Tex Cycle Technology (M) Berhad

(Registration No: 200401004116 (642619-P))

|ANNUAL REPORT 2019|

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CORPORATE PROFILE

Board of Directors
Ho Siew Choong, Executive Chairman
Ho Siew Weng, Executive Director
Ho Siew Cheong, Executive Director
Periasamy A/L Sinakalai, Executive Director
Ravindran Markandu, Senior Independent Non-Executive Director
Alagasan A/L Varatharajoo, Independent Non-Executive Director
Chan Jee Peng, Independent Non-Executive Director

Auditors
Messrs. Grant Thornton Malaysia PLT (201906003682 & 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)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7890 4700
Fax : 03-7890 4670

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

Corporate Office
Lot 8942, Jalan Telok Gong
42000 Pelabuhan Klang
Selangor Darul Ehsan
Tel : 03-3170 3987
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
68 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 in 1974 and Post Award Studies (graphic reproduction) in 1975. Upon his return from the United Kingdom, he joined Metro-Engravers Sdn. Bhd. ("Metro-Engravers") and was involved in all areas of business management such as Human Resource, Finance, Marketing, Research and Development, Sales and Distribution. He was appointed as 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 2019.

HO SIEW WENG
Executive Director
63 years of age, Malaysian, Male

Ho Siew Weng was appointed to the Board of Tex Cycle Technology on 13 May 2005. He was appointed to the Board of Tex Cycle on 13 August 2001. He has been directly involved in various areas of Tex Cycle's business management particularly Marketing, Sales and Distribution. Prior to his appointment to the Board of Tex Cycle, he was attached to Metro-Engravers and was involved mainly in the Sales and Marketing Department. Tex Cycle has benefited from his experience in marketing and sales, where his job function includes building a sales and marketing team with representatives based in different locations to reap the full benefit of local knowledge. He is also in charge of exploring new business potential in both the regulated and non-regulated waste generating industries. He attended all five (5) meetings held during the financial year ended 31 December 2019.

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 four (4) meetings held during the financial year ended 31 December 2019.

PERIASAMY A/L SINAKALAI
Executive Director
69 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 ten (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 as 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 attended four (4) meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE

RAVINDRAN MARKANDU, FCA
Senior Independent Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee and Remuneration Committee
70 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 (10) 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 2019.

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 (25) 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 2019.

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 eighteen (18) years of audit and financial management experience. He started his career with two (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 companies 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 all five (5) meetings held during the financial year ended 31 December 2019.

Additional Information on Directors

Save for Ho Siew Choong, Ho Siew Weng and Ho Siew Cheong who are siblings, none of the Directors have 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 AND ANALYSIS REPORT

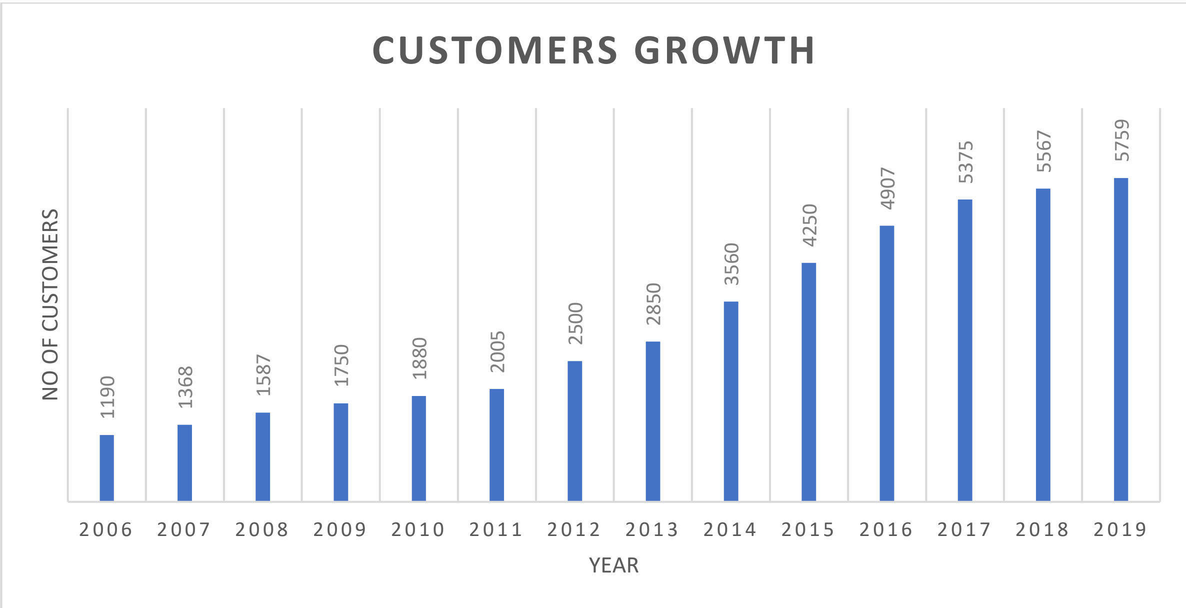
MANANAGEMENT DISCUSSION & ANALYSIS

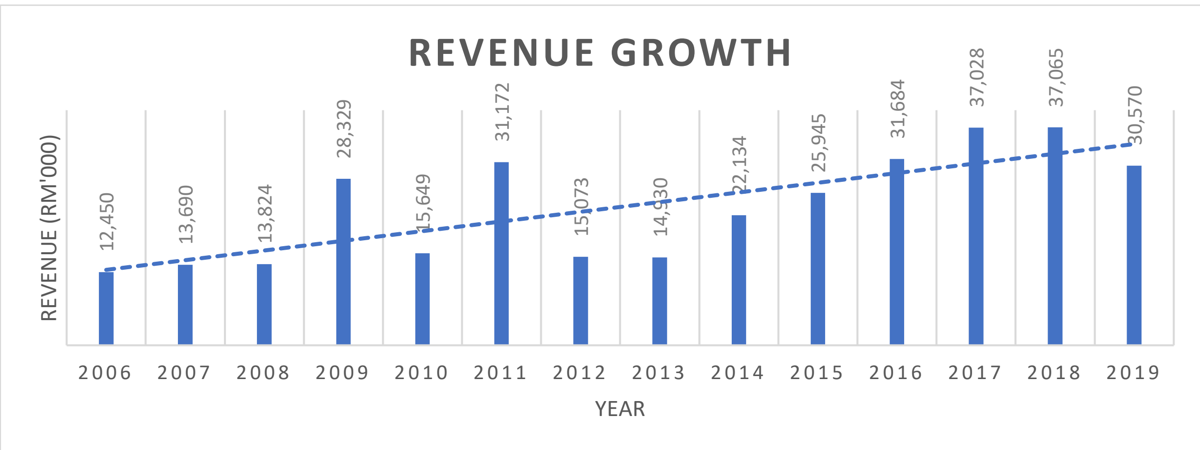
This Statement aims to present the Executive Directors and key management's analytical overview of the Group's operations and financial performance for the financial year ended 31 December 2019, in addition to other statements disclosed in this annual report such as the Statement on Risk Management and Internal Controls and the audited financial statements. Analytical disclosures made here are based on the 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

Tex Cycle has grown significantly throughout the thirty-five years. Starting from humble beginnings, the Company has now enlarged into a well-established public listed company which boasts a strong portfolio of assets, market composition and people connected by shared values as well as common goals.

Over the years, the Group's core business aspiration has been expanded tremendously due to the 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 a total number of 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 5,700 registered customers, with the numbers steadily increasing.





MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In present times, scheduled waste management activities are the foremost consideration at a national and international level. The spot light on the Company's 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 the scheduled waste by reusing them without causing any long-term damage to the planet or to the people. Most of the scheduled waste collected for treatment are naturally bio-degradable. It consists of cotton fabrics, rubber, activated carbon and wood. These wastes, when decontaminated, will be manufactured into fuel pellets which may be consumed as a renewable energy fuel source.

Over the years, we have been improving and upgrading our facilities, specifically to minimise the emissions and discharges from our own scheduled waste treatments. For instance, we have implemented programs to reuse the recovered water and heat from our operations, resulting 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 promote and assist the initiatives laid out by the DOE. To abide with the 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 minimised. 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 stakeholders of utmost priority, namely our employees. Hence, we pursue our mission with an unrelenting commitment to ensure that all 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 Social 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 potentials.

As such, with the Group's pivotal interest to identify and manage significant risks, 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 risks being identified, monitored and mitigated severely by the Group on a day-to-day basis are elaborated further hereon.

FIRE

In our core recycling and recovery business, without a doubt the biggest risk which Tex Cycle faces from its day-to-day operation is fire risk. Fires involving hazardous wastes can bring significant harm to the 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 from toxic or non-toxic materials release airborne pollutants which can root adverse effects on human health and the environment.
- Fire water run-offs can passage the pollutants into drainage systems, rivers and lakes, groundwater and soil, which then results in threatening water supplies, public health, wildlife and recreational use.
- Explosions, sparks and projectiles can harm people and spread into 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 perform daily monitoring and improve 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. All the employees are equipped 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 fire outbreak.

The Executive Directors and key management take this risk as a priority since the commencement of operations. The Group is committed to invest in fire safety equipments as well as other safety aspects within 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 waste. Tex Cycle does employ a significant number of general workers to run the daily operations of the Company. All employees are well 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 perform daily monitoring and improve 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 in-house trainings are conducted regularly 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 waste, competition will always be continuously evolving as a result of new players entering 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 all the industries and developments.

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 equipments had been stored in place for a much more efficient and environmentally friendly output. A major risk is the breakdown of machines which then slowdown the production rates. Bearing in mind the increased volume of scheduled waste into the Company's premises, a machine breakdown could cause a huge pilling up of scheduled waste to be treated. This in turn results in decrease in storage space area and exposing Tex Cycle to other risks such as fire. 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:

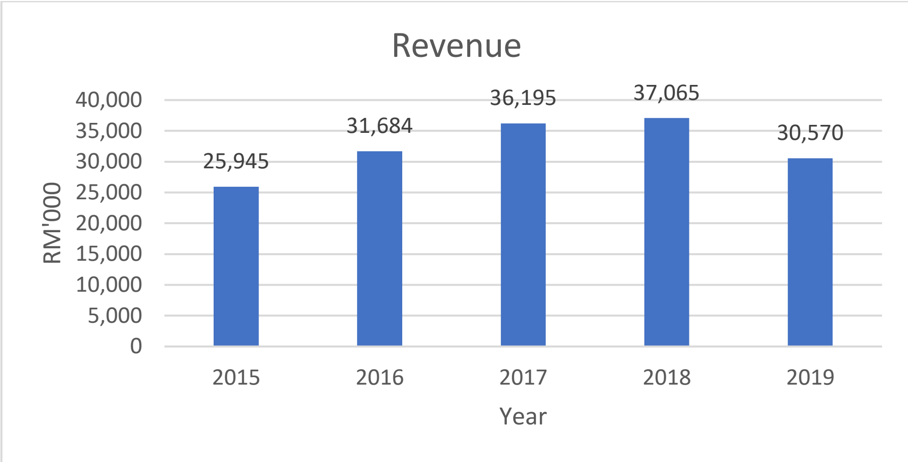
- 2003, awarded with ISO14001:2004 (constantly achieved till to-date)
- 2004 till 2009, awarded the Prime Minister Hibiscus Award
- 2005, listed in the BURSA Malaysia ACE Market
- 2006 & 2008, awarded by the Malaysian Canadian Business Council under the Business Excellence category
- 2006 till 2014, 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

Year	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	25,945	31,684	36,195	37,065	30,570
Profit before tax	8,112	16,517	15,398	9,957	6,820
Profit after tax	7,374	15,177	12,847	7,747	4,977
Net earnings per share (sen)	2.93	5.97	5.07	3.05	1.96

REVENUE

During the year of 2019, the Group's revenue decreased marginally by 17%, from RM37.1 million to RM30.6 million as a result of global and domestic economic downturn leading to a lower demand in the Recycling and Recovery Division ("RRD"). The Group's initiatives are to widen the existing customer base and provide greater awareness on the waste management facilities which the RRD of the Group possesses.



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. 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.

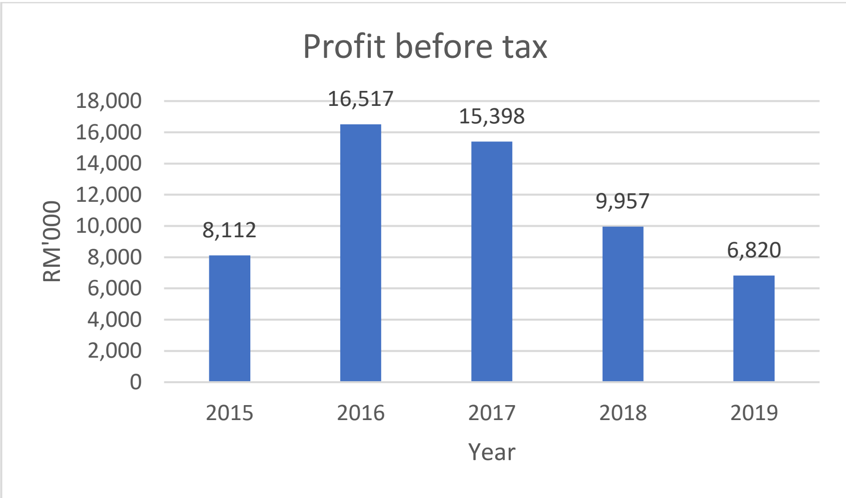
In addition, the RRD still continues to encourage the sales incentive programme for the marketing personnel with its’ objective to provide a sound basis by which the marketing team is motivated and rewarded for achieving and exceeding all sales goals as set by the RRD. The incentive plan covers both 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.

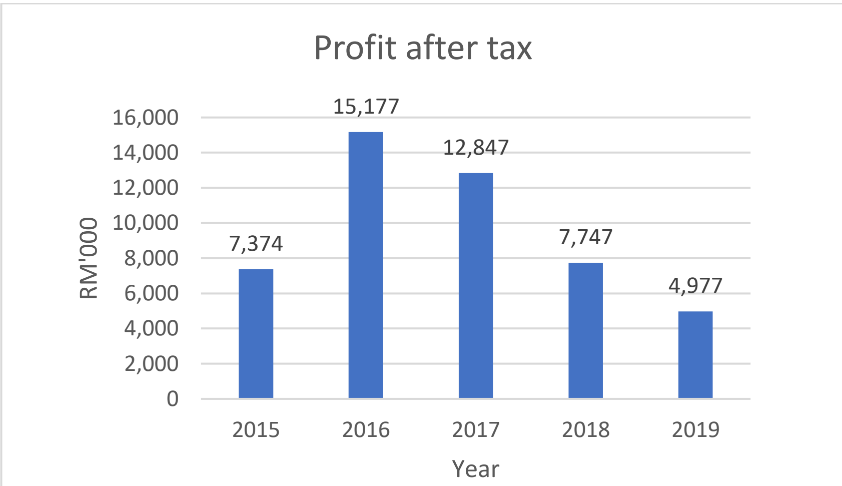
Among the additional work done performed by all marketing personnel in order to achieve the targeted revenues are as follows:

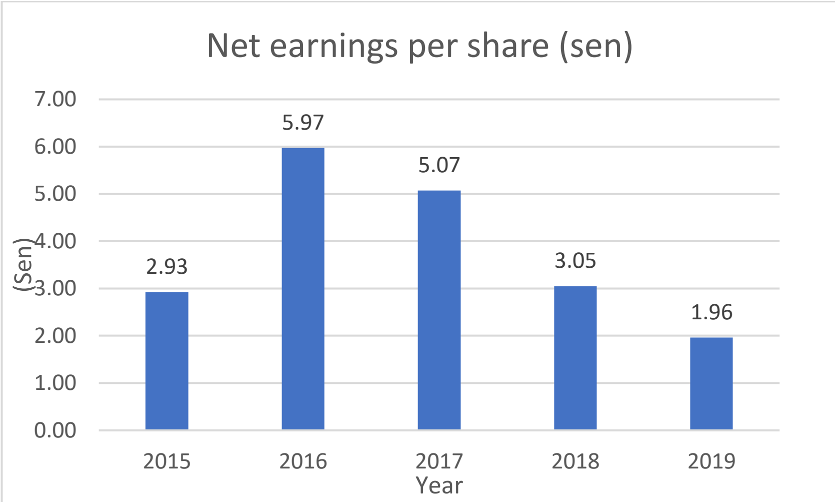
- Kept the RRD constantly informed as to competitive and economic conditions within the country which may affect the marketing or sales of the Company’s services therein;
- Furnished the RRD, on a timely basis, with sales call reports, sales forecasts, and such other information pertinent to marketing team's performance;
- Assisted the RRD in obtaining relevant financial information concerning the customers and potential customers of the Company 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 RM10.0 million to RM6.8 million and from RM7.7 million to RM5.0 million respectively. This is mainly due to the share of loss in equity-accounted joint venture amounting to RM0.6 million the pre-commencement expenses incurred on the renewable energy project in UK and the expiry of pioneer status by Tex Cycle (P2) Sdn. Bhd. which results in high provision of taxation for the current financial year. By excluding the share of loss in equity-accounted joint venture, the Group has a year-on-year net fall on its' PBT and PAT of 26% and 28% respectively which is mainly due to lower demand for the RRD sales and the one-off staff cost incurred for the Employees' Share Scheme ("ESS") of RM1.1million.







Investment in state-of-the-art equipments

The Company had been constantly ensuring 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.

