

RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)



Annual Report
2015

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NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting of Ralco Corporation Berhad ("Company") will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 16th day of June 2016 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. | [Please refer to Explanatory Note (i)] |
| 2. To approve the payment of Directors' fees amounting to RM154,000 for the financial year ended 31 December 2015. | RESOLUTION 1 |
| 3. To re-elect Datuk Lim Si Cheng, who retires by rotation pursuant to Article 64 of the Company's Articles of Association. | RESOLUTION 2 |
| 4. To re-elect Mr. Tan Heng Ta, who retires by rotation pursuant to Article 64 of the Company's Articles of Association. | RESOLUTION 3 |
| 5. To re-appoint Messrs. RSM Malaysia (AF 0768) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | RESOLUTION 4 |

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution with or without modifications:-

- | | |
|--|---------------------|
| 6. Ordinary Resolution
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 | RESOLUTION 5 |
| <p>"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."</p> | |
| 7. To transact any other ordinary business of the Company for which due notice shall have been given. | |

BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753)
SOO SHIOW FANG (MAICSA 7044946)
Company Secretaries

Kuala Lumpur
28 April 2016

notice of
annual general meeting (*cont'd*)**NOTES:**

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.
2. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Annual General Meeting is 9 June 2016.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:**(i) Item 1 of the Agenda****Audited Financial Statements for the financial year ended 31 December 2015**

This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Ordinary Resolution 5**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 5, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the Previous Mandate"). The Previous Mandate was not utilised and no proceeds were raised.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Datuk Lim Si Cheng	<i>Chairman, Senior Independent Non-Executive Director</i>
Tan Heng Ta	<i>Managing Director</i>
Heng Chee Wei	<i>Chief Executive Officer</i>
Cheong Tuck Kong	<i>Independent Non-Executive Director</i>
Law Doung Chin	<i>Independent Non-Executive Director</i>

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Soo Shiow Fang
(MAICSA 7044946)

REGISTERED OFFICE

10th Floor Menara Hap Seng
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 603-2382 4288
Fax : 603-2026 1451

PRINCIPAL PLACE OF BUSINESS

Lot 1476, Nilai Industrial Estate
71800 Nilai
Negeri Sembilan Darul Khusus
Tel : 606-797 1999
Fax : 606-797 1333

REGISTRAR

System & Securities Sdn. Bhd.
Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2161 5466
Fax : 03-2163 6968
email : systems@ssassociates.com.my

AUDITORS

Messrs. RSM Malaysia (AF 0768)
5th Floor, Penthouse, Wisma RKT, Block A
No. 2, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur
Tel : 03-2610 2888
Fax : 03-2698 6600
email : audit@rsmi.com.my

PRINCIPAL BANKERS

CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Maybank Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: RALCO
Stock Code: 7498
Sector: Industrial Products



