicable date prior to printing of this Statement.	RM0.51

12. MAJOR SHAREHOLDER'S AND DIRECTORS' INTERESTS

Save for the proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the Proposed Share Buy-Back Renewal, none of the Directors and/or Major Shareholder of Tex Cycle and/or persons connected to them, has any interest, direct and indirect, in the Proposed Share Buy-Back Renewal or resale of treasury shares, if any.

13. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back Renewal, are of the opinion that the Proposed Share Buy-Back Renewal is in the best interest of the Company. Accordingly, the Directors recommend that the shareholders of Tex Cycle vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back Renewal to be tabled at the forthcoming Fifteenth AGM.

Appendix I

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. DOCUMENT FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Tex Cycle at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, during normal business hours from the date of this Statement to the date of the Fifteenth AGM:-

(a) Constitution of the Company; and

(b) Audited consolidated financial statements of Tex Cycle for the financial years ended 31 December 2017 and 31 December 2018.

TEX CYCLE
Tex Cycle Technology (M) Berhad
(642619-P)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at Kenanga Room, Royal Selangor Yacht Club, Jalan Shahbandar, 42000 Port Klang, Selangor Darul Ehsan on Wednesday, 15 May 2019 at 10.30 a.m., for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Audit Reports thereon. — **Please refer to Explanatory Note 1**

2. To approve the following payments :-

   (a) Directors' fees and allowances totalling to RM199,000.00 in respect of the financial year ended 31 December 2018. — **Ordinary Resolution 1**

   (b) Directors' fees and allowances to the Directors of up to RM300,000.00 from 1 January 2019 until the next Annual General Meeting. — **Ordinary Resolution 2**

3. To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association:-

   (a) Mr. Ho Siew Choong — **Ordinary Resolution 3**

   (b) Mr. Ravidran Markandu — **Ordinary Resolution 4**

4. To re-elect Mr. Chan Jee Peng who is retiring in accordance with Article 85 of the Company's Articles of Association. — **Ordinary Resolution 5**

5. To re-appoint Messrs. Grant Thornton Malaysia as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 6**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

6. **Authority to Issue and Allot Shares Pursuant to Section 76 of the Companies Act 2016** — **Ordinary Resolution 7**

   "**THAT** subject always to the Companies Act 2016 ("Act"), Articles of Association of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, 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 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 pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad ("Bursa Securities") **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." — **Please refer to Explanatory Note 2**

NOTICE OF ANNUAL GENERAL MEETING

7. **Authority for Mr. Ravindran Markandu to Continue in Office as Independent Non-Executive Director**

Ordinary Resolution 8

Please refer to Explanatory Note 3

"**THAT** pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, approval be and is hereby given for Mr. Ravindran Markandu who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

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

Ordinary Resolution 9

Please refer to Explanatory Note 4

"**THAT** subject to the Companies Act 2016 ("Act"), the Company's Articles of Association, the ACE Market Listing Requirements of Bursa Securities ("AMLR") 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 total number of issued shares 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 of the Company, be allocated by the Company for the Proposed Share Buy-Back.

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 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 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 the conditions; or
(b) the expiration of the period within which the next Annual General Meeting is required by law to be held; or
(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting

whichever occur first but not so as to prejudice to 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."

9. **Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")**

Special Resolution

Please refer to Explanatory Note 5

"**THAT** the existing Company's Constitution be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 23 April 2019 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution."

10. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board
TEX CYCLE TECHNOLOGY (M) BERHAD

WONG YOUN KIM
Company Secretary

Kuala Lumpur

Dated this 23rd day of April, 2019

NOTES:

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. **General Meeting Record of Depositors**

   For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the 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 9 May 2019. Only a depositor whose name appears on the Record of Depositors as at 9 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Item 1 of the Agenda - Audited Financial Statement for the Financial Year Ended 31 December 2018**

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

2. **Ordinary Resolution 7 - Authority to Issue and Allot Shares pursuant to Section 76 of the Companies Act 2016**

   The proposed Resolution 7 under item 6 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company 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.

NOTICE OF ANNUAL GENERAL MEETING

This general mandate is a renewal of the mandate that was approved by the Shareholders at the Fourteenth Annual General Meeting held on 16 May 2018. The renewal of this 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 cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/ or acquisitions. As at the date of this notice of meeting, no shares have been issued pursuant to the general mandate granted at the Fourteenth AGM of the Company.