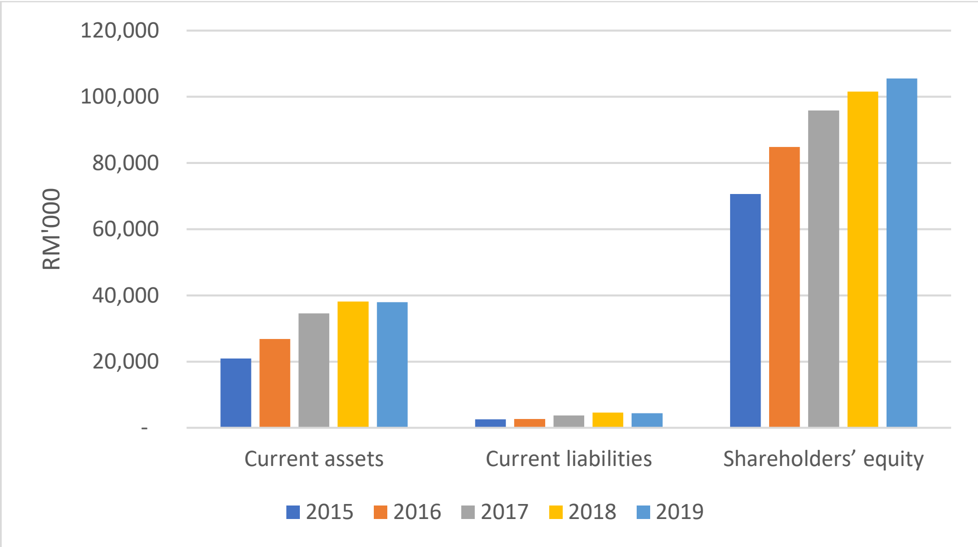
The machineries basically had been engineered upon taking into account of all advises and recommendations from international and local suppliers. This has helped in ensuring wastage of resources and time are minimised by a significant portion since the machineries are embedded with high capabilities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

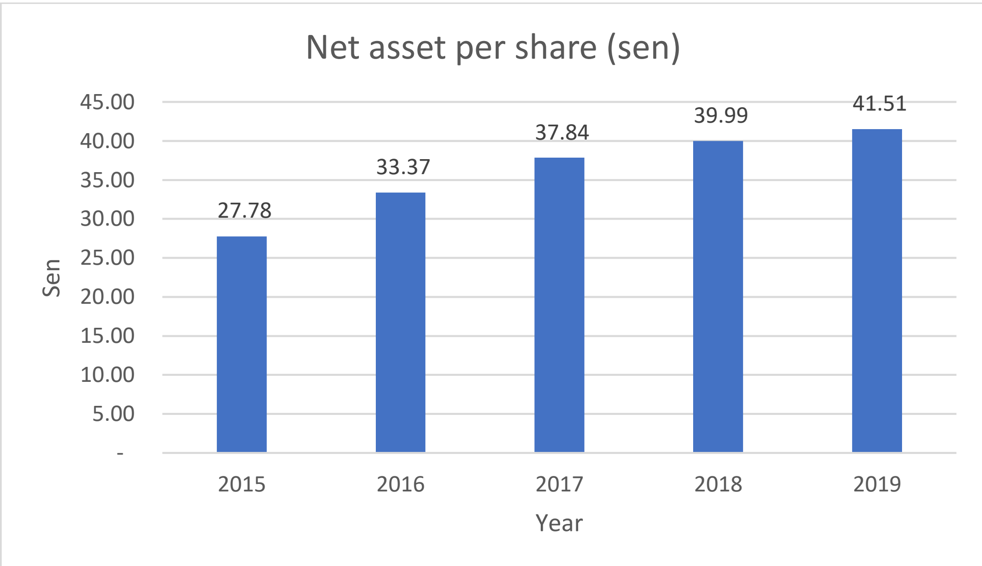
SUMMARY OF FINANCIAL RESULTS

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 2019	FYE 2018
Profitability		
Operational Return on Asset (EBIT/Average Assets)	5.65%	8.54%
Return on Equity (Net Earnings/Equity)	4.71%	7.63%
Gearing		
Debt to Equity Ratio	0.15 : 1	0.18 : 1
Valuation		
Net Asset per share (RM/share)	0.42	0.40
Enterprise value/Total comprehensive Income	20 times	18 times

Year	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Current assets	20,931	26,844	34,586	38,156	37,931
Current liabilities	2,598	2,693	3,715	4,584	4,409
Shareholders' equity	70,648	84,856	95,834	101,596	105,559
Net asset per share (sen)	27.78	33.37	37.84	39.99	41.51





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 turmoil is one of the 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. At present, businesses will be at a very bad state especially with the recent outbreak of the Novel Coronavirus ("COVID-19") affecting the global and domestic economy. Almost the entire country's tourism, production, import and export have been affected adversely. With the Movement Control Order ("MCO") in place by Malaysia and lockdown in many countries, all stakeholders hope that the situation will recover and allow continuation of businesses in a speedier manner. In times as such is where, we being a steward towards sustainability have implemented plans to mitigate our risk by way of certain diversification which is covered in this statement hereafter.

MOVING FORWARD

In view of this situation, the Group has implemented 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, the Group 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 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 risks 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 it creates negative market outlook.

In a nutshell, the dynamic approach of both red and blue strategies 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 ("TNB") grid surrounding the Telok Gong, Klang vicinity which is in short supply due to the fast growing expansions in the area.

The Company had obtained approval from Sustainable Energy Development Authority Malaysia ("SEDA") to build and operate a REEP with a capacity to supply 2MW per hour of electricity to TNB. With the implementation of the power generating project, it is expected to contribute positively to the Group's results from 2020.

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 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. Waste was regarded solely as an unwanted by-product in the past, however, waste recycling and resources recovery are seen as potential resources now.

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 GHG emission

It has low GHG emission. The scheduled waste treatment process stops the creation of methane during 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 to 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.

EFFORTS IN SUPPORT OF A CIRCULAR ECONOMY

A circular economy is a concept of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as it's attainable. In this way, the life cycle of products is extended. In actual practice, it implies reducing waste to a minimum. When a product reaches the end of its life, its materials are kept within the economy wherever possible. These can be productively used again and again, thereby creating further value & benefit. This is a departure from the traditional, linear economic model, which is based on a take-make-consume-throw away pattern. This model relies on large quantities of low cost, easily available materials and energy.

The world's population is growing and with it the demand for raw materials. However, the supply of crucial raw materials is limited. Besides that, extracting and using raw materials has a major impact on the environment. It also increases energy consumption and CO2 emissions. However, a smarter use of raw materials can lower CO2 emissions. In the year 2015 itself, the European Commission presented a new circular economy package. The package contains an action plan for the circular economy, mapping out a series of actions planned for the coming years, as well as four legislative proposals on waste, containing targets for landfill, reuse and recycling, to be met by 2030.

With all these efforts undertaken by these foreign countries, the Malaysian Government had wished to explore possibilities to make this happen in our very own beloved country. This has come to light in the year 2019 to Tex Cycle through the many invitations from the British and Sweden Embassy in encouraging us to work hand in hand with the countries who have made it or in the process of fully adopting a circular economy.

Among the events supported by Tex Cycle are as follows:

1. GREEN IS GREAT! Creating A Circular Economy, Towards Zero Single-Use Plastics

This business and industry forum was organised by the British Malaysian Chamber of Commerce (“BMCC”) in support of the British High Commission Kuala Lumpur to play a participatory role in Malaysia’s efforts towards Zero Single-Use Plastics. There were valuable insights and discussions on the Circular Economy Roadmap towards Zero Single-Use Plastics, the opportunities for businesses who want to take a lead and be part of efforts to reduce plastic usage, proposed Malaysia Plastics Pact by businesses to focus and co-ordinate efforts to circular plastics systems in Malaysia as well as the challenges and business benefits from leading companies who are already embracing practices to phase out single use-plastics. There was also a BBC Studios’s Blue Planet II Screening which was officiated by the then Minister of Energy, Science, Technology, Environment and Climate Change, Yang Berhormat Puan Yeo Bee Yin and attended by His Royal Highness (HRH) The Prince Edward, The Earl of Wessex KG GCVO. Tex Cycle was honoured to be invited to have a brief audience with HRH Prince Edward on having a cursory introduction of our principal business and how we are expanding in the United Kingdom for renewable energy projects which HRH was very delighted to hear and encouraged the Group to grow further.

2. International Conference And Exhibition On Waste Management (ICEWM) 2019

ICEWM is a yearly event organised by the Environmental Management and Research Association of Malaysia (ENSEARCH). ENSEARCH is a non-profit association of organisations, professionals, students and people with interest in learning and promoting effective ways to manage the impact of human activities on the environment which Tex Cycle is a long-time member. The ICEWM had a specific focus on the region with its rapid growth of volumes of waste and challenges towards waste management with the various kinds emerging waste compositions and streams. This event was also supported by the World Biogas Association with their enlightenment on biogas efforts around the globe. Tex Cycle was also invited to give a talk on our waste management business models and our future growth into the renewable energy sector which cover waste-to-energy solutions which drew a great amount of attention. We also had setup booths to promote more on our solutions and processes.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

3. International Greentech and Eco Products Exhibition and Conference Malaysia (IGEM) 2019

The IGEM is South East Asia's largest trade event for green technologies and eco solutions with tremendous amount of participation from around the globe. This event was also officiated by the then Minister of Energy, Science, Technology, Environment and Climate Change, Yang Berhormat Puan Yeo Bee Yin with emphasis on achieving the government's goal of hitting the 20% mark in the year 2025 in renewable energy. Tex Cycle had also partaken in a booth show in collaboration with our partners, Pakar Go Green Sdn. Bhd. with the aim of supporting sustainable by-products from our waste-to-energy processes. As part of the IGEM, Tex Cycle was also invited to support the NORDIC Forum on Circular Economy and Energy organised by the Sweden Embassy followed by a buffet dinner with the Ambassador of Sweden, His Excellency Mr Dag Juhlin-Dannfelt. It featured many high-profile speakers from around the globe especially Europe. It was a mind-blowing experience to note how certain countries in the European Union (EU) have advanced at a rapid space to even reduce reliance on landfills at only a 0.7% with their state-of-the-art technologies which have been upgraded over the years. There were many interests shown on engaging with the embassy to find ways that Malaysian companies or government could reach that kind of level in the long run by continuously developing processes and technologies to overcome issues on rising waste volumes.

RESEARCH AND DEVELOPMENT STRATEGIES

Tex Cycle embraces R&D within our organisation by working on with newer products or technologies subject to important shifts coherent with our blue and red ocean strategies. While R&D 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, R&D is about innovation, 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.

Cost Management Benefits

Our R&D 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 R&D 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 R&D outbreaks, it allows the Company to create strong marketing campaigns and advertising strategies. The two divisions comprehend each other very well. The R&D department focuses on creating 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 R&D department can be used to make the business active in that trend and boost the sales. For example, in our current markets with rapid embracement of green products, Tex Cycle aims to use R&D 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 utilising 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. Computerisation of the logistic department to create more efficient collection services.

NATIONAL GRAPHENE ACTION PLAN (“NGAP”) 2020

Metro Koats Technology Sdn. Bhd. (“MKT”) is one of the subsidiaries under the Group that is primarily engaged in 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 the Environmental Quality Act.

Under NGAP 2020 programme, in collaboration with Universiti Putra Malaysia (UPM), MKT has developed graphene-based oil absorbents during a Product Development Stage. The developed oil absorbents using different substrates (e.g. recycled shredded cloth, melamine sponge) are capable to selectively absorb oil and repel water at enhanced absorption capacity. The oil absorbents can be further developed and later used as oil spill kit – which can be adopted in various applications such as Oil & Gas and Automotive. MKT will also proceed with the prototype development in the next stage in the year 2020.

EMPLOYEES' SHARE SCHEME ("ESS")

Starting from year 2018, Tex Cycle has introduced a new employee 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. The ESS will provide the Eligible Persons with an opportunity to have equity participation in the Company. It achieves 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 the Company;
(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 2 Independent Non-Executive Directors, 2 Executive Directors and 1 senior management.

The evaluation of ESS was done by the committee members based on the following criterias:

(i) Length of service
(ii) Attendance
(iii) Performance
(iv) Future contribution

The Independent Non-Executive Directors conducted few interview sessions with some of the employees and Executive Directors for their views. The final tabulation of shares to Eligible Persons was made solely by the 2 Independent Non-Executive Directors to avoid any management bias and also to 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 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; 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, 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 are 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 employees of Tex Cycle (excluding dormant subsidiaries within the 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
    (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 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 CSR 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 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 utilising 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 utilisation 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 for capital gains; and
- Use a portion of the capital gains 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.

SOLAR NET ENERGY METERING

Malaysia is blessed with abundant sunlight all year round and the Malaysian Government has adopted policies to encourage the development of the solar industry, specifically to drive awareness of the benefits of solar photovoltaic ("Solar PV"), e.g. improving energy security and reducing carbon emissions.

With an installed capacity greater than 508 GWs worldwide and the annual addition of about 106 GWs in the coming year, Solar PV technology has become an increasingly important energy supply option. While the majority of operating solar projects are in developed economies, the significant fall in Solar PV technology prices coupled with rising costs of fossil fuels have driven fast-growing interest in Solar PV technology in emerging economies in Southeast Asia reducing the need for subsidies as well as enabling solar power to compete with other power generation options.

Tex Cycle's nature of business requires high usage of electricity due to recycling and recovering activities in an extensive volume and variation of waste daily. As such, the cost for day to day operation is high. By using net energy metering ("NEM") scheme, over 900 panels with 318.5kWp capacity installed since November 2019 on top of the roof of Tex Cycle's facility, the effective savings to the company is approximately 40% of the electricity cost per annum.

This effort is also in line with the Malaysian Government which has adopted policies to encourage the development of the solar industry, specifically to drive awareness of the benefits of solar photovoltaic ("Solar PV"), e.g. improving energy security and reducing carbon emissions.

Environmental Contribution

38.57t	96.13t	5,253tree(s)
Standard coal savings	CO_2 reduction	Equivalent Tree Planting

JOINT VENTURES

WASTE TO ENERGY - UNITED KINGDOM

The wholly-owned subsidiary, Tex Cycle Sdn. Bhd., has on 20 June 2019, entered into a Joint Venture Agreement ("JV Agreement") with Culzean Generation Ltd.. Under the JV Agreement, the parties will be shareholders of a new joint venture company known as Culzean W2E Ltd. ("Culzean").

Culzean was incorporated in the United Kingdom ("UK") on 29 June 2018 with issued and fully paid share capital of GBP £100.00. Its principal activity is procurement, supply, installation and operation of small-scale combined heat and power systems utilising non-recyclable waste as a feedstock. Culzean Generation Ltd. and Tex Cycle Sdn. Bhd. have both owned £300,000 worth of share capital after the injection of investment.

The joint venture between two companies is aimed to supply the sustainable energy generated from non-recyclable waste to business customers in the UK. Culzean plans to set up its first 2MW renewable electrical energy plant ("REEP") project in Ellesmere Port, Cheshire, north-west England, followed by another in Burnley, Lancashire and aims to prolong landfill life in the UK with the expertise in biomass gasification REEP to generate power from waste.

Culzean owned three subsidiaries which named Holborn Energy Ltd., Paddington Power Ltd. and Barbican Power Ltd.. These companies are Office of Gas Electricity Markets of UK ("OFGEM") accredited supply companies and are currently dormant with no trade and liabilities. Each company is holding an electricity supply license that allows the three companies to supply and sell electricity to the public.

With regards to this JV, a press conference was held on 11 September 2019 to share some light to the relevant stakeholders and public on the objectives as well as targeted plans of the JV. It was graced by the Deputy Country Director, Department of International Trade ("DIT") - British High Commission as well the Executive Director of the British Malaysian Chamber of Commerce ("BMCC").

Further progress on this JV will be made available to public upon completion of certain milestones.

SOLAR ENERGY

Another venture by the Group would be to diversify the renewable energy portfolio by targeting the Solar Energy sector with our very own running Solar Net Energy Metering ("NEM") system since November 2019. Solar has been booming recently with the awareness given from the relevant ministries in Malaysia which Tex Cycle looking forward to participate and playing a part in it as well.

The Group wishes to embrace CSR and Sustainability by reducing carbon footprint and encourage use of clean energy from the Sun as part of our business model. We are also working out methods to help supply solar power with the best possible financial deals and lowered risk to targeted customers. For every one megawatt of solar power generated from the solar panels, customers will be able to reduce twenty thousand tonnes of carbon dioxide which is substantial. Solar panels on rooftop of businesses like factories will also significantly reduce the heat on the roof and the premises.

As such a shareholders' agreement has been signed on 20 March 2020 between Tex Cycle Sdn. Bhd. ("Tex Cycle") and EFS Revision Energy Sdn. Bhd. ("EFS") to establish a joint venture company ("JV Co") named EFS MYSolar Sdn. Bhd., which will identify, evaluate and execute strategic business opportunities in the solar energy sector. Our partner, EFS's principal activity is providing provision of engineering, procuring, construction, commissioning and consultancy services related to renewable energy and energy efficiency. They were also responsible for the success of Tex Cycle's own Solar NEM in Klang.

The JV Co which will have a share capital of 1 million shares of RM1 each, will be 70% owned by Tex Cycle and 30% held by EFS. This means Tex Cycle will take up stake for RM700,000. The Board of the JV Co shall comprise three Directors. As such, Tex Cycle shall be entitled to appoint two Directors and EFS shall be entitled to appoint one Director.

FUTURE GREEN COLLABORATIONS

In order to grow the business with the ever-changing situations around us, it is always good to explore possibilities of projects beyond the Klang Valley and even globally. As the Group aims to promote sustainability and environmental consciousness, the management team and Directors have put lot of efforts into exploring projects and its' viabilities that are not only beneficial, but would also increase the longevity of the Group as a whole.

The collaborations would still promote Tex Cycle's long-time business concept of "Reduce, Reuse, Recycle, Recover". Among them are spearheading waste to energy projects in order to create economical value of the waste instead of being stored in the landfill at a very fast pace as well as extending the life span of the landfills in our very own country. With this approach, such lands could be used for other developments and reducing harmful gases from being emitted from the decaying process of most wastes. It was a step to assist the Malaysian Government in resolving environmental issues.

Besides that, we are also looking at biomass to energy plants with our state-of-the-art gasification system which drew a lot of attention from many parties to generate power and produce by products that will be of high value to many interested plantations and factories. Malaysia has been blessed with tremendous amount of biomass sources which have been considered as unwanted dropouts or waste by many, and Tex Cycle has approached many of the biomass source owners to collaborate on making these projects viable and instead of relying on depleting fossil fuel for power. We have taken this as an advantage to generate power with venturing with the source owners especially in times of financial turmoil globally and domestically. With this renewable energy will be a key future venture by Tex Cycle to be in support of the government's initiative to increase the usage of renewable energy to the desired state. All these collaborations, once materialized will be made available to public and will definitely help grow Tex Cycle's image and branding as one of the Renewable Energy experts as well be it in biomass, waste to energy or solar power generation projects.

APPRECIATION

We, the Executive Directors and key management team, would hereby like to extend our heartfelt appreciation to the Independent Non-Executive Directors, management and employees 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 over the years and hopefully for the many more years to come forth, plus last but not least to 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.