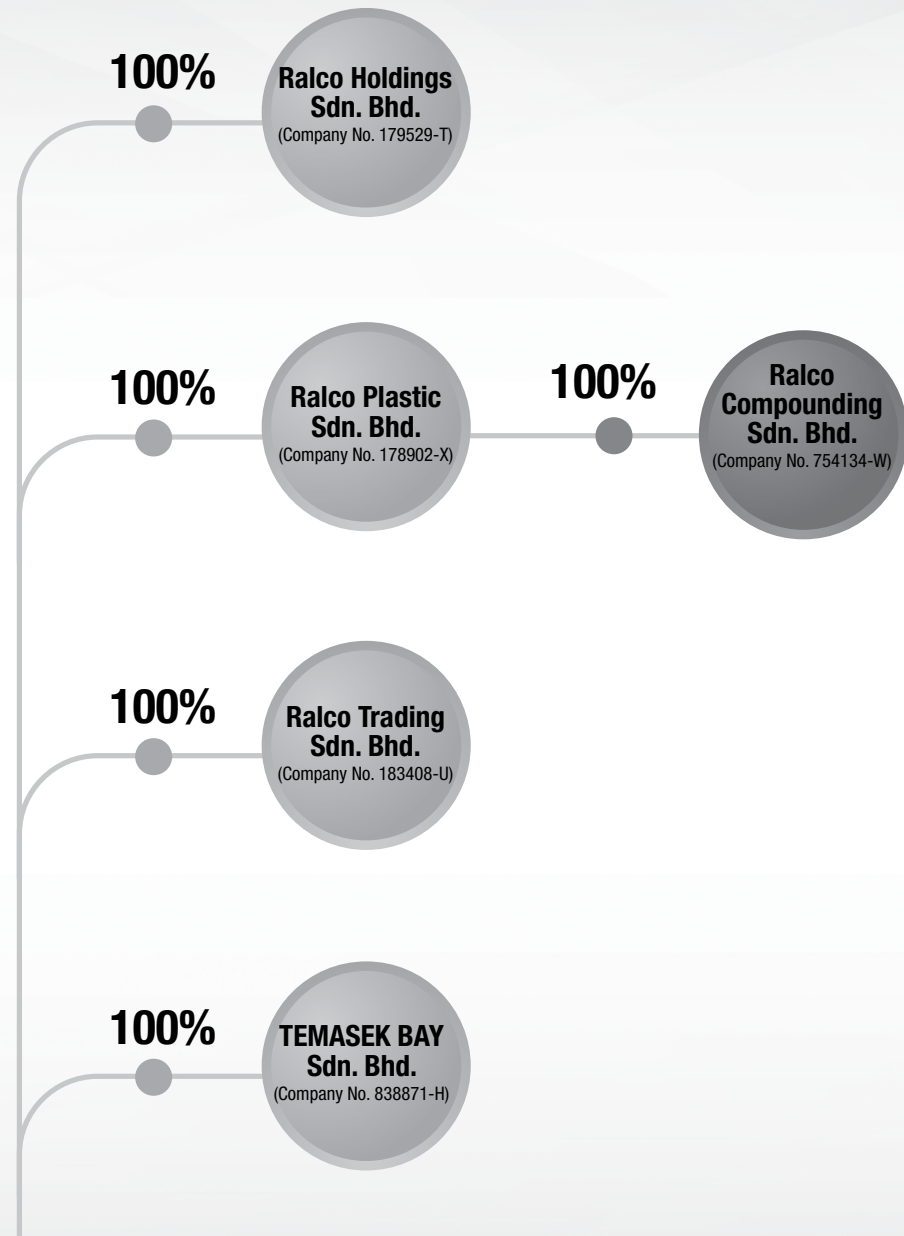
CORPORATE
STRUCTURE



RALCO

**RALCO
CORPORATION
BERHAD**

(Company No. 333101-V)





PROFILE OF **DIRECTORS**

DATUK LIM SI CHENG, PJN., PIS

*Chairman, Senior Independent Non-Executive Director
Aged 66, Malaysian*

Datuk Lim Si Cheng was appointed to the Board and Chairman to the Board on 16 June 2008. He is the Chairman of Nomination Committee and Remuneration Committee and a member of the Audit Committee.

He started his career as journalist in 1968. He was a State Assemblyman for Bandar Segamat from 1982 to 1990. He was a Johor State Executive Councilor from 1986 to 1990 before being appointed as Political Secretary to Minister of Transport in 1990. From 1995, he was elected as Member of Parliament for Kulai, Johor for three (3) consecutive terms and in 1999, he served as Deputy Speaker to the House of Representative, Parliament Malaysia until February 2008. He is also a director of LBS Bina Group Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

Datuk Lim has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offence, if any.

Details of number of Board meetings attended by him during the financial year are set out in page 10 of this Annual Report.

TAN HENG TA

*Managing Director
Aged 48, Malaysian*

Mr. Tan Heng Ta was appointed to the Board as Executive Director on 7 January 2011. He was subsequently appointed as the Managing Director of the Company on 1 August 2011.