3. **Ordinary Resolutions 8 – Authority for Mr. Ravindran Markandu to Continue in Office as Independent Non-Executive Directors of the Company Pursuant to the Malaysian Code On Corporate Governance ("MCCG")**

Mr. Ravindran Markandu was appointed as an Independent Non-Executive Director of the Company on 1 March 2007 and has therefore served for more than twelve (12) years. However, he has met the independence criteria as set out in Chapter 1 of the AMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director, and pursuant to Practice 4.2 of the MCCG, the Board will seek the approval of the shareholders at the Fifteenth Annual General Meeting of the Company via two tier voting system. Further rationale for his retention as Independent Non-Executive Director can be found on Page 56 of this Annual Report.

4. **Ordinary Resolution 9 - Proposed Renewal of Shareholders' Mandate for Share Buy-Back**

The proposed Resolution 9 under item 8 above is to seek the authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company on Bursa Securities. For further information on the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, please refer to the Statement to Shareholders which is included in the Company's 2018 Annual Report.

5. **Special Resolution - Proposed Adoption of New Constitution of the Company**

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the ACE Marker Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing laws, guidelines or requirements of the relevant authorities, to render greater clarity and consistency throughout as well as to enhance administrative efficiency.

Further details relating to this proposed resolution are set out in the Circular to Shareholders dated 23 April 2019, which was circulated together with the Company's 2018 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are seeking re-election and/or continuing in office as Independent Non-Executive Director at the Fourteenth Annual General Meeting of the Company are :-

(a) Mr. Ho Siew Choong (Article 80)
(b) Mr. Ravindran Markandu (Article 80 and Practice 4.2 of MCCG)
(c) Mr. Chan Jee Peng (Article 85)

The profiles of the above Directors who are seeking re-election and/or continuing in office as Independent Non-Executive Directors are set out in the Profile of Directors as disclosed on Page 3 and 4 of this Annual Report.

The details of the above Directors' interest in the securities of the Company are stated on Page 158 of the Annual Report.

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PROXY FORM

I/We ……..............
(FULL NAME IN BLOCK LETTERS)
of ……………………………………………………………………………………...……………………….…………...
(FULL ADDRESS)
…….…………..
being a member/members of **TEX CYCLE TECHNOLOGY (M) BERHAD**, hereby appoint the following person(s) or failing him, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Seventeenth Annual General Meeting of the Company to be held at Kenanga Room, Royal Selangor Yacht Club, Jalan Shahbandar, 42000 Port Klang, Selangor Darul Ehsan on Wednesday, 15 May 2019 at 10.30 a.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address	No. of Shares to be represented by Proxy
1. Name : NRIC No. : Address :	
2. Name : NRIC No. : Address :	

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of the following payments :-			
	(a) Directors' fees and allowances amounting to RM199,000.00 for the Directors in respect of the financial year ended 31 December 2018	*Ordinary Resolution 1*		
	(b) Directors' fees and allowances to the Directors of up to RM300,000.00 from 1 January 2019 until the next Annual General Meeting	*Ordinary Resolution 2*		
2.	Re-election of Mr. Ho Siew Choong	*Ordinary Resolution 3*		
3.	Re-election of Mr. Ravidran Markandu	*Ordinary Resolution 4*		
4.	Re-election of Mr. Chan Jee Peng	*Ordinary Resolution 5*		
5.	Re-appointment of Messrs. Grant Thornton Malaysia as Auditors	*Ordinary Resolution 6*		
6.	Authority to allot and issue shares pursuant to Section 76 of the Companies Act 2016	*Ordinary Resolution 7*		
7.	Authority for Mr. Ravindran Markandu to Continue in Office as Independent Non-Executive Director	*Ordinary Resolution 8*		
8.	Proposed Renewal of Shareholders' Mandate for Share Buy-Back	*Ordinary Resolution 9*		
9.	Proposed Adoption of New Constitution of the Company	*Special Resolution*		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares	
CDS A/C No.	

Date

Signature Shareholder

NOTES:

1. *A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.*
2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*
3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.*
7. *The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
8. *General Meeting Record of Depositors*

   For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the 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 9 May 2019. Only a depositor whose name appears on the Record of Depositors as at 9 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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STAMP

The Company Secretary

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

Please fold here

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

Lot 8942, Jalan Besar Telok Gong, Kawasan Perindustrian Telok Gong, 42000 Klang, Selangor.
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