SUSTAINABILITY REPORT

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 providers, we take vigilant concern of the quality, environmental 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. This will be our second year to comply with Bursa Malaysia requirements on sustainability reporting, thus we have gradually realigned to our approach and prioritising on reviewing our material issues and mapping out our route forward to embed sustainability throughout our business operations. The Sustainability Statement ("Statement") sets out what the Board of Directors ("Board") considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, that impact the way the operations of the Company and its subsidiaries ("Group") are carried out as well as how such Material Sustainability Matters are managed.

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.

In preparing this Statement, the Board has also considered the Sustainability Reporting Guide - 2nd Edition and its accompanying Toolkits, issued by Bursa Securities. The contents of this Statement encompass the Group's key business operations, which comprise the manufacturing and trading of products. This Statement emphasizes the Group's commitment towards ensuring that its business operations are carried out sustainably and responsibly, taking cognisance of the EES implications it is exposed to.

SUSTAINABILITY GOVERNANCE

Whilst the Board is primarily responsible for the sustainability performance of the Group, it has delegated to the Audit Committee to oversee the risk management and internal control system, which includes the exposure of the Group to sustainability risk. The Group integrates sustainability into its risk management system, where sustainability is invariably a mooting point at the Audit Committee meetings when risk management matters are discussed and deliberated upon, especially when an update of the risk profile of the Group is undertaken.

The Audit Committee is assisted by the Chief Executive Officer ("CEO") in providing updates on matters related to risk and sustainability. The outcome of the Audit Committee meeting is then escalated to the Board by the Audit Committee Chairman for further deliberation.

The Chief Financial Officer ("CFO") and CEO, who are the main drivers of sustainability measures and initiatives are supported by their team of senior management personnel in implementing the strategies towards achieving sustainable performance of the Group.

REPORTING SCOPE AND BOUNDARIES

Tex Cycle's SR 2019 has been prepared in conformity with Bursa requirements. This SR covers the reporting period from 1 January 2019 to 31 December 2019. Our main focus for this year is on assessing our material sustainability topics that encompass the EES 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 is advised by an external consultant to assist in the sustainability reporting enhancement and to support comprehensive sustainability efforts across the Group's progress.

ABOUT TEX CYCLE TECHNOLOGY
Vision

Tex Cycle envisions being the preferred scheduled waste recycler in Malaysia. It aims to achieve this vision through the practice of sustainability in every aspect of the business with persistence, commitment, determination and passion. It further aspires to one day being able to achieve zero-waste through maximisation of resources.

Mission

- Tex Cycle is committed to 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 with engaging our exceptional services and reliable products at all times.
- Tex Cycle embarks on continuous Research and Development ("R&D") 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 Social 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.

Corporate Values

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 meets 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 of Bursa Securities Malaysia Berhad on 27 July 2005. Today, Tex Cycle Technology is the holding company of Tex Cycle Sdn. Bhd., Tex Cycle (P2) Sdn. Bhd., Metro Koats Technology Sdn. Bhd., Metro Envy 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 the Environmental Quality Act.

Conversely, we also supply specialised products for the defence industry and further endow chemical products for oil & gas, agricultural 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 waste 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."

SUSTAINABILITY REPORT

As a professional recycler, we collect contaminated materials directly from companies in the electronics, 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 of, 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 factory, utilising 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 environmental 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 Pelabuhan 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-five 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 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 5,700 registered customers, with the numbers steadily increasing.

Key Highlights For 2019

Market	Market Capitalisation : 258,189,496	
Business	Revenue	RM 30.6 million
	Profit Before Tax	RM 6.8 million
	Profit After Tax	RM 5.0 million
	Basic Earnings Per Share	1.96 sen
	Net Tangible Assets per share	RM 0.41

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 shareholders and stakeholders;
- 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.

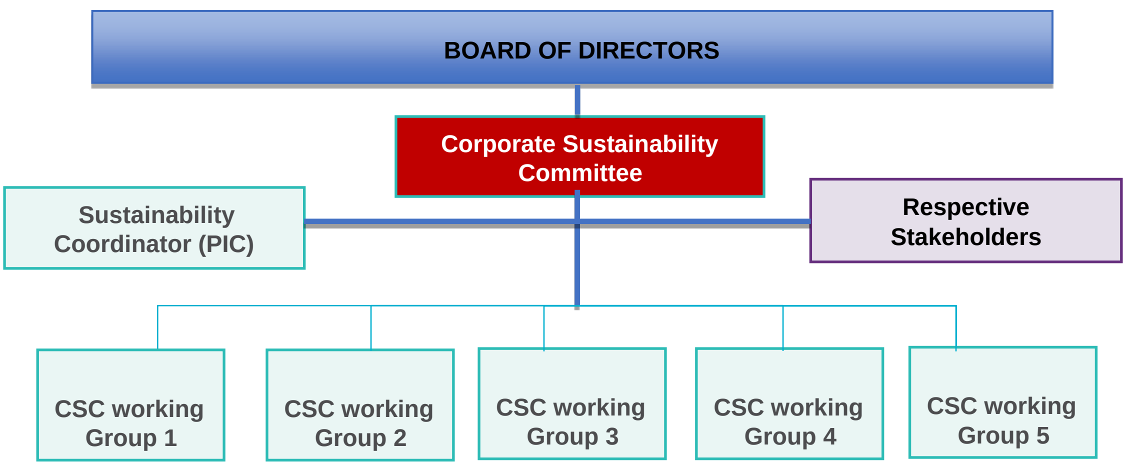
GOVERNANCE OF THE SUSTAINABILITY

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 organisation. The CEO 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 CSC.

ORGANISATION STRUCTURE FOR SUSTAINABILITY



RESPONSIBILITIES OF CORPORATE SUSTAINABILITY COMMITTEE

- Advising the Board on the sustainable strategies;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing stakeholder engagement to ensure that all issues, grievances and suggestions raised are taken into consideration in managing sustainability matters;
- Recommending to the Board for its approval the identified material sustainability matters, sustainability-related policies and its goals and targets;
- Monitoring the implementation of policies and initiatives of sustainability management;
- Overseeing the management of sustainability matters by focusing on matters material to the Group; and
- Overseeing the preparation of the Sustainability Statement and recommending it for Board's approval.

STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, Tex Cycle continues to practice prudence and stays 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 cover all our entities and operations in Malaysia.

2. Identification of Relevant Sustainability Matters

The process initiated with sustainability issues relevant to Tex Cycle Technology 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 2020, 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 that 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 segment of GRI aspects in analysing 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

Materiality Factors	Description	What Are The Risk	What Are The Opportunities
Competition	Tex Cycle is exposed to competition within the industry.	The lesser chance to secure contracts will impact the Company's business and performance (ie. price war and loss of opportunities).	• Innovative products and superior recycling methods could be offered to the clients as to improve on our core value. • Regional and local 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 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.

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. Overall, the materiality management has been adaptable captivating into the economic scenario.

Significance Material Factors (E1 – Economics, E2 – Environmental, S – Social)

		Factors	Why Material	Managing Materiality
MATERIALITY	**Very Important**	Compliance (E^{1}, E^{2})	Compliance with laws and regulations is one of our main requirements.	We provide adequate trainings and resources to ensure we meet compliance obligations.
		Local Environmental Impact (E^{2})	It safeguards the environment impact.	We monitor and review the environmental compliance strategy and performance.
		Safety & Health (S)	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.

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Customer Satisfaction (E^1, S)	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.
		Corporate Governance (E^1, E^2, S)	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.
		Innovation (E^1, S)	It is vital to remain competitive in the industry.	We transform waste into value by instiling innovation in converting various disposed waste into useful and reusable products.
		Business Mix (E^1)	It offers a wider range of waste codes and services to support the core services. This is to attract new consumers.	We have various waste codes and continuous enhancement is our preference in order to be competitive in the market.
		Supplier Screening – Environment (E^1, E^2, S)	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 operate.
	Important	Business Ethics/Code (E^1, S)	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to the employees.
		Anti-Corruption (E^1, S)	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 are carried out to make sure that the Group's policies and procedures as well as system of internal controls are being properly implemented.
		Local Engagement Plans & Programs (E^2, S)	It is to strengthen cooperation with local stakeholders such as governments and NGOs.	We support the local communities in which we operate.
		Diversity (S)	Diverse cultural perspectives can inspire creativity and drive innovation as well as productivity.	We recruit employees with good competency, skills and equality.
		Customer Privacy (E^1, S)	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.
		Risk Management (E^1)	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.
		Global & Local Economic Impact (E^1)	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 (E^1)	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.
		Social Media (E^1, S)	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 (E^1)	It ensures the stable, sustainable procurement and supply of resources as well as creates opportunities for economic contribution through localisation.	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, prioritise 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 in 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. Cost optimisation 4. Customers expectation and satisfaction 5. Fulfil customer schedule and collection within the time frame given 6. Long term relationship with customers (build good repo and trust) 7. Frequent collaboration on approval status of submitted documentation 8. Explanation of procedures and regulations governing scheduled waste storage and transport 9. Exhibitions and presentations 10. Awareness campaigns, held in tandem with Government initiatives 11. Adoption of strategic innovations in technology and brand awareness 12. Interacting and aiding new customers 13. Completion of collection cycle with full compliance to existing standards, regulations and time sensitive requirements 14. Customer service	• Customer feedback review • Progress meeting, updates and progress reports • Customer relationship management • 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 • Increasing visibility and understanding of evolving regulations and methodologies • Customer retention • Increasing profitability • Market position
EMPLOYEES 1. Employees induction programs and appraisal 2. Set targets/KPI review 3. Consultation and monitoring 4. Safety committee at factories 5. Online portal (intranet), newsletters, emails 6. CSR event 7. Meetings, feedback sessions and coaching 8. Other employee engagement activities (such as annual dinner, festive celebrations, outdoor sports and volunteering work) 9. Knowledge and skills enhancement 10. Pleasant working environment 11. Employee self-development 12. Career opportunities such as promotion 13. On job training (i.e. internal or external training or attend relevant courses) 14. Employee recognitions 15. Rewards for outstanding achievement	• Career progression, employee development needs • Safety at workplace • Dialogue and engagement • Subsidised employe trips • Training and attachment programmes • Performance evaluation and management • Staff remuneration and benefits • Employee well-being • Job satisfaction • Operational performance and issues

Engagement Approach	Engagement Focus & Objectives
SUPPLIERS 1. Request for proposal 2. Supplier evaluations and selection 3. Periodic review for new purchases 4. Training and workshops 5. Timely payment 6. Professional and transparent procurement process 7. Meetings, capacity building sessions and business alliance meetings 8. Site visits 9. Contracts 10. Ensure continual improvement 11. Trust and ethics 12. Responsible procurement 13. Safety, health and environmental procurement 14. Proper personal protective equipment	• Sound payment practices and vendor performance • Supplier assessment review • Corporate integrity pledge • Procurement process, terms and practices • Strategic partnerships • Working alliance • Compliance of business conduct • We encourage our customers to work openly and collaboratively with us to improve our work performance and product (rags) • We encourage our suppliers to work safely and collaboratively with us to improve our safe work performance
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. Round table sessions 5. Regulatory compliance training 6. Regular dialogue 7. Authorisation and license to operate 8. Participation in Government and regulator events 9. Regulatory and technical association 10. Face-to-face meetings 11. Collaboration activities 12. Conformance to legislation and license requirements	• Comply with all the requirements • Special industrial tariffs • Interpretation of laws/legislations/guidelines • Continuous engagement through formal and informal events • Constructive feedback sessions • Participation in surveys, forums and reporting
COMMUNITY 1. Educating community about the risk from work 2. Update the neighbourhood about the danger from work (odour) 3. Educating community about the nature of our business and the risk involved 4. Participation in Company's safety and 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 • Participation in conference • Public booth • Posters
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 ORGANISATION 1. Environmental, safety and health concerns	• Collaborating with NGOs to improve our services
ECONOMIC SHAREHOLDERS & THE INVESTMENT COMMUNITY 1. Financial and economic impact and performance 2. Business development	• Through Company's annual meeting and Directors' meeting

Engagement Approach	Engagement Focus & Objectives
GENERAL PUBLIC 1. Responsible for CG 2. Social responsibility communications 3. Dealing with public complaint	• Company website • Improve company performance and reputation by fully utilising 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 of new and existing talent 3. Retaining talent 4. Developing leadership talent 5. Open communication in both ways 6. Provide mentoring, coaching and support to employees 7. Provide sufficient tools/equipment for the employee to perform optimally	• Improve Company's performance and reputation by fully utilising 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 of our engagement with our employees.

The 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 accessed to the best people, best resources, and first to 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 regularly 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 to 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. Prioritisation of Material Sustainability Matters

Tex Cycle has undertaken a stakeholder prioritisation 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 CSC 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 is illustrated under significance material factors.

ECONOMICS

Economic scenario remains as our core element based on the market condition of the global influence. The Company has taken a great level of measures to identify the critical risk which influence the strategy of the Company. By taking indispensable steps with the senior management and the Board, we foresee to mitigate the risk elements. We also conduct periodic monthly and ad-hoc meetings with the Head of Departments on the business aspects to cater the market needs.

Our commitment to business is focus on strong corporate governance and prudent management in view of challenging internal and external environment. We strive to achieve by enforcing on the following aspects. Details of the below practices are elaborated in our website.

- Whistle-blowing Policy and Procedures
- Corporate Governance and Compliance
- Risk Management

The Group's operations are illustrated in the Management Discussion & Analysis (MDA) section in the Annual Report.

POLICY AND PROCEDURES

Tex Cycle Technology group of companies is committed to achieve the highest possible ethical standards in all of its practices.

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 Ethical Conduct provides a 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 CG, has been proactive in promoting good corporate governance and ensures that the principles and best practices of good governance apply throughout the Group. Details of our CG framework and practices are elaborated in the CG Report available in Bursa Malaysia Securities Berhad's website.

RISK MANAGEMENT

An integral part of good CG, 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 provide an independent assessment of the effectiveness of the Group's financial risk and controls.

OUR SUPPLY CHAIN

Sustainability in the supply chain has been increasingly recognised as an important aspect in corporate social responsibility. In making responsible sourcing decisions, Tex Cycle has started to explore putting in place an appropriate approach to consider suppliers' EES credentials in the lifecycle of the 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 is in the process of sending out surveys to selected suppliers for them to share and affirm their commitment towards EES.

Tex Cycle is cognisant 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.

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, minimise 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 Cycle will continue to develop effective environmental 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 sustainability 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 organisation 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 environmental regulation. Any non-compliance would be tackled in the shortest time possible.
4. We set objectives and targets on a continual basis of 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.

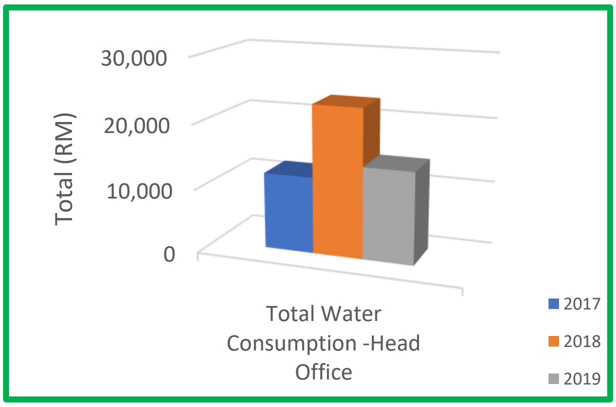
Environmental Issues and the Preventive/Control Measures

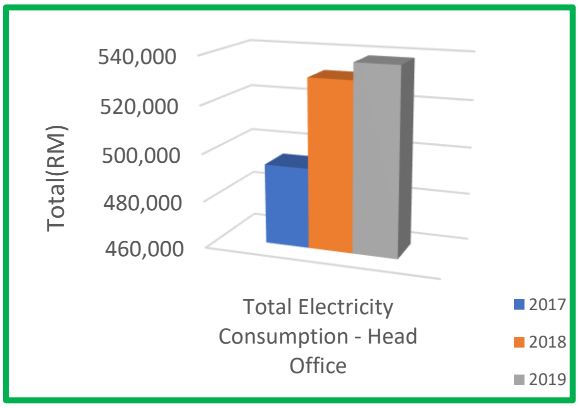
WATER MANAGEMENT & CONSUMPTION

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 to the head office. The date presented below is for water and electricity consumption statistics in the head office.





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 minimise 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 less use.
- Maintenance and replacement of electrical equipment and light fittings to maximise energy efficiency
- Campaign to remind all staff to switch off the lighting, water dispenser, air conditioning, or
- Other electrical appliances in the office and pantry when they are not required.
- We have installed solar system to reduce our concentration and reduce the electricity cost.

WASTE MANAGEMENT

Tex Cycle Technology 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 and 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 in producing only 3% of the 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 recyclable. This initiative objective includes:

- To provide dedicated area and storage for a 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.

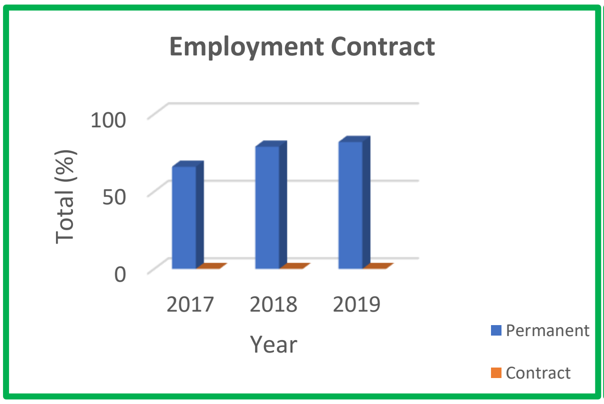
SOCIAL

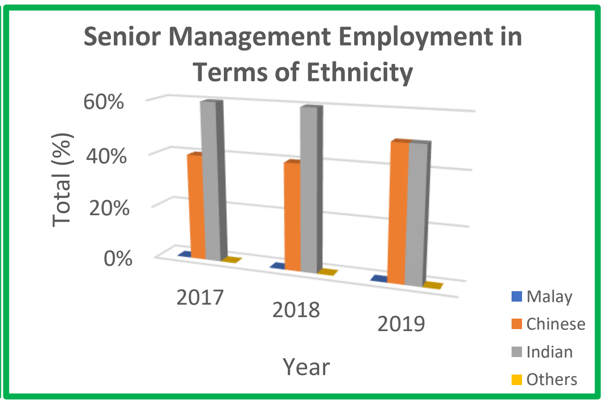
Our Approach

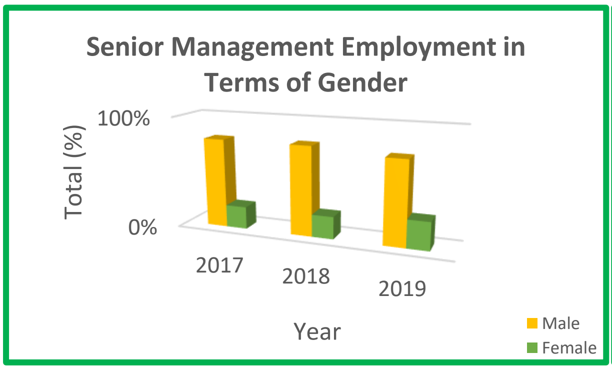
Our initiatives in the community are concentrated on:

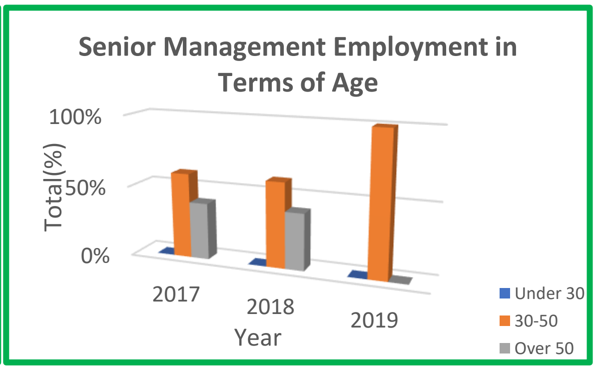
1. Workplace
   (a) Education and Individual Development;
   (b) Sports and Recreational Activities;
2. Community;
3. Safe Workplace Practices; and
4. Leadership & Commitment.