He is a successful and industrious businessman having started at an early age soon after completing his secondary education. He has vast experience in trading and distributorship of consumer electric goods as well as property development. He is also a director of a few private limited companies. His involvement in the consumer goods industry has provided him with a wide range of operational, technical and marketing knowledge and insight. He does not hold any directorship in any other public listed companies.

Mr. Tan has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for any offences within the past ten (10) years other than for traffic offence, if any.

Details of number of Board meetings attended by him during the financial year are set out in page 10 of this Annual Report.

profile of
directors (*cont'd*)**HENG CHEE WEI, A.M.P.***Chief Executive Officer**Aged 45, Malaysian*

Mr. Heng Chee Wei was appointed to the Board on 8 August 2001. He was previously the Independent Non-Executive Director but re-designated as Chief Executive Officer of Ralco Corporation Berhad with effect from 1 July 2014.

Mr. Heng is a member of the Malaysian Institute of Accountants. He obtained the qualification of Australian Society of Certified Practising Accountants (ASCPA) in 1999. He holds a Bachelor of Commerce from University of Southern Queensland, Australia. He was previously the Operations Director of TNT Worldwide Express (M) Sdn. Bhd. He was a Senior Operations Manager of Federal Express Services (M) Sdn. Bhd. from 1999 to 2009. He was the Finance Manager of Sis Distribution (M) Sdn. Bhd. and was formerly a Senior Associate with PricewaterhouseCoopers from 1996 to 1999. He also sits on the Board of ML Global Berhad (previously known as VTI Vintage Berhad) as the Independent Non-Executive Director.

Mr. Heng has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offence, if any.

Details of number of Board meetings attended by him during the financial year are set out in page 10 of this Annual Report.

CHEONG TUCK KONG

Independent Non-Executive Director

Aged 43, Malaysian

Mr. Cheong Tuck Kong was appointed to the Board as Independent Non-Executive Director on 29 September 2014. He is the Chairman of Audit Committee.

Mr. Cheong is a member of the Malaysian Institute of Accountants and holds the Bachelor's Degree from University of Southern Queensland, Australia. Currently he is the Head of Group Finance for a wood-based manufacturing company in Malaysia. He has more than 10 years of experience leading the accounting, finance and corporate planning function of foreign multi-nationals and has extensive experience in management consulting, auditing and corporate finance.

Mr. Cheong has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten (10) years other than for traffic offence, if any.

Details of number of Board meetings attended by him during the financial year are set out in page 10 of this Annual Report.



profile of
directors *(cont'd)*

LAW DOUNG CHIN

Independent Non-Executive Director
Aged 45, Malaysian

Mr. Law Doung Chin was appointed to the Board on 29 March 2011. He is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

He has more than 10 years extensive and wide exposures experiences in accounting, financing and auditing and held several key manager position in auditing firm as well as in private limited companies. He is the Head of Finance and Operation leading a management team of a timber logging and trading companies since 2006. He is a Director and the Internal Auditor of ACE Mobile Group Sdn. Bhd. and Southern Star Development Sdn. Bhd. since 2008. Southern Star Development Sdn. Bhd. is a development company currently engaging in developing a comprehensive development project of four stars hotel, service condominium, shopping centre and market. He does not hold any directorship in any other public listed company.

Mr. Law has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten (10) years other than for traffic offence, if any.

Details of number of Board meetings attended by him during the financial year are set out in page 10 of this Annual Report.



CORPORATE **GOVERNANCE STATEMENT**

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ralco Corporation Berhad (“the Board”) continues to recognise the importance of practicing good corporate governance to direct the businesses of the Company and its subsidiaries (together as “the Group”) towards enhancing business and long-term value for its shareholders. It remains committed to ensure that the highest standards of accountability and transparency are practiced throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to present below how the Group has applied the principles of corporate governance and the extent of compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). These principles and best practices have been applied consistently throughout the financial year ended 31 December 2015 except where otherwise stated herein.

1. BOARD OF DIRECTORS

The Board and its Roles and Responsibilities

The Board acknowledges its principal responsibilities for setting the strategic direction of the Group and ensuring it is properly managed and continuously improving its performance so as to protect and enhance shareholders’ values. In addition, the Board also has full control of and acknowledge its responsibilities for the overall strategy and standards of conduct of the Group’s business, risks management, succession planning, strategic planning to promote sustainability, formulation of policies, annual budget, review of financial and operational performance, investor relation programme and systems of internal control of the Group.

The Board retains full and effective control of the Group. The Board is bestowed with the duties and responsibilities to ensure the interests of the shareholders are protected. The Board’s roles and responsibilities are clearly set out in the Board charter, which is available as Group’s website www.ralco.net.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors and Management as well as on properly constituted Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. A number of formal structures and committees are put in place to assist the Board in carrying out its duties. The terms of reference of each committee were approved by the Board. All Board committees report to the Board.

The Board had established and adopted a Code of Conduct to formalise ethical standards and a corporate culture, which engenders ethical conduct that permeates throughout the Company, during the year 2015. The summary of the Code & Conduct is available on the Group’s website www.ralco.net.

The Board acknowledges the importance of an appropriate communication and feedback channels which facilitate whistle blowing, and endeavors to improve on this matter.

The Board also believes that it is essential to drive interest and investments towards sustainability to the mutual benefit of the Group and its investors. The Group focuses on providing quality product to its customers and in achieving long-term shareholders’ value by rewarding higher returns, while at the same time minimising costs and mitigating any sustainability risks. The Group has taken into consideration of the overall strategy involving continuous integration of long-term economics, environmental, governance and social aspects in their business strategies while maintaining competitions.

Board Composition and Balance

The Board comprises five (5) Directors, which includes two (2) Executive Directors and three (3) Independent Non-Executive Directors. The current Board composition complies with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Company is led by an experienced Board with a broad range of skills, knowledge and expertise to effectively facilitate the discharge of the Board’s stewardship.



corporate governance statement (*cont'd*)

1. BOARD OF DIRECTORS (CONTINUED)

The Independent Non-Executive Directors with their different backgrounds and specialisation bring along wide range of skills, finance and technical expertise. These allow them to exercise independent advice, view and judgement on the issues of strategy, performance, resources, including key appointments and standards of conduct and to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of the shareholders and other stakeholders of the Group. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interest and abstain from the decision-making process.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

Board Meetings

The Board meets on a quarterly basis based on the scheduled meeting at the beginning of the year, with additional meetings convened as and when necessary. All the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board members are adequately provided with status report and Board papers to assist them to make the best decisions in the best interest of the Company at all times.

During the financial year ended 31 December 2015, a total of five (5) Board meetings were held. The following is the record of attendance of the Directors during their tenure:-

Name of Directors	Designation	Number of Meetings Attended
Datuk Lim Si Cheng	Chairman and Senior Independent Non-Executive Director	5/5
Tan Heng Ta	Managing Director	5/5
Heng Chee Wei	Chief Executive Officer	5/5
Cheong Tuck Kong	Independent Non-Executive Director ("INED")	5/5
Law Doung Chin	INED	5/5
Mark Ho Hing Kheong (Resigned w.e.f 1 July 2015)	INED	1/3

In addition to the above formal Board meetings, there were several informal meetings of the Board. The Board also made decisions and approvals through circular resolutions.

The Board is satisfied with the time commitment given by the Board members in carrying out their responsibilities which is shown in the above attendance.

corporate
governance statement (*cont'd*)**1. BOARD OF DIRECTORS (CONTINUED)****Supply of Information**

The Board is briefed in a timely manner on all matters requiring their deliberation and approval. Prior to all Board meetings, the Board members are given timely notices of meetings, which set out the agenda and accompanied by the relevant reports and documents for their perusal, so that the Directors have ample time to review the matters to be deliberated. The proceedings of the Board meetings and resolutions passed are recorded in the minutes and kept at the registered office of the Company. The Board has timely access to relevant information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively. The Board is also regularly updated on statutory as well as regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

Where necessary, senior management staff may be invited to attend Board meetings to furnish the Board with their comments and advice on the relevant matters tabled. All Directors have access to the advice and services of the Company Secretary and may seek independent professional advice, whenever required, in furtherance of their duties.