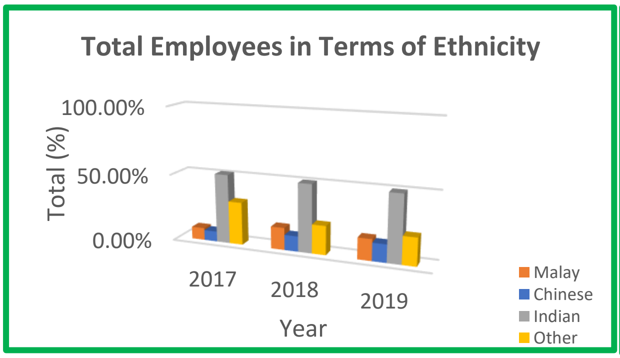
1. Workplace

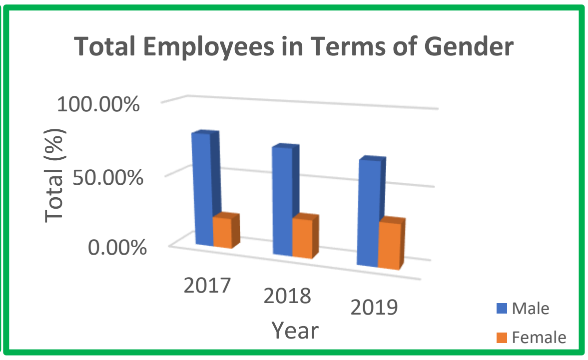

Employment Contract
100
50
0
Total (%)
2017
2018
2019
Year
Permanent
Contract

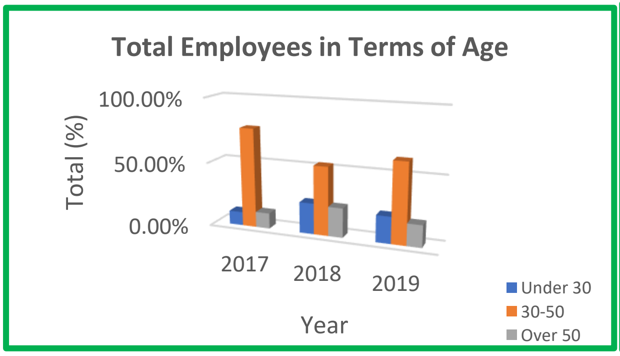

Senior Management Employment in Terms of Ethnicity
60%
40%
20%
0%
Total (%)
2017
2018
2019
Year
Malay
Chinese
Indian
Others

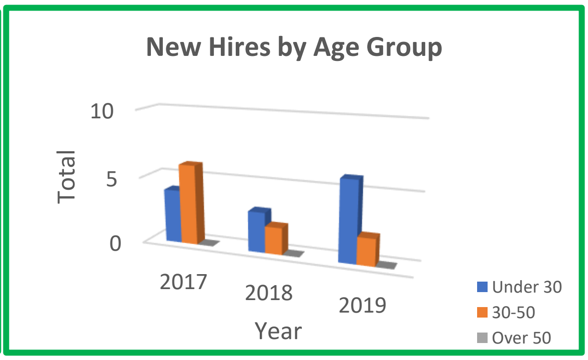

Senior Management Employment in Terms of Gender
100%
0%
Total (%)
2017
2018
2019
Year
Male
Female

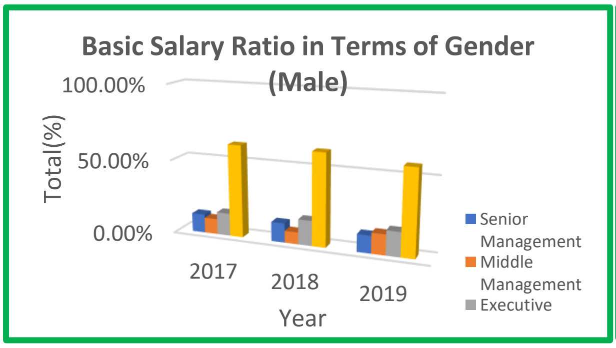

Senior Management Employment in Terms of Age
100%
50%
0%
Total(%)
2017
2018
2019
Year
Under 30
30-50
Over 50

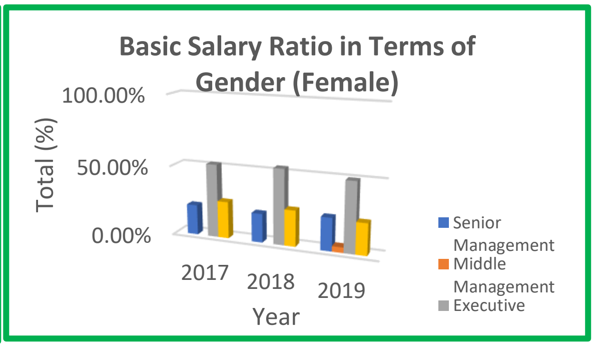

Total Employees in Terms of Ethnicity
100.00%
50.00%
0.00%
Total (%)
2017
2018
2019
Year
Malay
Chinese
Indian
Other


Total Employees in Terms of Gender
100.00%
50.00%
0.00%
Total (%)
2017
2018
2019
Year
Male
Female


Total Employees in Terms of Age
100.00%
50.00%
0.00%
Total (%)
2017
2018
2019
Year
Under 30
30-50
Over 50


New Hires by Age Group
10
5
0
Total
2017
2018
2019
Year
Under 30
30-50
Over 50





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 organisation'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 have been with the management through evolving challenges that we have faced and continue facing as a growing and developing Company.

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. The management do take the initiative to ensure all employees stay energetic and healthy by way of organising social sports such as badminton and others involving senior management and executives. This is also a way of bridging the gap between the aforementioned groups of personnel. Annual dinners, barbeques and get together events are also being organised to be a way of stress releasing and motivating employees to strive the extra mile with the team work present within the organisation.

Team Badminton Session


Team Barbeque Session


Team Potluck Dinner Session


Annual Dinner


Annual Dinner


Annual Dinner


Annual Dinner Performance


Annual Dinner Performance

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 the 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 organisations 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.

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 ("HSSE") programme is designed to integrate HSSE initiatives into all aspects of business operations.

4. Leadership & Commitment

Top management ensures that the requirements of the management system, including the policies and objectives, are consistent with the strategic context and the 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 the community and enforcement officers at the location and logistics 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 in 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 the 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 for 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 is keen on environmental awareness programs are welcomed. Adult groups give 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 the 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 to the industry and accept final year students for internships.
(f) Customer EMP - We support Customers' EMS, ISO14001 certification and environmental program by assisting customers with their regulatory and compliance issues.
(g) 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 organised.

5. Management Review for HSSE Policies & Procedures

The management review process requires that the HSSE policies and procedures are reviewed by the management at planned intervals to ensure continued system effectiveness and efficiency.

The details of amendments were made accordingly.

Hall of Fame

Awards Achieved Prior 2019

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 in Environment under Business Excellence Awards 2008

National Award for Management Accounting (NAfMA)

- 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

- 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
- 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

This year is our first full disclosure on sustainability, however for the past 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.

Accelerating in year 2020, 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. The sustainability remains as an integral part of our business, we will continue to strengthen sustainability initiatives across our value chain by implementing new strategies and initiatives to spur innovation in our product development, promote healthy lifestyles, exceed customers' satisfaction, reduce our environmental footprint, and protect vulnerable workers and communities.

As our immediate approach, we will continue to enhance and 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.

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 2019.

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

Alagasan A/L Varatharajoo
Independent Non-Executive Director

Chan Jee Peng
Independent Non-Executive Director

The Audit Committee comprises three (3) Non-Executive Directors during FYE 31 December 2019, 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 ("MIA").

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

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 Executive Officer ("CEO"), Chief Financial Officer ("CFO") 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 CEO, CFO, 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	5/5
Alagasan A/L Varatharajoo	5/5
Chan Jee Peng	5/5

Responsibilities and Duties

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

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

INTERNAL AUDIT FUNCTION

The Group has appointed an established external professional Internal Audit firm namely Smart Focus Group, headed by its Assurance Division Director, Mr. Lee Fook Sun, who graduated from Australia with a Bachelor of Commerce and a Masters in Accountancy. He is also a member of MIA and CPA Australia as well as a professional member of the Institute of Internal Auditors Malaysian (IA). He has vast experience and exposure in the Internal Audit field. He was assisted by three other Internal Auditors in this assignment during the financial year under review. The internal audit activities were reported directly to the Audit Committee based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

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

The internal audit fee incurred during the financial year was RM15,000 (2018: RM15,000).

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, 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 12 November 2019, the Audit Committee recommended to the Board for approval of the audit fee of RM94,000.00 in respect of the FYE 31 December 2019.

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 ensures 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 is aware and responsible for meeting it.

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 Executive Chairman and the Chief Executive Officer ("CEO") 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 CEO, Mr. Gary Dass 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 are 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	4/5	80%
Ho Siew Cheong	4/5	80%
Ho Siew Weng	5/5	100%
Non-Executive Directors		
Ravindran Markandu	5/5	100%
Alagasan A/L Varatharajoo	5/5	100%
Chan Jee Peng	5/5	100%

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

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 2019, the Directors have attended several relevant courses as below:

Directors	Seminar / Conference / Workshop
Ho Siew Choong	International Conference and Exhibition on Wastes Management 2019
Periasamy A/L Sinakalai	IGEM 2019 - International Greentech & Eco Products Exhibition & Conference Malaysia
Ho Siew Weng	IGEM 2019 - International Greentech & Eco Products Exhibition & Conference Malaysia
Ho Siew Cheong	5th AGM and Pre AGM Talk & Demo - Biochar Malaysia Association
	Inaugural Town Hall Session: Re Industry with YB Puan Yeo Bee Yin
Ravindran Markandu	The Cooler Earth - Sustainability Summit
	CG Watch: How Does Malaysia Rank?
	Recent MFRS Developments (MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases)
Alagasan A/L Varatharajoo	Avoiding Competition Law Violations - Formulating an Effective Compliance Policy
Chan Jee Peng	Managing Income Tax Audit Challenges Effectively
	Auditors' Responsibility in Gathering Evidence and Documentations
	Auditors' Responsibility in Accessing and Responding to Risks

II. Board Composition

The Board currently consists of seven (7) members, comprising the Executive Chairman, three (3) Executive Directors and three (3) Independent Non-Executive Directors. Based on the annual review of the composition of the Board carried out by the Nominating 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 of the MCCG.

The Board reviews and assesses the independence of Directors annually based on the criteria set by the Nominating Committee. One of the assessment criteria is the ability of the individual Director to exercise objectivity in the discharge of his 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 ten (10) 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:

- Reviewed and assessed the performance and the remuneration package of the Executive Directors;
- Reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2019; and
- Reviewed and assessed the performance and the remuneration package of the key senior management.

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

(i) Received from the Company

		Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, 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	-	3,500	-	-	-	3,500
3.	Ho Siew Weng	-	4,200	-	-	-	4,200
4.	Ho Siew Cheong	-	3,500	-	-	-	3,500
Non-Executive Directors							
5.	Ravindran Markandu	40,000	11,300	-	-	-	51,300
6.	Alagasan A/L Varatharajoo	40,000	10,100	-	-	-	50,100
7.	Chan Jee Peng	40,000	10,400	-	-	-	50,400
Total:		180,000	49,000	-	-	-	229,000

(ii) Received from the subsidiaries

		Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors							
1.	Ho Siew Choong						
2.	Periasamy A/L Sinakalai						
3.	Ho Siew Weng						
4.	Ho Siew Cheong						
Non-Executive Directors							
5.	Ravindran Markandu						
6.	Alagasan A/L Varatharajoo						
7.	Chan Jee Peng						
Total:							

Please refer to page 115 of the Annual Report 2019.

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
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 Terms of Reference 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 Annual General Meeting ("AGM") or Extraordinary General Meeting.

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 28 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 Nominating 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. Independent 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 17 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 2019:

Chairman

Alagasan A/L Varatharajoo
Independent Non-Executive Director

Members

Ravindran Markandu
Senior Independent Non-Executive Director

Chan Jee Peng
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:

- Assessing each of the existing Directors' ability to contribute to the effective decision making of the Board;
- Identifying, appointing and orientating new Directors;
- Reviewing the mix, skills, experience and other qualities (including gender, age and ethnicity) the Board requires for it to function independently and efficiently;
- Membership of the Audit and Remuneration Committees and any other Board Committees as appropriate, in consultation with the chairman of those committees;
- 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, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO");
- Identifying and recommending Directors who are to be put forward for retirement by rotation in accordance with the Company's Articles of Association; and
- 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 Executive Chairman 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 CEO and CFO (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 familiarise themselves with the operations of the Group;
- To recommend to the Board the engagement of services of such advisers as it deems necessary to fulfil the Board’s responsibilities; and
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Activities of Nominating Committee

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

- Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board;
- Review and assess the effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director;
- Review the level of independence of Independent Directors;
- Discuss the character, experience, integrity and competence of the Directors, CEO and CFO 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; and
- Discuss the retention of Independent Non-Executive Directors, Mr. Ravindran Markandu, who has served on the Board for a cumulative period of more than 12 years.

STATEMENT OF 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 the 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 in 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 of 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 ("AC") 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 Executive Chairman, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") 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 of the AC; and
- Quarterly review of the Group's performance and results by Executive Chairman, CEO, CFO and management.

The Internal Auditor ("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 resource requirements to ensure the function maintains an adequate number of IA 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 the 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, including 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.

In 2019, reviews in various areas involving Recycling Operations, Information Technology, Finance, Procurement Human Resources, and Subsidiaries were conducted. There were 2 reports issued, Internal Audit Review and Risk Management profiling reports. The Internal Audit function has reviewed the state of internal control of various operations within the Company based on the information provided by the management and line managers. Namely, as follows:

- Plant Operations
- Sales and Marketing
- IT Security Management
- Procurement Management
- Accounting and Financial Activities
- Trading Management
- Human Resources 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 the management. Subsequently, the progress of these corrective actions was monitored and verified by IA on a regular basis and submitted to the AC. Internal audit committed to equip the IA 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 internal audit processes and identifies opportunities for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistent good quality output of every audit engagement. The team leader is well experienced to manage the internal audit assignments.

Information and Communication

While the management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to inquire 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 with 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 summarised 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 IA, 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, technologies, products and reputational risks.

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 the risks and responses to management.

All identified risks are displayed on a 1 to 3 risk matrix based on their risk ranking to assist the 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, CEO and CFO who work closely with the Group's operational managers are continuing 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 strategy 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 in 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 in 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 CFO 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 Executive Chairman, CEO, CFO, and other HODs that the Group's risk management and the 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 2019 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.

The Company is primarily engaged in waste management business that focuses on environmentally friendly solutions which provides professional services preferred by companies from various industries in accordance with the Environmental Quality Act. Conversely, we also supply specialised products for the defence industry and further endow chemical products for related industries. Technology advancement and frequent upgrade on the system and procedures allow us to offer our valued customers with economical products and services in total compliance, thus offering a one-stop solution to the relevant industries.

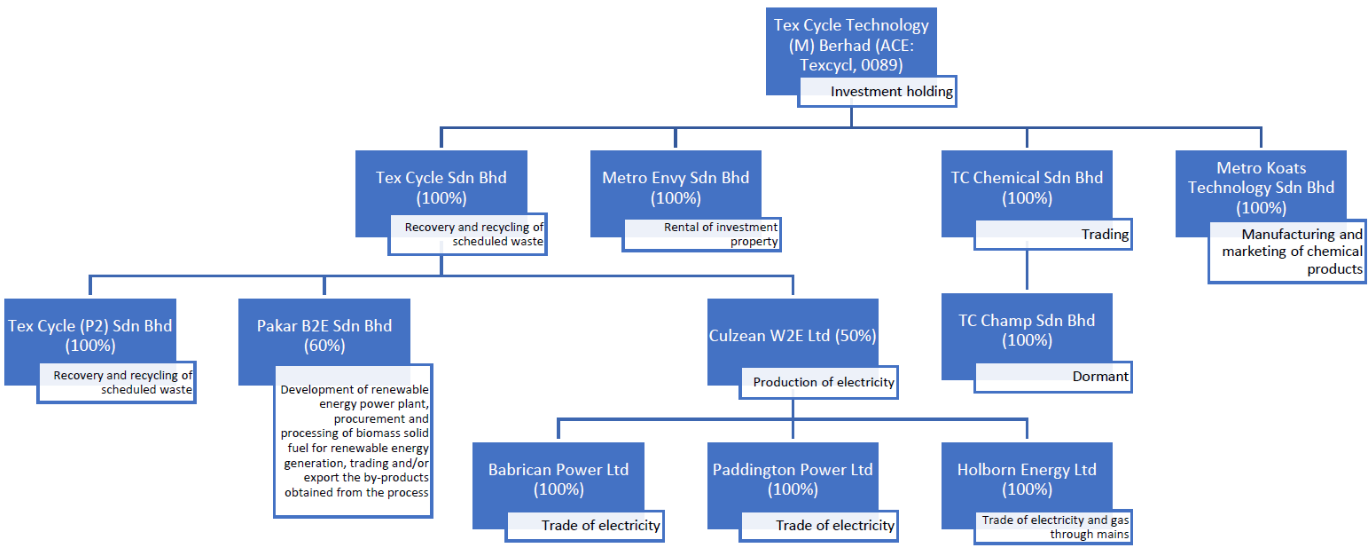
As diversifying is key to maintain survivability and relevance in the competitive market, the Group has ventured into the renewable energy sector ranging from biomass to solid waste to energy projects. In line with the Government's initiative to promote and increase renewable energy usage, the Group is working closely with the Sustainable Energy Development Authority ("SEDA") Malaysia. The Group is working tirelessly to explore key potential projects locally and internationally such as the recent announcement made regarding a joint venture with the United Kingdom promoting waste to energy solutions there.

Apart from waste to energy, the Group ventured into Solar Energy as well. It is another key component in moving forward with the renewable energy diversification programmed to help industries lessen the cost of operation where the volume of electricity consumption is high.

In a nutshell, all these approaches will in the long run help reduce the reliance on fossil fuels and raise the awareness bar on perusal of clean energy sources.

The Group's Corporate Structure and Principle Activities

The Group structure as at 31 December 2019 is as follows:



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 with its wholly-owned subsidiary Tex Cycle (P2) Sdn. Bhd. ("TCP2SB") carrying on the waste management legacy.

Besides that, TCSB is in the midst of expanding its wings into renewable energy power generation locally through TCP2SB as well as internationally through its subsidiary, Culzean W2E Ltd. ("Culzean"). Besides that, TCSB has recently entered into a joint venture on solar energy through TC Champ Sdn. Bhd. to explore solar business opportunities as a way of minor diversification.

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. As one of the most established and a pioneer recycler of scheduled waste in the region, TCP2SB 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 DOE. 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. TCSB and TCP2SB are referred as 'Tex Cycle' in this reporting. TCP2SB is also into renewable energy power generation from biomass waste under the purview of the SEDA Malaysia which is targeted to commission on 27 July 2020.

CULZEAN W2E LTD.

TCSB has entered into a joint venture agreement with Culzean Generation Ltd. and formed a joint venture company, named Culzean W2E Ltd. ("Culzean"). TCSB has 50% control over the joint venture company. Culzean is the holding company of Babrican Power Ltd., Paddington Power Ltd. and Holborn Energy Ltd. These companies are incorporated and domiciled in the United Kingdom. The principal activity of Culzean is production of electricity. However, Culzean has yet to commence its operation at the end of the financial year.

METRO ENVY SDN. BHD.

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

TC CHEMICAL SDN. BHD.

TC Chemical Sdn. Bhd. 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 Sdn. Bhd. was incorporated on 1 November 2018. Its intended principal activity is to identify, evaluate and execute strategic business opportunities in the solar energy sector with its JV partner, EFS Revision Energy Sdn. Bhd. whereby Tex Cycle Sdn. Bhd. has 70% control over this JV company.

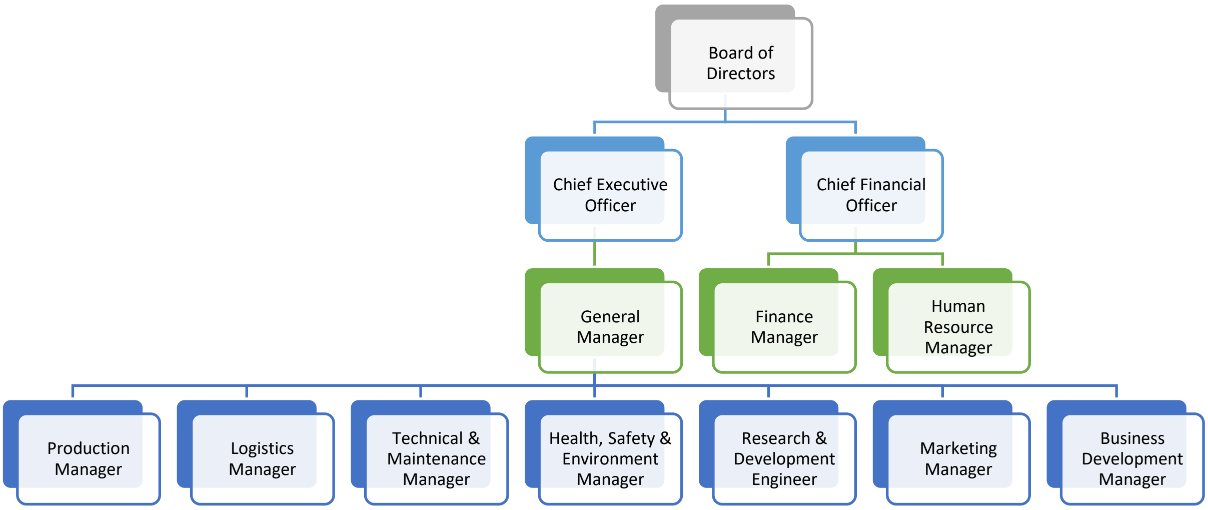
METRO KOATS TECHNOLOGY SDN. BHD.

Metro Koats Technology Sdn. Bhd. was incorporated in 1995. The principal activity of the Company is manufacture and marketing of chemical products. It is also the R&D centre for our graphene-based product development together with Nano Malaysia Berhad and University Putra Malaysia (UPM).

PAKAR B2E SDN. BHD.

Pakar B2E Sdn. Bhd. was incorporated on 9 March 2020. The principal activity of the Company is development of renewable energy power plant, procurement and processing of biomass solid fuel for renewable energy generation, trading and/or export the by-products obtained from the process. It is 60% owned by Tex Cycle Sdn. Bhd, 30% by Pakar Go Green Sdn. Bhd. and 10% by KLPK Niaga Sdn. Bhd.

Organisation Chart



Environment Management Systems Approval Certificate

SIRIM QAS INTERNATIONAL

CERTIFICATE

SIRIM QAS International Sdn. Bhd. hereby certifies that

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

has implemented an Environmental Management System complying with

ISO 14001 : 2015

Environmental Management System - Requirements with Guidance for Use

Scope of Certification

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

Issue Date	:	**27 February 2018**
Validity period	:	**08 March 2018 – 07 March 2021**
Certification No.	:	**ER 0291**

ENVIRONMENTAL SYSTEM SIRIM
STANDARDS MALAYSIA
UKAS MANAGEMENT SYSTEMS 074
IQNet

SIRIM QAS International Sdn. Bhd.
(Company No. 410334-X)
1, Persiaran Dato' Menteri
Section 2, P. O. Box 7035
40700 Shah Alam
Selangor Darul Ehsan
MALAYSIA
Tel : 60-3-5544 6404
Fax : 60-3-5544 6787
http://www.sirim-qas.com.my
http://www.malaysiancertified.com.my

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn. Bhd.

This certificate is granted subject to the terms and conditions as stated in the Certification Agreement.

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International Sdn. Bhd. hereby certifies that

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

has implemented and maintains an

ENVIRONMENTAL MANAGEMENT SYSTEM

which fulfills the requirements of the following standard

ISO 14001 : 2015

For the following activities

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

Issued on	: **27 February 2018**
Validity Date	: **07 March 2021**
Certification No.	: **MY- ER 0291**

Alex Stoichitoiu
President of IQNet

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn Bhd

IQNet Partners*:
AENOR *Spain* AFNOR Certification *France* APCER *Portugal* CCC *Cyprus*
CISQ *Italy* CQC *China* CQM *China* CQS *Czech Republic* Cro Cert *Croatia* DQS Holding GmbH *Germany*
FCAV *Brazil* FONDONORMA *Venezuela* ICONTEC *Colombia* Inspecta Certification *Finland* INTECO *Costa Rica*
IRAM *Argentina* JQA *Japan* KFQ *Korea* MIRTEC *Greece* MSZT *Hungary* Nemko AS *Norway* NSAI *Ireland* PCBC *Poland*
Quality Austria *Austria* RR *Russia* SIGE *Mexico* SII *Israel* SIQ *Slovenia* SIRIM QAS International *Malaysia*
SQS *Switzerland* SRAC *Romania* TEST St Petersburg *Russia* TSE *Turkey* Vincotte Belgiums YUQS *Serbia*
IQNet is represented in the USA by: AFNOR Certification, CISQ, DQS Holding GmbH and NSAI Inc.
* This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document
** The list of IQNet partners is valid at the time of issue of this certificate. Updated information is available under www.iqnet-certification.com

SIRIM QAS INTERNATIONAL

CERTIFICATE

SIRIM QAS International Sdn. Bhd. hereby certifies that

TEX CYCLE SDN. BHD.
SITE 2
NO. 8, JALAN TKP 2/3
TAMAN PERINDUSTRIAN KINRARA
47100 PUCHONG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented an Environmental Management System complying with

ISO 14001 : 2015

Environmental Management System - Requirements with Guidance for Use

Scope of Certification

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

Issue Date : **27 February 2018**

Validity period : **08 March 2018 – 07 March 2021**

Certification No. : **ER 0291**

SIRIM QAS International Sdn. Bhd.
(Company No. 410334-X)
1, Persiaran Dato' Menteri
Section 2, P. O. Box 7035
40700 Shah Alam
Selangor Darul Ehsan
MALAYSIA

Tel : 60-3-5544 6404
Fax : 60-3-5544 6787

http://www.sirim-qas.com.my
http://www.malaysiancertified.com.my

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn. Bhd.

This certificate is granted subject to the terms and conditions as stated in the Certification Agreement.

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International Sdn. Bhd. hereby certifies that

TEX CYCLE SDN. BHD.
SITE 2
NO. 8, JALAN TKP 2/3
TAMAN PERINDUSTRIAN KINRARA
47100 PUCHONG
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains an

ENVIRONMENTAL MANAGEMENT SYSTEM

which fulfills the requirements of the following standard

ISO 14001 : 2015

For the following activities

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

Issued on : **27 February 2018**

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Certification No. : **MY- ER 0291**

Alex Stoichitoiu
President of IQNet

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn Bhd

IQNet Partners*:
AENOR *Spain* AFNOR Certification *France* APCER *Portugal* CCC *Cyprus*
CISQ *Italy* CQC *China* CQM *China* CQS *Czech Republic* Cro Cert *Croatia* DQS Holding GmbH *Germany*
FCAV *Brazil* FONDONORMA *Venezuela* ICONTEC *Colombia* Inspecta Certification *Finland* INTECO *Costa Rica*
IRAM *Argentina* JQA *Japan* KFQ *Korea* MIRTEC *Greece* MSZT *Hungary* Nemko AS *Norway* NSAI *Ireland* PCBC *Poland*
Quality Austria *Austria* RR *Russia* SIGE *Mexico* SII *Israel* SIQ *Slovenia* SIRIM QAS International *Malaysia*
SQS *Switzerland* SRAC *Romania* TEST St Petersburg *Russia* TSE *Turkey* Vincotte Belgiums YUQS *Serbia*
IQNet is represented in the USA by: AFNOR Certification, CISQ, DQS Holding GmbH and NSAI Inc.
* This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document
** The list of IQNet partners is valid at the time of issue of this certificate. Updated information is available under www.iqnet-certification.com

Vision

Tex Cycle envisions being the preferred scheduled waste recycler in Malaysia. It aims to achieve this vision through the practice of sustainability in every aspect of the business with persistence, commitment, determination and passion. It further aspires to one day being able to achieve zero-waste through maximisation of resources.

Mission

Tex Cycle is committed to 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 with engaging our exceptional services and reliable products at all times.

Tex Cycle embarks on continuous Research and Development ("R&D") 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 Social 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 2019, 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 2,000,000 units of ordinary shares had been allocated and distributed on 17 January 2019 with the following details:

Shares granted to:

	Unit of Shares	%
Directors and senior management	1,256,300	63
Other employees of the Group	743,700	37
Total	2,000,000	100

Status of Utilisation of Proceeds

There were no corporate proposals involving the raising of funds during the financial year ended 31 December 2019.

Share Buy-back

During the year, the Company purchased 1,325,600 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM642,888 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 RM0.48 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 15 May 2019, renewed their approval for the Company's plan to repurchase its own shares.

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

Month	Number of shares	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Value of shares (RM'000)
January 2019	347,600	0.58	0.57	0.57	198
February 2019	184,600	0.55	0.55	0.55	101
March 2019	158,200	0.55	0.53	0.54	86
April 2019	139,200	0.52	0.51	0.51	72
August 2019	85,000	0.39	0.39	0.39	34
September 2019	201,000	0.39	0.38	0.38	77
October 2019	210,000	0.37	0.34	0.35	75

As at 31 December 2019, the cumulative total number of shares repurchased was 1,325,600 (2018: 1,508,100). Of the total 256,189,496 (2018: 256,189,496) issued and fully paid ordinary shares as at 31 December 2019, 2,292,250 (2018: 2,966,650) 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 2019.

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 2019.

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 2019.

ADDITIONAL COMPLIANCE INFORMATION

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 2019 amounted to RM5,000.

Variation in Results

There was no material variance between the financial results and the profit forecast or unaudited results previously made for the financial year ended 31 December 2019.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2019.

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 2019 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 2019.

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 of the Company of the results and cash flows of the Group and of 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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CORPORATE INFORMATION

DIRECTORS	Ho Siew Choong (Executive Chairman) Ho Siew Weng (Executive Director) Ho Siew Cheong (Executive Director) Periasamy A/L Sinakalai (Executive Director) Ravindran Markandu (Senior Independent Non-Executive Director) Alagasan A/L Varatharajoo (Independent Non-Executive Director) Chan Jee Peng (Independent Non-Executive Director)
AUDIT COMMITTEES	Ravindran Markandu (Senior Independent Non-Executive Director) Alagasan A/L Varatharajoo (Independent Non-Executive Director) Chan Jee Peng (Independent Non-Executive Director)
SECRETARY	Wong Youn Kim (MAICSA 7018778)
AUDITORS	Grant Thornton Malaysia PLT (Member Firm 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 Pelabuhan Klang Selangor Darul Ehsan
BANKERS	Public Bank Berhad Hong Leong Bank Berhad CIMB Investment Bank Berhad Malayan Banking Berhad Maybank Islamic Berhad Affin Hwang Asset Management Berhad Kenanga Investor Berhad Inter-Pacific Asset Management Sdn. Bhd.
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 2019.

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 subsidiaries are 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	4,977,101	10,646,383

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 2019	RM
First single tier interim dividend of RM0.006 per share declared on 15 August 2019 and paid on 20 September 2019	1,529,921

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

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 1,325,600 units of its own shares as disclosed in Note 20 to the Financial Statements. The total amount paid for acquisition of the shares was RM642,888 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 RM0.48 per share.

On 17 January 2019, the Company utilised 2,000,000 units of its treasury shares for distribution of 2,000,000 units of shares for employees share grant plan.

TREASURY SHARES (CONT'D)

As of 31 December 2019, the Company held 2,292,250 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, 2,000,000 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 has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

DIRECTORS 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)*
Ho Siew Weng (Executive Director)*
Ho Siew Cheong (Executive Director)*
Periasamy A/L Sinakalai (Executive Director)*
Ravindran Markandu (Senior Independent Non-Executive Director)
Alagasan A/L Varatharajoo (Independent Non-Executive Director)
Chan Jee Peng (Independent Non-Executive Director)

* Directors of the Company and of its subsidiaries

The Director of subsidiaries who held office during the financial year and up to the date of this report is:

Gary Dass A/L Anthony Francis (Appointed on 10 March 2020)

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 1.1.2019	**Bought**	**Sold**	**Balance as of 31.12.2019**
Interest in the Company				
Ho Siew Choong				
Direct	12,495,354	200,000*	-	12,695,354
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	354,350	66,100	-	420,450
Ho Siew Weng				
Direct	3,520,395	200,000*	-	3,720,395
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	596,250	-	-	596,250
Ho Siew Cheong				
Direct	6,573,447	200,000*	-	6,773,447
Deemed (Note 1)	106,007,938	-	-	106,007,938
Periasamy A/L Sinakalai				
Direct	10,230,147	200,000*	-	10,430,147
Deemed (Note 1)	106,007,938	-	-	106,007,938
Indirect (Note 2)	2,470,450	-	-	2,470,450
Ravindran Markandu				
Direct	372,500	-	-	372,500
Indirect (Note 2)	4,500	-	-	4,500
Alagasan A/L Varatharajoo				
Direct	50,000	10,000	-	60,000

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):

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 Directors 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.

By virtue of their interests in the shares of the Company, Mr. Ho Siew Choong, Mr. Ho Siew Weng, Mr. Ho Siew Cheong and Mr. Periasamy A/L Sinakalai are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is 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.

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.

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 EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Significant event subsequent to the financial year is disclosed in Note 34 to the Financial Statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 31 December 2019 are amounted to RM40,000 and RM59,000 respectively.

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

The Auditors, Messrs Grant Thornton Malaysia PLT, 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
.... HO SIEW WENG	)	

Kuala Lumpur
17 March 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 82 to 147 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 2019 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	HO SIEW WENG

Kuala Lumpur
17 March 2020

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 82 to 147 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provision of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)
the abovenamed at Kuala Lumpur in	)
the Federal Territory this day of	)
17 March 2020	)..
	GERALDINE HII SIAW WEI
	(MIA No: 26872)

Before me:

Commissioner for Oaths

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 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 147.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter was 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 this matter.

Key audit matter	**How our audit addressed the key audit matter**
Provision for expected credit losses ("ECLs") 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 applies a simplified approach in calculating provision for expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group considers amongst others, its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.	We have challenged the management's estimates in provision rate used to provide ECLs 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.

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

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

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

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.

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

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

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)

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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 Matter

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.