The Board is regularly updated and appraised by the Company Secretary on new regulations by the regulatory authority. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of the closed periods for dealing in the Company's shares.

The Company Secretary attends and assists to ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the Company.

Appointment to the Board / Assessment

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with the recommendation of the Nomination Committee. The Nomination Committee is responsible to review the required mix of skills, knowledge, expertise, experience, professionalism, integrity and for recommendation of independent non-executive directors, the Nomination Committee evaluates the ability to discharge such responsibilities before making a recommendation to the Board. The Members and Terms of Reference of the Nomination Committee are set out on page 21 of this Annual Report.

The Board has adopted a formal self-assessment of performance to evaluate the effectiveness of the Board, Board Committee and individual Directors as well as the Chief Financial Officer as recommended by the Nomination Committee in the financial year 2015.

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board's evaluation comprises Board Assessment, Individual (Self & Peer) Assessment and Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria covering areas such as Board structure, Board operations, roles and responsibilities of the Board, Board Committees and Chairman. The assessment on individual director includes the quality of inputs, understanding of the roles, etc.

The results of the assessment would be reported by the Nomination Committee to the Board essential for the Board to form the basis of recommending relevant Director for re-election at the Annual General Meeting.



corporate governance statement (*cont'd*)

1. BOARD OF DIRECTORS (CONTINUED)

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting ("AGM") at least once in every three (3) years, but shall be eligible for re-election. The Directors to retire in each AGM are the directors who have been longest in office since their appointment or re-appointment. The retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM following their appointment. This is also in compliance with the Listing Requirements.

The Company has also adapted the recommendation of the MCCG 2012 that the tenure of an Independent Director should not exceed accumulative term of 9 years. Upon completion of the 9 years, an Independent Director may continue to serve on Board, subject to the Directors' re-designation as an Non-Independent Director. The Board will seek shareholders' approval in the event that a Director, who has served in that capacity for more than 9 years, retains as Independent Director.

Continuing Education of Directors

All the Directors of the Company have attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies. They are also committed and encouraged to attend continuing education programme, seminar and training on annual basis to keep themselves abreast with the new regulatory developments, listing requirements and on various issues facing the changing business environment within which the Company operates and the latest developments for enhancement of their roles and responsibilities as Directors.

During the year, a few seminars and courses were identified for the Directors' continuous training programme for purpose of enabling them to effectively discharge their duties to the Group and/or that are relevant to the Group's business activities. The Directors also did attend various training conducted by their respective in-house companies and/or by external professionals. Amongst those training programmes attended by the respective Directors were as follows:

No.	Continuing Education Programme Attended	Month Attended
1.	Datuk Lim Si Cheng - IB(D)W31 – Pengurusan Strategik (Wajib 3) - Overview of the Anti-Money Laundering & Anti-Terrorism Financing Act 2001	2 November 2015 & 3 November 2015 5 November 2015
2.	Mr Heng Chee Wei - Future Outlook on Plastics and Composites from European Perspectives - Advocacy Session on Management Discussion and Analysis for Chief Executive Officer and Chief Financial Officers	10 June 2015 5 August 2015
3.	Mr Tan Heng Ta Advocacy Session on Management Discussion and Analysis for Chief Executive Officer and Chief Financial Officers	30 June 2015

Save as disclosed above, Mr. Cheong Tuck Kong and Mr. Law Doung Chin were not able to attend any Directors' Trainings during the financial year due to busy schedule.

The Directors will continue to participate in other relevant programmes which are deemed suitable to further enhance their skills and knowledge and to stay abreast with current issues.



corporate governance statement (cont'd)

2. BOARD COMMITTEES

The Board delegates certain functions and responsibilities to several Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee to support and assist in discharging its responsibilities. These Committees operate under approved terms of reference or guidelines set out by the Board. All Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board. The Board may form other committees delegated with specific authorities to act on its behalf, whenever require.

3. DIRECTORS' REMUNERATION

The Remuneration Committee, comprising mainly Non-Executive Directors, is responsible to establish a formal and transparent procedure for developing the remuneration policy and determining the remuneration packages of Executive Directors as well as fixing the remuneration packages of individual directors so as to ensure that it attracts and retains the suitable directors to lead, control and manage the Group effectively. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the Company and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The Members and Terms of Reference of the Remuneration Committee are presented on page 22 of this Annual Report.

Directors' fee is recommended by the Board for the approval of the shareholders of the Company at the AGM.

Details of Directors' remuneration for the financial year ended 31 December 2015, in aggregation and analysed into bands of RM50,000 are as follows:-

	Salaries and other emoluments (RM)	Fees (RM)	EPF (RM)	Total (RM)
Executive Directors	480,000	56,000	57,600	593,600
Non-Executive Directors	–	98,000	–	98,000

Range of Remuneration (RM)	Number of Directors	
	Executive	Independent Non-Executive
RM50,000 – RM100,000	–	4
RM200,001 – RM250,000	2	–

Successive bands between RM100,001 and RM200,000 are not shown as they are not applicable.

4. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board believes in clear communication and acknowledges the importance of timely and equal dissemination of relevant information to its shareholders. The annual reports and the quarterly announcements are means employed to report on the business activities and financial performance of the Group to all its shareholders. The Senior Independent Non-Executive Director is primarily responsible to communicate with the shareholders. Datuk Lim Si Cheng is the appointed Senior Independent Non-Executive Director of the Company to whom the shareholders may contact.

The AGM is the principal forum of dialogue and interaction with the shareholders. Shareholders are provided with the Company's Annual Report before the meeting. At each AGM, the Board presents the progress and performance of the Company and shareholders are given the opportunity to raise questions or to seek for information of the Company. During the meeting, the Chairman, Board members and external auditors are available to respond to the shareholders' queries.

The Group also maintains a website at www.ralco.net that allows all shareholders and investors to gain access to the information of the Group.



corporate governance statement (*cont'd*)

5. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company's financial statements were prepared in accordance with the requirements and provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board aims to present a balanced and clear assessment of the Group's position and prospect to the Company's shareholders through the annual financial statements and quarterly announcements. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group. The Statement explaining the Director's responsibility for preparing the financial statements is as set below.

Directors' Responsibility Statement

The Companies Act, 1965 ("the Act") requires the Directors to lay before the Company at its AGM, the financial statements, which includes the consolidated balance sheet and consolidated income statement of the Group for each financial year, made out in accordance with the applicable approved accounting standards and the provisions of the Act. This is also in line with Paragraph 15.26(a) of the Listing Requirements.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group for each financial year.

In the preparation of the financial statements for financial year ended 31 December 2015, the Directors are satisfied that the Company has adopted appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgements and estimates. The Directors also confirm that all applicable approved accounting standards have been complied with.

The Directors are required under the Act to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company, and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on pages 19 to 20 of this Annual Report. The Board has collectively approved this statement.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the Audit Committee is further described in the Audit Committee Report on pages 16 to 18 of this Annual Report.

6. CORPORATE RESPONSIBILITY

The Group fulfils its corporate responsibility on helping to enhance the conditions of the society, environment as well as creating awareness of this cultural belief and responsibility. During the financial year, the Group also showed its concern for the well being of society by reaching out to the under-privileged group by providing job opportunity to the disabled personnel. The Group also contributed to the Ti-Ratana Welfare Society by giving donation for building fund of children's home/old folk's home/women shelter home. The Group also continues to emphasise on a high priority of having a safe and healthy workplace for all its employees and promoting occupational safety and health activities in its business activities.