GRANT THORNTON MALAYSIA PLT (201906003682 & AF 0737) CHARTERED ACCOUNTANTS	OOI POH LIM (NO: 03087/10/2021 J) CHARTERED ACCOUNTANT

Kuala Lumpur
17 March 2020

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	5	30,569,629	37,064,648	10,300,000	1,520,000
Cost of sales		(12,498,563)	(14,606,762)	-	-
Gross profit		18,071,066	22,457,886	10,300,000	1,520,000
Other income		3,065,475	2,048,067	854,185	108,413
Administrative expenses		(12,014,035)	(10,707,809)	(464,579)	(494,990)
Selling and distribution costs		(1,374,762)	(1,264,269)	(3,248)	-
Other expenses		(350,382)	(2,577,251)	(44,308)	(256,266)
Profit from operations		7,397,362	9,956,624	10,642,050	877,157
Share of loss of equity-accounted joint venture		(584,857)	-	-	-
Finance costs		(11,028)	(12,437)	-	-
Finance income		18,359	12,703	6,019	2,332
Profit before tax	6	6,819,836	9,956,890	10,648,069	879,489
Income tax expense	7	(1,842,735)	(2,209,859)	(1,686)	(181)
Profit for the financial year		4,977,101	7,747,031	10,646,383	879,308
Other comprehensive income for the financial year, net of tax					
Item that will be reclassified subsequently to profit or loss					
- Share of other comprehensive income of equity-accounted joint venture		29,285	-	-	-
Total comprehensive income for the financial year, net of tax		5,006,386	7,747,031	10,646,383	879,308
Earnings per share					
- Basic and diluted (sen)	8	1.96	3.05		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	66,037,610	44,053,301	-	-
Prepaid lease payments	10	-	21,022,016	-	-
Investment property	11	16,110,000	16,110,000	-	-
Goodwill on consolidation	12	583,937	583,937	-	-
Investment in subsidiaries	13	-	-	20,412,682	11,732,682
Investment in a joint venture	14	1,018,708	-	-	-
Total non-current assets		83,750,255	81,769,254	20,412,682	11,732,682
Current assets					
Inventories	15	236,323	119,383	-	-
Trade receivables	16	6,694,083	9,174,263	-	-
Other receivables	16	1,334,090	955,480	2,855	1,000
Investment in unit trusts	17	22,837,961	20,803,331	15,088,645	2,747,223
Amount owing by subsidiaries	18	-	-	-	11,114,762
Amount owing by a joint venture	18	393,570	-	-	-
Tax recoverable		155,029	1,599,865	-	180
Cash and bank balances	19	6,279,866	5,503,608	171,085	523,857
Total current assets		37,930,922	38,155,930	15,262,585	14,387,022
Total assets		121,681,177	119,925,184	35,675,267	26,119,704

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONT'D)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	20	26,386,904	26,256,904	26,386,904	26,256,904
Treasury shares	20	(1,111,411)	(1,468,523)	(1,111,411)	(1,468,523)
Foreign exchange translation reserve	21	29,285	-	-	-
Retained earnings	21	80,254,620	76,807,997	9,917,725	801,263
Total equity		105,559,398	101,596,378	35,193,218	25,589,644
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	22	-	186,149	-	-
Lease liabilities	23	10,290	-	-	-
Term loans	24	9,278,044	10,728,108	-	-
Deferred tax liabilities	25	2,424,000	2,831,000	-	-
Total non-current liabilities		11,712,334	13,745,257	-	-
Current liabilities					
Trade payables	26	208,583	118,318	-	-
Other payables	26	2,436,427	2,801,379	91,000	45,302
Amount owing to subsidiaries	18	-	-	390,221	484,758
Finance lease liabilities	22	-	120,276	-	-
Lease liabilities	23	101,271	-	-	-
Term loans	24	1,483,110	1,488,767	-	-
Tax payable		180,054	54,809	828	-
Total current liabilities		4,409,445	4,583,549	482,049	530,060
Total liabilities		16,121,779	18,328,806	482,049	530,060
Total equity and liabilities		121,681,177	119,925,184	35,675,267	26,119,704

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

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

Group	Note	Share capital RM	Treasury shares RM	Non-distributable Foreign exchange translation reserve RM	Distributable retained earnings RM	Total RM
Balance as of 1 January 2018		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
Transactions with owners:						
Shares buy back	20	-	(953,588)	-	-	(953,588)
Dividend paid	27	-	-	-	(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
Effect of adopting MFRS 16	4	-	-	-	(557)	(557)
Balance as of 1 January 2019, restated		26,256,904	(1,468,523)	-	76,807,440	101,595,821
Profit for the financial year	21	-	-	-	4,977,101	4,977,101
Foreign exchange translation reserve		-	-	29,285	-	29,285
Total comprehensive income for the financial year		-	-	29,285	4,977,101	5,006,386
Transactions with owners:						
Shares buy back	20	-	(642,888)	-	-	(642,888)
Dividend paid	27	-	-	-	(1,529,921)	(1,529,921)
Utilisation for employees share grant plan		130,000	1,000,000	-	-	1,130,000
Balance as of 31 December 2019		26,386,904	(1,111,411)	29,285	80,254,620	105,559,398

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

Company	Note	Share capital RM	Treasury shares RM	Distributable retained earnings RM	Total RM
Balance as of 1 January 2018		25,618,950	(1,030,381)	1,455,677	26,044,246
Total comprehensive income for the financial year		-	-	879,308	879,308
Transactions with owners:					
Shares buy back	20	-	(953,588)	-	(953,588)
Dividend paid	27	-	-	(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
Total comprehensive income for the financial year		-	-	10,646,383	10,646,383
Transactions with owners:					
Shares buy back	20	-	(642,888)	-	(642,888)
Dividend paid	27	-	-	(1,529,921)	(1,529,921)
Utilisation for employees share grant plan		130,000	1,000,000	-	1,130,000
Balance as of 31 December 2019		26,386,904	(1,111,411)	9,917,725	35,193,218

The accompanying notes form an integral part of the financial statements

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

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
OPERATING ACTIVITIES					
Profit before tax		6,819,836	9,956,890	10,648,069	879,489
Adjustments for:					
Allowances for expected credit losses		192,115	-	-	-
Amortisation of prepaid lease payments		-	343,984	-	-
Bad debts written off		28,882	1,555,193	-	-
Depreciation of property, plant and equipment		3,424,319	3,099,062	-	-
Dividend income		-	-	(10,300,000)	(1,520,000)
Dividend income from investment in unit trusts		(764,692)	(493,853)	(488,051)	(64,544)
Expenses on employees share grant plan		1,130,000	1,153,400	-	-
Fair value (gain)/loss on investment in unit trusts		(286,265)	877,342	44,308	256,266
Fair value gain on investment property		-	(238,300)	-	-
Gain on disposal of property, plant and equipment		(14,414)	-	-	-
Interest expenses					
- Finance lease liabilities		-	11,817	-	-
- Lease liabilities		9,672	-	-	-
- Term loans		1,356	620	-	-
Interest income		(18,359)	(12,703)	(6,019)	(2,332)
Inventories written off		20,318	-	-	-
(Gain)/Loss on disposal of investment in unit trusts		(592,859)	99,081	(366,046)	(43,828)
Reversal of allowance for expected credit losses		-	(962,090)	-	-
Share of loss of equity- accounted joint venture		584,857	-	-	-
Unrealised loss on foreign exchange		44,696	-	-	-
Operating profit/(loss) before working capital changes		10,579,462	15,390,443	(467,739)	(494,949)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
OPERATING ACTIVITIES (CONT'D)					
Change in working capital:					
Inventories		(137,258)	97,766	-	-
Trade receivables		2,259,183	2,462,263	-	-
Other receivables		(378,610)	(156,189)	(1,855)	16,850
Trade payables		90,265	(77,596)	-	-
Other payables		(364,952)	37,881	45,698	12,552
Cash generated from/(used in) operations		12,048,090	17,754,568	(423,896)	(465,547)
Interest paid		(11,028)	(12,437)	-	-
Tax refunded		1,568,165	1,287,583	-	-
Tax paid		(2,247,819)	(1,391,212)	(678)	(361)
Net cash from/(used in) operating activities		11,357,408	17,638,502	(424,574)	(465,908)
INVESTING ACTIVITIES					
Interest received		18,359	12,703	6,019	2,332
Investment in a joint venture		(1,574,280)	-	-	-
Proceeds from disposal of property, plant and equipment		166,379	-	-	-
Purchase of property, plant and equipment	A	(4,518,622)	(5,702,536)	-	-
Net additional of investment in unit trusts		(390,814)	(9,159,031)	(11,531,633)	(1,800,000)
Dividend received from subsidiaries		-	-	10,300,000	1,520,000
Net cash used in investing activities		(6,298,978)	(14,848,864)	(1,225,614)	(277,668)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
FINANCING ACTIVITIES					
Advance to a joint venture		(393,570)	-	-	-
Dividends paid		(1,529,921)	(1,533,722)	(1,529,921)	(1,533,722)
Drawdown of term loans	B	-	897,808	-	-
Repayment of term loans	B	(1,455,721)	(1,367,564)	-	-
Repayment of lease liabilities	B	(215,376)	-	-	-
Repayment of finance lease liabilities	B	-	(154,769)	-	-
Repayment from subsidiaries		-	-	3,470,225	3,414,272
Shares buyback		(642,888)	(953,588)	(642,888)	(953,588)
Net cash (used in)/from financing activities		(4,237,476)	(3,111,835)	1,297,416	926,962
CASH AND CASH EQUIVALENTS					
Effect of exchange translation differences on cash and cash equivalents		(44,696)	-	-	-
Net changes		820,954	(322,197)	(352,772)	183,386
At beginning of financial year		5,503,608	5,825,805	523,857	340,471
At end of financial year	19	6,279,866	5,503,608	171,085	523,857

NOTES 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 2019 RM	Group 2018 RM
Cash payment	4,518,622	5,702,536
Acquisition by means of lease liabilities	-	110,000
Total purchase of property, plant and equipment	4,518,622	5,812,536

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

NOTES TO STATEMENTS OF CASH FLOWS (CONT'D):

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group

	1.1.2019 RM	Drawdown RM	Repayments RM	31.12.2019 RM
Lease liabilities	306,425	20,512*	(215,376)	111,561
Term loans	12,216,875	-	(1,455,721)	10,761,154
Total liabilities from financing activities	12,523,300	20,512	(1,671,097)	10,872,715

	1.1.2018 RM	Drawdown RM	Repayments RM	31.12.2018 RM
Finance lease liabilities	351,194	110,000	(154,769)	306,425
Term loans	12,686,631	897,808	(1,367,564)	12,216,875
Total liabilities from financing activities	13,037,825	1,007,808	(1,522,333)	12,523,300

* Arising from MFRS 16

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2019

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 subsidiaries are 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.

The principal place of business of the Company is located at Lot 8942, Jalan Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan.

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 17 March 2020.

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 (“MFRSs”), International Financial Reporting Standards (“IFRSs”) 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.

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.

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

2.2 Basis of measurement (cont'd)

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.

Several other amendments are effective for the first time in financial year ended 31 December 2019. However, they do not have any impact to the financial statements of the Group and of the Company.

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.

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.

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

2.5 Significant accounting estimates and judgements (cont'd)

2.5.2 Classification between investment property and owner-occupied property (cont'd)

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.

2.5.3 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 12 to the Financial Statements.

2.5.4 Provision for expected credit losses ("ECLs") of financial assets

Credit losses are the difference between all contractual cash flows the Group and 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 Group's and 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 ECLs are a significant estimate. The amount of ECLs are 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 and of the Company's receivables at the end of the reporting date is disclosed in Note 16 to the Financial Statements.

2.5.5 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)

2.5.5 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, 17 and 29 to the Financial Statements.

2.5.6 Leases

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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.

2.6 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

2.6.1 Leases

2.6.1.1 Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

2.6 Significant management judgement (cont'd)

2.6.1 Leases (cont'd)

2.6.1.1 Determining the lease term of contracts with renewal and termination options - Group as lessee (cont'd)

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 23 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

2.6.1.2 Property lease classification - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

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.

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 Joint venture

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in joint venture are accounted for using the equity method. Under the equity method, investment in a joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of a joint venture is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Joint venture (cont'd)

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

The financial statements of the joint venture are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in joint venture. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Group's separate financial statements, investments in a joint venture are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.4 Revenue recognition

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 standard:

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Revenue recognition (cont'd)

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 to 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 the obligation.

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:

3.4.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery of the goods. Goods are sold when 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 taxes. The Group 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.

3.4.2 Dividend income

Dividend income from investment is recognised in profit or loss on the date that the Group's and the Company's right to receive payment is established which is in the case of quoted securities is the ex-dividend date.

3.4.3 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.4.4 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as revenue.

3.5 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Foreign currencies (cont'd)

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.

3.6 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.

3.6.1 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).

3.6.2 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Tax expenses (cont'd)

3.6.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.7 Employee benefits

3.7.1 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.

3.7.2 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").

3.7.3 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.

3.8 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:

Leasehold 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%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Property, plant and equipment (cont'd)

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 they are 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.

3.9 Leases

3.9.1 Leases classified under MFRS 16

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.9.1.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.9.1.2 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Land and buildings	52 to 95 years
• Motor vehicles and other equipment	2 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.12 Impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Leases (cont'd)

3.9.1 Leases classified under MFRS 16 (cont'd)

3.9.1.3 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.9.1.4 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.9.1.5 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.9.2 Leases classified under MFRS 117

3.9.2.1 Finance leases

Property, plant and equipment acquired under lease arrangements which transfer substantially all the risks and rewards of ownership to the Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Leases (cont'd)

3.9.2 Leases classified under MFRS 117 (cont'd)

3.9.2.2 Operating leases

Leases where the Group does 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 52 to 95 years.

Where the Group 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.

3.10 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Goodwill on consolidation (cont'd)

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 24% (2018:14%). 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 reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

3.13 Financial instruments

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.

3.13.1 Financial assets

3.13.1.1 Initial recognition and categorisation

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments (cont'd)

3.13.1 Financial assets (cont'd)

3.13.1.1 Initial recognition and categorisation (cont'd)

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held with a business model with the objective of both holding to collect contractual cash flows and selling.

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:

<u>Financial assets at amortised cost</u>

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.

3.13.1.2 Subsequent measurement

(i) <u>Financial assets at amortised cost</u>

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 and most of the other receivables, amount owing by a joint venture and cash and bank balances.

(ii) <u>Financial assets at FVTPL</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments (cont'd)

3.13.1 Financial assets (cont'd)

3.13.1.2 Subsequent measurement (cont'd)

(ii) Financial assets at FVTPL (cont'd)

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.

3.13.2 Impairment of financial assets

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 are 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).

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments (cont'd)

3.13.3 Financial liabilities

All financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction cost unless the Group and the Company designated a financial liability at FVTPL.

At the reporting date, the Group and the Company have not designated any financial liabilities at FVTPL. The Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

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

(i) Other financial liabilities measured at amortised cost

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

Other financial liabilities are 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.

3.13.4 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 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.

3.13.5 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

3.18.1 Contingent liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Contingencies (cont'd)

3.18.2 Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3.19 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Borrowing costs directly attributable to 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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 part, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Segment reporting (cont'd)

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 16 Leases

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact on lessee accounting

MFRS 16 changes how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases (except as noted below), the Group:

- recognises right-of-use assets as part of property, plant and equipment and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss and other comprehensive income; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within administration expenses in the statements of profit or loss and other comprehensive income.

The impact of the adoption of MFRS 16 is shown in Note 4.1 to the Financial Statements.

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 16 Leases

4.1.1 Reconciliation of statement of financial position

	As previously reported RM	MFRS 16 adjustments RM	As restated RM
Group			
1.1.2019			
Non-current assets			
Property, plant and equipment	44,053,301	21,041,971	65,095,272
Prepaid lease payment	21,022,016	(21,022,016)	-
Non-current liabilities			
Finance lease liabilities	186,149	(186,149)	-
Lease liabilities	-	201,675	201,675
Current liabilities			
Finance lease liabilities	120,276	(120,276)	-
Lease liabilities	-	125,262	125,262
Equity			
Retained earnings	76,807,997	(557)	76,807,440

4.1.2 Reconciliation of statement of profit or loss and other comprehensive income

	As previously reported RM	MFRS 16 adjustments RM	As restated RM
Group			
1.1.2018 to 31.12.2018			
Administrative expenses	(10,707,809)	674	(10,707,135)
Finance costs	(12,437)	(674)	(13,111)
Profit before tax	9,956,890	-	9,956,890

Note:

The application of MFRS 16 to leases previously classified as operating leases under MFRS 117 resulted in the recognition of right-of-use assets as part of property, plant and equipment and lease liability. It resulted in a decrease in rental expenses and an increase in depreciation expense and in interest expense.

4.1.3 Reconciliation of statement of cash flows

	As previously reported RM	MFRS 16 adjustments RM	As restated RM
Group			
1.1.2018 to 31.12.2018			
OPERATING ACTIVITIES			
Profit before tax	9,956,890	-	9,956,890
Adjustment for:			
Amortisation of prepaid lease payments	343,984	(343,984)	-
Depreciation of property, plant and equipment	3,099,062	349,190	3,448,252
Interest expense	12,437	674	13,111
FINANCING ACTIVITIES			
Repayment of finance lease liabilities	(154,769)	154,769	-
Repayment of lease liabilities	-	(160,649)	(160,649)
Interest paid	-	(674)	(674)

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	Trading RM	Others RM	Total RM
Group				
2019				
Major products/service lines				
Recovery and recycling of scheduled waste	28,853,039	-	-	28,853,039
Trading of chemicals and other products	-	644,546	-	644,546
Rental of investment property	-	-	1,072,044	1,072,044
	28,853,039	644,546	1,072,044	30,569,629
Timing of revenue recognition				
Products and services transferred at a point in time	28,853,039	644,546	1,072,044	30,569,629

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)					
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)

	Company 2019 RM	Company 2018 RM
Timing of revenue recognition		
Dividend income at a point in time	10,300,000	1,520,000

6. PROFIT BEFORE TAX

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Allowance for expected credit losses	192,115	-	-	-
Amortisation of prepaid lease payments	-	343,984	-	-
Bad debts written off	28,882	1,555,193	-	-
Bad debts written back	(851,776)	(17,176)	-	-
Depreciation of property plant and equipment	3,424,319	3,099,062	-	-
Directors' remuneration	3,131,925	3,080,537	229,000	199,000
Dividend income from investment in unit trusts	(764,692)	(493,853)	(488,051)	(64,544)
Fair value gain in investment property	-	(238,300)	-	-
Fair value (gain)/loss on investment in unit trusts	(286,265)	877,342	44,308	256,266
Gain on disposal of property, plant and equipment	(14,414)	-	-	-
(Gain)/Loss on disposal of investment in unit trusts	(592,859)	99,081	(366,046)	(43,828)
Interest expenses:				
- Lease liabilities	9,672	-	-	-
- Finance lease liabilities	-	11,817	-	-
- Term loans	1,356	620	-	-
Interest income	(18,359)	(12,703)	(6,019)	(2,332)
Inventories written off	20,318	-	-	-
Realised loss on foreign exchange	98	1,253	-	-
Rental income	(1,097,355)	(1,096,992)	-	-
Reversal of expected credit losses allowances	-	(962,090)	-	-
Staff costs	9,082,035	7,833,560	-	-
Unrealised loss on foreign exchange	44,696	-	-	-
Expenses on employees share grant plan	1,130,000	1,153,400	-	-

6. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors:				
Paid by the Company:				
Fees	60,000	60,000	60,000	60,000
Other emoluments	17,200	18,600	17,200	18,600
	77,200	78,600	77,200	78,600
Paid by the subsidiaries:				
Fees and other emoluments	2,114,187	2,129,993	-	-
Contributions to EPF	336,738	290,184	-	-
Share grant expenses	452,000	461,360	-	-
	2,902,925	2,881,537	-	-
Non-executive Directors:				
Paid by the Company:				
Fees	120,000	92,800	120,000	92,800
Other emoluments	31,800	27,600	31,800	27,600
	151,800	120,400	151,800	120,400
	3,131,925	3,080,537	229,000	199,000

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	
	2019	2018
Executive Directors:		
Above RM150,000	4	4
Non-executive Directors:		
Below RM150,000	3	3

7. INCOME TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Estimated tax payable:				
Current year	2,127,820	1,136,453	1,409	-
Under provision in prior financial year	121,915	94,863	277	181
	2,249,735	1,231,316	1,686	181
Deferred tax (Note 25):				
Current year	(193,000)	631,000	-	-
(Over)/Under provision in prior financial year	(214,000)	347,543	-	-
	(407,000)	978,543	-	-
	1,842,735	2,209,859	1,686	181

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	6,819,836	9,956,890	10,648,069	879,489
Tax at the statutory income tax rate of 24%	1,636,761	2,389,654	2,555,537	211,077
Tax effects of:				
Non-deductible expenses	532,672	771,731	122,855	179,732
Pioneer business income	-	(2,078,320)	-	-
Income not subject to tax	(363,973)	(170,844)	(2,676,983)	(390,809)
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	129,360	(46,800)	-	-
Under/(Over) provision in prior financial year:				
- Current tax	121,915	94,863	277	181
- Deferred tax	(214,000)	347,543	-	-
	1,842,735	2,209,859	1,686	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.

7. INCOME TAX EXPENSE (CONT'D)

As of 31 December 2019, TCP2 has tax-exempt income RM26,996,206 (2018: RM26,996,206) in which is subject to agreement to tax authorities.

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	
	2019 **RM**	**2018** **RM**
Deductible temporary differences		
- Property, plant and equipment	2,687,000	1,641,000
Unutilised business losses	(3,070,000)	(2,084,000)
Unabsorbed capital allowance	(5,623,000)	(5,405,000)
Others	(450,000)	(69,000)
	(6,456,000)	(5,917,000)

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 financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	**2018**
Basic		
Profit for the financial year (RM)	4,977,101	7,747,031
Weighted average number of ordinary shares in issue (unit)	254,275,022	254,138,227
Basic earnings per share (sen)	1.96	3.05

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	Leasehold 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 2018	870,968	-	733,377	14,617,786	1,725,161	21,578,838	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	1,758,558	23,182,594	5,640,149	596,947	18,393,826	66,060,324
Adjustment on transition to MFRS 16	-	22,869,187	-	-	26,029	-	-	-	-	22,895,216
As at 1 January 2019, restated	870,968	22,869,187	733,377	14,883,905	1,784,587	23,182,594	5,640,149	596,947	18,393,826	88,955,540
Additions	-	-	-	215,033	150,685	109,439	500,013	108,540	3,434,912	4,518,622
Disposals	-	-	-	-	-	(572,800)	(504,778)	(122,966)	-	(1,200,544)
Transfer to a company in which certain Directors have interest	-	-	-	-	-	-	-	(2,180)	-	(2,180)
Reclassification	-	-	-	-	-	58,812	-	-	(58,812)	-
As of 31 December 2019	870,968	22,869,187	733,377	15,098,938	1,935,272	22,778,045	5,635,384	580,341	21,769,926	92,271,438

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

Group (cont'd)	Freehold land RM	Leasehold land RM	Freehold building RM	Leasehold building RM	Office equipment, furniture and fittings and renovation RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Capital work-in-progress RM	Total RM
Accumulated depreciation										
As of 1 January 2018	-	-	229,653	991,307	1,077,443	12,194,687	3,283,763	502,854	-	18,279,707
Charge for the financial year	-	-	14,668	260,948	94,046	1,861,514	822,639	45,247	-	3,099,062
As of 31 December 2018	-	-	244,321	1,252,255	1,171,489	14,056,201	4,106,402	548,101	-	21,378,769
Adjustment on transition of MFRS 16	-	1,847,171	-	-	6,074	-	-	-	-	1,853,245
As at 1 January 2019, restated	-	1,847,171	244,321	1,252,255	1,177,563	14,056,201	4,106,402	548,101	-	23,232,014
Charge for the financial year	-	343,985	14,668	268,509	102,765	1,952,694	691,928	49,770	-	3,424,319
Disposals	-	-	-	-	-	(572,800)	(352,813)	(122,966)	-	(1,048,579)
Transfer to a company in which certain Directors have interest	-	-	-	-	-	-	-	(2,180)	-	(2,180)
As of 31 December 2019	-	2,191,156	258,989	1,520,764	1,280,328	15,436,095	4,445,517	472,725	-	25,605,574

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

Group (cont'd)	Freehold land RM	Leasehold 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 31 December 2018 and 31 December 2019	-	-	-	-	-	628,254	-	-	-	628,254
Net carrying amount										
As of 31 December 2019	870,968	20,678,031	474,388	13,578,174	654,944	6,713,696	1,189,867	107,616	21,769,926	66,037,610
As of 31 December 2018	870,968	-	489,056	13,631,650	587,069	8,498,139	1,533,747	48,846	18,393,826	44,053,301

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

Included in property, plant and equipment of the Group as of the end of the reporting date are motor vehicles acquired under finance lease arrangements with net carrying amount amounting to RMNil (2018: RM655,687).

Leased assets

The net carrying amount of right-of-use assets are as below:

	Group Carrying amount RM	Group Depreciation RM
Right-of-use assets		
Leasehold lands	9,806,814	188,009
Office equipment	14,749	5,206
Motor vehicles	223,752	69,573
	10,045,315	262,788

As of the end of the reporting date, the unexpired lease periods of the said leasehold land ranged from 48 years to 73 years (2018: Nil years).

As of the end of the reporting date, leasehold building and land with a net carrying amount amounting to RM2,424,502 and RM13,236,649 (2018: RM2,242,904 and RMNil) has been pledged as security for term loans disclosed in Note 24 to 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.

Total term loan's interest expense capitalised in capital work-in-progress of the Group is amounted to RM524,508 (2018: RM264,136).

10. PREPAID LEASE PAYMENTS

	Group 2019 RM	Group 2018 RM
Cost		
At beginning of financial year	22,869,187	22,869,187
Adjustment of MFRS 16	(22,869,187)	-
At end of financial year	-	22,869,187
Accumulated amortisation		
At beginning of financial year	1,847,171	1,503,187
Adjustment of MFRS 16	(1,847,171)	-
Charge for the financial year	-	343,984
At end of financial year	-	1,847,171
Net carrying amount	-	21,022,016

As of the end of the reporting date, the unexpired lease periods at the said leasehold lands are Nil years (2018:49 years to 74 years).

10. PREPAID LEASE PAYMENTS (CONT'D)

As of the end of the reporting date, certain leasehold lands with carrying amount of RMNil (2018: RM13,422,025) have been pledged as security for term loans disclosed in Note 24 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	
	2019 RM	2018 RM
Fair value:		
At beginning of financial year	16,110,000	15,871,700
Fair value gain on investment property	-	238,300
At end of financial year	16,110,000	16,110,000

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.

The fair value of the investment property of the Group was estimated at RM16,110,000 (2018: RM16,110,000) 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	
	2019 RM	2018 RM
Rental income	1,097,355	1,096,992
Direct operating expenses:		
- Income generating investment properties	44,888	52,285

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 the end of reporting date RM	Valuation techniques	Significant unobservable inputs	Range
The subject entitlement - long term leasehold land located in Jalan Kuchai Lama	RM16,110,000 (2018: RM16,110,000)	Sales transaction comparison based on similar location and condition	Estimated transaction price per square foot	RM294 - RM392 per square foot (2018: RM295 - RM354 per square foot)

12. GOODWILL ON CONSOLIDATION

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

	Group	
	2019 RM	2018 RM
Recovery and recycling services operations	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 24% (2018: 14%) per annum. The discount rate used is 3.60% (2018: 4.75%) per annum.

Sensitivity to change in assumption

With regards to the assessment of value-in-use of the CGU, 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	
	2019 RM	2018 RM
At cost:		
Unquoted shares	10,829,282	10,829,282
Addition	7,550,000*	-
Employees share grant plan granted to the employees and Directors of subsidiaries	2,283,400	1,153,400
Less: Accumulated impairment loss	(250,000)	(250,000)
	20,412,682	11,732,682

* Capitalisation of debts

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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 2019 %	2018 %	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 Chemical Sdn. Bhd.			
TC Champ Sdn. Bhd.	100	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 Champ Sdn. Bhd..

14. INVESTMENT IN A JOINT VENTURE

	Group 2019 RM	2018 RM
At cost:		
Unquoted shares	1,574,280	-
Share of post - acquisition reserve	(584,857)	-
Foreign translation reserve	29,285	-
	1,018,708	-

14. INVESTMENT IN A JOINT VENTURE (CONT'D)

The summarised unaudited financial information for the joint venture is as follows:

	Group 2019 RM	Group 2018 RM
Assets		
Non-current assets	1,621,156	-
Current assets	1,210,010	-
Total assets	2,831,166	-
Liabilities		
Current liabilities/Net liabilities	793,750	-
Net assets	2,037,416	-
Group's share of net assets	1,018,708	-
Results		
Loss for the financial year	(1,169,713)	-
Other comprehensive income for the financial year	58,569	-
Group's share of loss for the financial year	(584,857)	-
Group's share of other comprehensive income for the financial year	29,285	-

The Group has 50% interest in Culzean W2E Ltd., a private limited company incorporated and domiciled in United Kingdom who is in the business of production of electricity.

Details of the subsidiaries, which are all incorporated in United Kingdom, are as follows:

Name of companies	Proportion of ownership interest and voting power held by the Group 2019 %	2018 %	Principal Activities
Babrican Power Ltd.	50	Nil	Trade of electricity.
Paddlington Power Ltd.	50	Nil	Trade of electricity.
Holborn Energy Ltd.	50	Nil	Trade of electricity and gas through mains.

15. INVENTORIES

	Group 2019 RM	Group 2018 RM
Finished goods	236,323	119,383
Recognised in profit and loss:		
Inventories written off	20,318	-
Inventories recognised in cost of sales	3,062,289	2,202,497

16. 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 0 to 150 (2018: 0 to 150) days.

16.1 Trade receivables

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

	Group	
	2019 RM	2018 RM
Trade receivables	8,039,053	10,327,118
Less: ECLs allowance	(1,344,970)	(1,152,855)
	6,694,083	9,174,263

The closing balance of the trade receivables loss allowance is as follows:

	2019 RM	2018 RM
ECLs allowance as at 1 January	1,152,855	2,114,945
ECLs allowance recognised during the financial year	192,115	-
ECLs allowance unused and reversed during the financial year*	-	(962,090)
ECLs allowance as at 31 December	1,344,970	1,152,855
Bad debts written off	(28,882)	(1,555,193)
Bad debts written back	851,776	17,176

*The ECLs allowance on trade receivables was reversed in prior financial year as a result of lower carrying amount of trade receivables.

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

Group	ECLs	Gross RM	ECLs allowance RM	Net RM
2019				
Within term	1.230%	2,824,880	34,734	2,790,146
Past due				
- 1 - 30 days	1.700%	1,887,439	32,094	1,855,345
- 31 - 60 days	2.270%	728,096	16,528	711,568
- 61 - 90 days	2.840%	336,257	9,549	326,708
- 91 - 120 days	3.410%	210,994	7,195	203,799
- 121 - 365 days	5.945%	857,497	50,980	806,517
- More than 365 days	100.000%	1,193,890	1,193,890	-
		8,039,053	1,344,970	6,694,083

16. TRADE AND OTHER RECEIVABLES (CONT'D)

16.1 Trade receivables (cont'd)

Analysis of trade receivables as of the end of the financial year is (cont'd):

Group (cont'd)	ECLs	Gross RM	ECLs allowance RM	Net RM
2018				
Within term	1.337%	3,682,349	49,222	3,633,127
Past due				
- 1 - 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

16.2 Other receivables consist of:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-trade receivables	82,904	25,604	1,855	-
Refundable deposits	667,964	453,345	1,000	1,000
Prepayments	331,828	223,279	-	-
GST receivable	251,394	253,252	-	-
	1,334,090	955,480	2,855	1,000

17. INVESTMENT IN UNIT TRUSTS

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Fair value:				
At beginning of financial year	20,803,331	12,126,870	2,747,223	1,095,117
Additions	42,118,480	27,518,320	35,023,456	3,203,762
Dividend income from investment	764,692	493,853	488,051	64,544
Gain/(Loss) on disposal of investment	592,859	(99,081)	366,046	43,828
Fair value gain/(loss)	286,265	(877,342)	(44,308)	(256,266)
Disposal	(41,727,666)	(18,359,289)	(23,491,823)	(1,403,762)
At end of financial year	22,837,961	20,803,331	15,088,645	2,747,223

Investment in unit trusts is managed by a local financial institution, where approximately 69.8% to 99.8% (2018: 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 and of the Company's investment in unit trusts is classified as Level 1.

18. AMOUNT OWING (TO)/BY SUBSIDIARIES AND A JOINT VENTURE

The amount owing to subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The amount owing by joint venture is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

19. CASH AND BANK BALANCES

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia ("RM")	4,620,558	4,946,330	171,085	523,847
United States Dollar ("USD")	1,190,485	156,664	-	-
Great Britain Pound ("GBP")	468,823	400,614	-	-
	6,279,866	5,503,608	171,085	523,847

20. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
Issued and fully paid:				
Ordinary shares:				
At the beginning of financial year	256,189,496	256,189,496	26,256,904	25,618,950
Fair value gain on employees share grant plan	-	-	130,000	637,954
At end of financial year	256,189,496	256,189,496	26,386,904	26,256,904
Treasury shares:				
At the beginning of financial year	2,966,650	2,918,550	1,468,523	1,030,381
Repurchased during the financial year	1,325,600	1,508,100	642,888	953,588
Utilisation for employees share grant plan	(2,000,000)	(1,460,000)	(1,000,000)	(515,446)
At end of financial year	2,292,250	2,966,650	1,111,411	1,468,523

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 1,325,600 (2018: 1,508,100) units of its own shares. The total amount paid for acquisition of the shares was RM642,888 (2018: 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 RM0.48 (2018: RM0.63) per share.

During the financial year, the Company utilised 2,000,000 (2018: 1,460,000) units of its treasury shares for distribution of 2,000,000 (2018: 1,460,000) units of shares for employees share grant plan.

20. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

As at the reporting date, the Company held 2,292,250 (2018: 2,966,650) treasury shares out of its 256,189,496 (2018: 256,189,496) issued ordinary shares. The treasury shares are held in accordance with Section 127(6) of the Companies Act, 2016.

21. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Distributable:				
Retained earnings	80,254,620	76,807,997	9,917,725	801,263

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.

	Group	
	2019 RM	2018 RM
Non-distributable:		
Foreign exchange translation reserve	29,285	-

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from the Group's presentation currency.

22. FINANCE LEASE LIABILITIES

	Group	
	2019 RM	2018 RM
Minimum lease payments		
- Within 1 year	-	131,688
- Between 2 to 5 years	-	196,660
	-	328,348
Less: Interests in suspense	-	(21,923)
Present value of finance lease liabilities	-	306,425
Present value of finance lease liabilities		
- Within 1 year	-	120,276
- Between 2 to 5 years	-	186,149
	-	306,425

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. The effective borrowing rate ranged from Nil% (2018: 4.48% to 4.49%) 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.

23. LEASE LIABILITIES

	Group	
	2019 RM	2018 RM
Minimum lease payments		
- Within 1 year	104,020	-
- Between 2 to 5 years	10,780	-
	114,800	-
Less: Interests in suspense	(3,239)	-
Present value of lease liabilities	111,561	-
Present value of lease liabilities		
- Within 1 year	101,271	-
- Between 2 to 5 years	10,290	-
	111,561	-

It is the Group's policy to acquire certain of its property, plant and equipment under lease arrangements. The average term of lease is approximately 3 years. For the financial year ended 31 December 2019, the effective borrowing rates ranged from 4.49% to 4.90% per annum. Interest rates are fixed at the inception of the lease agreement.

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

The expenses relating to payments not included in the measurement of lease liabilities is as follows:

	Group	
	2019 RM	2018 RM
Short-term lease payments	412,080	-
Low value lease payments	80	-

24. TERM LOANS

	Group	
	2019 RM	2018 RM
Current		
Secured:		
Term loans	1,483,110	1,488,767
Non-current		
Secured:		
Term loans	9,278,044	10,728,108
	10,761,154	12,216,875

24. TERM LOANS (CONT'D)

The details of term loans are as follows:

	Purpose	Effective interest rate		Securities
Term loan (I)	Working capital	4.61% (2018: 4.48%) p.a	(i)	A registered open all monies first party charge stamped nominally over the leasehold land and building as mentioned under Notes 9 and 10 to the Financial Statements; and
			(ii)	A corporate guarantee by the Company.
Term loan (II)	Capital expenditure	4.52% (2018: 4.65%) p.a	(i)	Two parcels of the leasehold land as mentioned in Notes 9 and 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 RM524,508 (2018: RM264,136).

25. DEFERRED TAX LIABILITIES

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

	Group	
	2019 RM	2018 RM
At beginning of financial year	2,831,000	1,852,457
Recognised in profit or loss (Note 7)	(407,000)	978,543
At end of financial year	2,424,000	2,831,000

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

	Group	
	2019 RM	2018 RM
Property, plant and equipment	1,514,000	2,080,000
Investment property	1,125,000	1,125,000
Trade receivables	(215,000)	(260,000)
Unutilised business losses	-	(89,000)
Unabsorbed capital allowance	-	(25,000)
	2,424,000	2,831,000

26. TRADE AND OTHER PAYABLES

26.1 Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranged at 30 to 60 days (2018: 30 to 60 days).

26. TRADE AND OTHER PAYABLES (CONT'D)

26.2 Other payables consist of:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-trade payables	863,776	1,775,413	-	1,802
Refundable deposits	370,630	320,267	-	-
Accrued expenses	1,091,071	595,187	91,000	43,500
GST payable	110,950	110,512	-	-
	2,436,427	2,801,379	91,000	45,302

27. DIVIDENDS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
In respect of financial year ended 31 December 2019: First single tier interim dividend of RM0.006 per share on 254,986,796 ordinary shares	1,529,291	-	1,529,921	-
In respect of financial year ended 31 December 2018: First single tier interim dividend of RM0.006 per share on 256,189,496 ordinary shares	-	1,533,722	-	1,533,722
	1,529,291	1,533,722	1,529,921	1,533,722

28. RELATED PARTY TRANSACTIONS

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

	Company	
	2019 RM	2018 RM
Dividend income received from subsidiaries	10,300,000	1,520,000
Employees share grant plan granted to employees and Directors of subsidiaries	1,130,000	1,153,400

28. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term employee benefits	1,542,429	1,033,645	-	-
Contributions to EPF	128,644	77,592	-	-
	1,671,073	1,111,237	-	-

29. FINANCIAL INSTRUMENTS

Categories of 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				
2019				
Financial assets				
Trade receivables	6,694,083	6,694,083	-	-
Other receivables	750,868	750,868	-	-
Investment in unit trusts	22,837,961	-	22,837,961	-
Amount owing by a joint venture	393,570	393,570	-	-
Cash and bank balances	6,279,866	6,279,866	-	-
	36,956,348	14,118,387	22,837,961	-
Financial liabilities				
Trade payables	208,583	-	-	208,583
Other payables	2,325,477	-	-	2,325,477
Term loans	10,761,154	-	-	10,761,154
	13,295,214	-	-	13,295,214

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of 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
Group (cont'd)				
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
Company				
2019				
Financial assets				
Other receivables	2,855	2,855	-	-
Investment in unit trusts	15,088,645	-	15,088,645	-
Cash and bank balances	171,085	171,085	-	-
	15,262,585	173,940	15,088,645	-
Financial liabilities				
Other payables	91,000	-	-	91,000
Amount owing to subsidiaries	390,221	-	-	390,221
	481,221	-	-	481,221

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of 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 (cont'd)				
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

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.

29.1 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.1 Credit risk (cont'd)

29.1.1 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Classes of financial assets:				
Trade receivables	6,694,083	9,174,263	-	-
Other receivables	750,868	478,949	2,855	1,000
Investment in unit trusts	22,837,961	20,803,331	15,088,645	2,747,223
Amount owing by subsidiaries	-	-	-	11,114,762
Amount owing by a joint venture	393,570	-	-	-
Cash and bank balances	6,279,866	5,503,608	171,085	523,857
Carrying amount	36,956,348	35,960,151	15,262,585	14,386,842

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.

29.1.2 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.

29.1.3 Trade receivables

An impairment analysis performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

Information regarding the Group's exposure to credit risk and ECLs for trade receivables are disclosed in Note 16 to the Financial Statements.

29.1.4 Other receivables

The Group and the Company are not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

29.1.5 Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group and the Company provide unsecured loans and advances to subsidiaries and a joint venture and monitors the results of the related subsidiaries and a joint venture regularly.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.1 Credit risk (cont'd)

29.1.5 Intercompany loans and advances (cont'd)

As at the end of the reporting date, there was no indication that the loans and advances to the related subsidiaries and a joint venture are not recoverable.

29.1.6 Cash and bank balances

The credit risk for cash and cash equivalents is considered negligible, since the counterparty or a group of counterparties having similar characteristics.

29.1.7 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 24 to Financial Statements 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 date, there was no indication that the subsidiaries would default on repayment.

29.2 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.

29.2.1 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 RM	2 to 5 years RM	More than 5 years RM
Group			
2019			
Non-derivative financial liabilities			
Lease liabilities	104,020	10,780	-
Term loans	2,069,506	7,497,208	4,287,104
Trade payables	208,583	-	-
Other payables	2,325,477	-	-
Total undiscounted financial liabilities	4,707,586	7,507,988	4,287,104
2018			
Non-derivative financial liabilities			
Finance lease liabilities	131,688	196,660	-
Term loans	2,161,128	7,872,442	6,267,162
Trade payables	118,318	-	-
Other payables	2,690,867	-	-
Total undiscounted financial liabilities	5,102,001	8,069,102	6,267,162

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.2 Liquidity risk (cont'd)

29.2.1 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):

	Current	Non-current	
	Within 1 year RM	2 to 5 years RM	More than 5 years RM
Company			
2019			
Non-derivative financial liabilities			
Other payables	91,000	-	-
Amount owing to subsidiaries	390,221	-	-
Total undiscounted financial liabilities	481,221	-	-
Financial guarantee*	1,483,110	5,806,560	3,471,484
2018			
Non-derivative financial liabilities			
Other payables	45,302	-	-
Amount owing to subsidiaries	484,758	-	-
Total undiscounted financial liabilities	530,060	-	-
Financial guarantee*	1,508,728	6,896,607	3,921,540

* 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 date.

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.

29.3 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.3 Interest rate risk (cont'd)

29.3.1 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 2019 RM	Group 2018 RM
Floating rate instruments		
Financial liabilities		
Term loans	(10,761,154)	(12,216,875)
Net financial liabilities	(10,761,154)	(12,216,875)

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2018: +/-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
2019 (+/- 25bp)	(26,903)	26,903
2018 (+/- 25bp)	(30,542)	30,542

29.4 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 United States 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		
2019		
Cash and bank balances	1,190,485	468,823
Net exposure	1,190,485	468,823
2018		
Cash and bank balances	156,664	400,614
Net exposure	156,664	400,614

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.4 Foreign currency risk (cont'd)

29.4.1 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% (2018: +/-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		
2019	59,524	23,441
2018	7,833	20,031

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.

29.5 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% (2018: 1%) in the prices of the quoted securities would result in an increase or decrease of RM228,380 (2018: RM208,033) and RM150,886 (2018: RM27,472) 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

29.5 Other price risk sensitivity analysis (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:

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

- **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 2019		
Financial assets at FVTPL:		
Investment in unit trusts	22,837,961	22,837,961
31 December 2018		
Financial assets at FVTPL:		
Investment in unit trusts	20,803,331	20,803,331
Company		
31 December 2019		
Financial asset at FVTPL:		
Investment in unit trusts	15,088,645	15,088,645
31 December 2018		
Financial asset at FVTPL:		
Investment in unit trusts	2,747,223	2,747,223

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

30. SEGMENT INFORMATION

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

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

Reportable Segments	Descriptions
Investment holding	Investment activities in investment property and unquoted securities held by the Group on a long-term basis
Recovery and recycling services	Provision of waste recovery and recycling services, and rental of recycled products
Manufacturing	Manufacturing and marketing of chemical products
Trading	Trading of chemicals and other products
Others	Rental of investment property

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

30. SEGMENT INFORMATION (CONT'D)

Group 2019	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Revenue							
External sales	-	28,853,039	-	644,546	1,072,044	-	30,569,629
Inter-segment sales	10,300,000	-	1,433	-	-	(10,301,433)	-
Total revenue	10,300,000	28,853,039	1,433	644,546	1,072,044	(10,301,433)	30,569,629
Results							
Segment results	11,226,907	7,646,694	(82,153)	31,566	989,205	(12,414,857)	7,397,362
Finance costs							(11,028)
Interest income							18,359
Share of loss of equity-accounted joint venture							(584,857)
Profit before tax							6,819,836
Income tax expense							(1,842,735)
Profit for the financial year							4,977,101

30. SEGMENT INFORMATION (CONT'D)

Group (cont'd) 2019 (cont'd)	Investment holding RM	Recovery and recycling services RM	Manufacturing RM	Trading RM	Others RM	Eliminations RM	Total RM
Assets							
Segment assets	35,675,267	116,363,227	1,489,200	23,193,252	16,740,708	(71,780,477)	121,681,177
Consolidated total assets							121,681,177
Liabilities							
Segment liabilities	482,049	37,674,424	6,428	25,192,915	1,562,123	(48,796,160)	16,121,779
Consolidated total liabilities							16,121,779
Other Information							
Additions to property, plant and equipment	-	4,518,622	-	-	-	-	4,518,622
Depreciation	-	2,979,179	15,168	429,972	-	-	3,424,319

30. SEGMENT INFORMATION (CONT'D)

Group (cont'd) 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 financial year							7,747,031

30. 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	(91,948,433)	119,925,184
Consolidated total assets							119,925,184
Liabilities							
Segment liabilities	530,060	66,982,632	176,702	25,643,265	3,195,835	(78,199,688)	18,328,806
Consolidated total liabilities							18,328,806
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

Major customers

There are no major customer with revenue equal or more than 10% of the Group's revenue during the current and prior financial year.

31. 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 years ended 31 December 2019 and 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.

32. CAPITAL COMMITMENTS

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

	Group	
	2019 RM	2018 RM
Authorised and contracted for	1,906,573	200,000
Authorised but not contracted for	24,800	150,000
	1,931,373	350,000

33. OPERATING LEASE ARRANGEMENTS

The Group has entered into a commercial property lease on its investment property. This lease is non-cancellable and has a remaining lease term of between 1 to 3 years. The lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Future minimum rental income to be earned by the Group from its investment property under this non-cancellable operating lease are as follow:

	Group	
	2019 RM	2018 RM
Within 1 year	1,089,626	677,141
Between 2 to 5 years	660,088	250,900
	1,749,714	928,041

34. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 9 March 2020, the Company's wholly-owned subsidiary, Tex Cycle Sdn. Bhd., incorporated a 60% owned subsidiary in Malaysia with cash subscription of RM30,000, namely Pakar B2E Sdn. Bhd.. The principal activity of the subsidiary is development of renewable energy generation, trading and/or export the by-products obtained from the process.

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2020

SHARE CAPITAL

Total Number of Issued Shares	:	256,189,496 Shares
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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Holders	%
Less than 100	23	1.86	906	negligible
100 to 1,000	98	7.94	41,852	0.02
1,001 to 10,000	468	37.89	2,488,200	0.98
10,001 to 100,000	497	40.24	15,967,101	6.29
100,001 to less than 5% of issued shares	147	11.90	116,612,345	45.93
5% and above of issued shares	2	0.16	118,772,292	46.78
Total	**1,235**	**100.00**	**253,882,696**	**100.00**

STATEMENT OF DIRECTORS' SHAREHOLDINGS

	< ----- Direct ----- >		< ----- Indirect ----- >	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Ho Siew Choong	12,764,354	4.982	108,127,138*	42.206
Periasamy A/L Sinakalai	10,530,147	4.096	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	60,000	0.023	-	-
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.

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	< ----- Direct ----- >		< ----- Indirect ----- >	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Can Cycle Sdn. Bhd.	106,007,938	41.379	-	-
Ho Siew Choong	12,764,354	4.982	108,127,138*	42.206
Periasamy A/L Sinakalai	10,530,147	4.096	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(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.

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2020

THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 MARCH 2020

No.	Name of Shareholders	No. of Shares	%
1	Can Cycle Sdn Bhd	106,007,938	41.75
2	Ho Siew Choong	12,764,354	5.03
3	Periasamy A/L Sinakalai	10,530,147	4.15
4	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	8,428,500	3.32
5	Teo Kwee Hock	7,871,100	3.10
6	Ho Siew Cheong	6,329,447	2.49
7	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Yee Wah	4,670,000	1.84
8	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Private Fund - Series 3	4,137,600	1.63
9	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Kidsave Trust	3,838,000	1.51
10	Ho Mah Lee @ Ho Chwee Keng	3,544,500	1.40
11	Ho Siew Weng	2,801,395	1.10
12	Ho Siew Kee	2,756,505	1.09
13	Chuah Kooi Peng	2,339,600	0.92
14	CIMB Group Nominees (Tempatan) Sdn Bhd Pembangunan Sumber Manusia Berhad	2,253,400	0.89
15	Lee Yuen Kong	2,216,700	0.87
16	Yusseri Bin Said	2,025,195	0.80
17	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	2,216,700	0.78
18	Lee Kim Choy	1,940,000	0.76
19	Chuang Shiao Ye	1,908,750	0.75
20	Lim Choon Meng	1,800,000	0.71
21	Tan Lee Hwa	1,750,000	0.69
22	Melissa Shamini A/P Periasamy	1,500,000	0.59
23	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Balanced Trust	1,472,800	0.58
24	Maybank Nominees (Tempatan) Sdn Bhd Yusseri Bin Said	1,317,300	0.52
25	How Hoe Choon	1,223,600	0.48
26	Chong Yoke Yin	1,125,000	0.44
27	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choy Wah Chai (E-SKN)	1,050,000	0.41
28	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Siew Kee (MCF0 PJ-CL)	1,047,950	0.41
29	Cheong Yoke Sim	934,200	0.37
30	Jas Tan Chee Liat	879,000	0.35
	Total	**202,679,681**	**79.73**

LIST OF PROPERTIES

List of Properties
As at 31 December 2019

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2019 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 No 24401, HSM 23155 Mukim and District of Petaling, Selangor)	Double storey factory/Storage facility	2,108.29	1,100	22 years	99 years leasehold up to 18 January 2093	1,865,436	1999	N/A
No. 7, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT No 24405, HSM 23159, Mukim and District of Petaling, Selangor)	Double storey fully enclosed factory/Storage facility	1,980.34	1,980.34	22 years	99 years leasehold up to 18 January 2093	2,247,813	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	16 years	Freehold	1,345,356	2003	N/A

List of Properties (cont'd)
As at 31 December 2019

Location	Description/ Existing Use	Land Area (Square Metres)	Built-up Area (Square Metres)	Approximate Age of Building	Tenure	Net Book Value @ 31 December 2019 RM	Year of Acquisition	Last Date of Valuation
Metro Envy Sdn. Bhd. 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	24 years	99 years leasehold up to 25 May 2065	16,110,000	2005	2018
TC Chemical Sdn. Bhd. Lot 8942, Jalan Telok Gong, 42000 Klang, Selangor (PT No. 8942, HSM 1528, Mukim Klang, Selangor)	Single storey detached factory/Recycling and storage facility	12,000	8,861.20	13 years	99 years leasehold up to 28 January 2068	7,000,888	2011	N/A
Lot 8960, Jalan Telok Gong, 42000 Klang, Selangor (PT No. 8960, HSM 1380, Mukim Klang, Selangor)	Single storey detached factory/Recycling and storage facility	19,906	8,199.16	5 years	99 years leasehold up to 26 February 2112	15,024,001	2012	N/A
Tex Cycle (P2) Sdn. Bhd. Lot 8941, Jalan Telok Gong, 42000 Klang, Selangor (PT No. 8941, HSM 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	8,118,067	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 2,292,250 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 (Registration No: 200401004116 (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 2019

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 16 April 2020, 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 Fifteenth AGM held on 15 May 2019 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 Sixteenth 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 Sixteenth 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 30 March 2020, 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 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

(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 2019, the Company's audited accumulated retained earnings is RM9,917,725.00. Meanwhile, based on the unaudited financial statements as at 31 December 2019, the Company's unaudited accumulated retained earnings is RM10,176,248.00.

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 30 March 2020 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	12,764,354	4.982	108,127,138*	42.206	12,764,354	5.536	108,127,138*	46.895
Periasamy A/L Sinakalai	10,530,147	4.096	108,478,388^	42.343	10,530,147	4.552	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
Ravindran Markandu	372,500	0.146	4,500###	0.002	372,500	0.162	4,500###	0.002
Alagasan A/L Varatharajoo	60,000	0.023	-	-	60,000	0.026	-	-
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	
Directors	**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	12,764,354	4.982	108,127,138*	42.206	12,764,354	5.536	108,127,138*	46.895
Periasamy A/L Sinakalai	10,530,147	4.096	108,478,388^	42.343	10,530,147	4.552	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.

7. PUBLIC SHAREHOLDING SPREAD

As at 30 March 2020, the public shareholding spread of the Company based on the Issued Share Capital was 43.28%. 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 36.97%. 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 30 March 2020	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 2019, the Company had declared an interim single-tier tax exempt dividend of RM0.006 per share on 15 August 2019 and paid on 20 September 2019.

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 30 March 2020, 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 2019 is set out on page 128 of the 2019 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 2019 to March 2020 are as follows:

	High RM	Low RM
2019		
April	0.530	0.500
May	0.495	0.430
June	0.460	0.425
July	0.475	0.440
August	0.470	0.375
September	0.390	0.365
October	0.365	0.330
November	0.480	0.375
December	0.400	0.345
2020		
January	0.365	0.305
February	0.345	0.295
March	0.320	0.140
Last transacted market price of Tex Cycle Shares on 15 April 2020 being the day prior to the date of announcement of the Proposed Share Buy-Back.		0.245
Last transacted market price of Tex Cycle Shares on 15 April 2020 being the latest practicable date prior to printing of this Statement.		0.245

(Source : Bursa Malaysia)

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 Sixteenth 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 Sixteenth AGM:

(a) Constitution of the Company; and

(b) Audited consolidated financial statements of Tex Cycle for the financial years ended 31 December 2018 and 31 December 2019.

TEX CYCLE TECHNOLOGY (M) BERHAD (“**the Company**”)
(Registration No: 200401004116 (642619-P))
(Incorporated in Malaysia)

<u>Notice of Sixteenth Annual General Meeting (“16th AGM”) and Proxy Form</u>

In light of the Covid-19 pandemic and the subsequent directive by the Malaysian Government to refrain from holding a gathering of large numbers, the Company’s 16th AGM date is currently being deliberated and remains uncertain, as our foremost priority is to ensure the safety of all our shareholders, employees and other stakeholders during the pandemic.

In view thereof, the Notice of 16th AGM and Proxy Form will be circulated at a later date to be decided by the Board of Directors.

Yours faithfully,
For and on behalf of the Board of
Tex Cycle Technology (M) Berhad,

Ho Siew Choong
Executive Chairman