Overall, the Board acknowledges the recommendations of the MCCG 2012. The Board also concurs that there are still areas throughout the Group that require improvements and enhancements in order to achieve the best corporate governance standards. The Board as such will endeavor to achieve a higher target through progressive refreshing the internal standards or corporate governance of the Group.



ADDITIONAL **COMPLIANCE INFORMATION**

1. Utilisation of Proceeds and Corporate Proposal

The Company did not carry out any corporate proposals nor utilise proceeds derived from the corporate proposals during the financial year.

2. Share Buy-Back

During the financial year ended 31 December 2015, the Company did not purchase nor make any resale or cancellation of its treasury shares.

3. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

4. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

5. Imposition of Sanctions and/or Penalties

There was no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

6. Non-Audit Fees

There was no non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2015.

7. Variation in Results

There were no material variations between audited and unaudited results for the financial year ended 31 December 2015.

8. Profit Forecast And Profit Guarantee

The Company did not issue any profit forecast and profit guarantee during the financial year.

9. Material Contracts

There were no material contracts (not being contract entered into the ordinary course of business) subsisting as at and entered into since the end of previous financial year, by the Company and its subsidiaries, which involved the interest of the Directors and major shareholders.

10. Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

The Company did not seek for shareholders' mandate to enter into recurrent related party transactions ("RRPT") of revenue or trading nature at the Annual General Meeting in year 2015 and will monitor closely the transaction value of RRPT, if any, as per paragraph 10.09 of the Main Market Listing Requirement.



AUDIT **COMMITTEE REPORT**

The objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, providing oversight of the financial reporting process, scrutinises all quarterly results and annual statutory financial statements of the Group prior to official release to regulatory authorities and shareholders. The Audit Committee will endeavour to adopt various practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the shareholders of the Company.

1. COMPOSITION

All three (3) members of the Audit Committee are Independent Non-Executive Directors.

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

Name of Members	Designation
Cheong Tuck Kong	Chairman - Independent Non-Executive Director
Law Doung Chin	Member - Independent Non-Executive Director
Datuk Lim Si Cheng (Appointed w.e.f 1 July 2015)	Member - Independent Non-Executive Director

Mr Cheong Tuck Kong, is a member of the Malaysian Institute of Accounts. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements.

2. SUMMARY OF TERMS OF REFERENCE

(a) Membership

The Audit Committee shall consist of not less than three (3) Directors, the majority of whom shall be independent non-executive directors. The terms of office of the Committee members shall continue to run and be reviewed by the Board at least once in every three (3) years.

(b) Meetings and Minutes

The Audit Committee shall meet at least four (4) times annually.

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

(c) Rights and Authority

The Audit Committee is authorised by the Board to discharge the following responsibilities:

- (a) to investigate any activity within its Terms of Reference;
- (b) to have full and unrestricted access to any information pertaining to the Group;
- (c) to have direct communication with the Company's external auditors and person(s) carrying out internal audit function or activity of the Group;
- (d) to obtain independent and professional advice whenever it deems fit and be able to secure the attendance of outsiders with relevant experience and expertise for consultation if it considers necessary; and
- (e) to convene meetings and dialogue with the external auditors of the Company independently.



audit committee report (*cont'd*)

2. SUMMARY OF TERMS OF REFERENCE (CONTINUED)

(d) Functions

The Audit Committee shall, amongst others, discharge the following functions:

- (a) to review the nature and scope of the audit with external auditors and to review the audit report;
- (b) to review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (c) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and action taken on the recommendations;
- (d) to review the quarterly and annual financial statements of the Group and Company in compliance with all relevant accounting standards and regulatory requirements, prior to the consideration and approval by the Board;
- (e) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss; and
- (f) to consider any related party transactions and conflict of interest situation.

3. SUMMARY OF ATTENDANCE AND ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, five (5) Audit Committee meetings were held. The details of the attendance of the meetings are as follows:

Name of Members	Designation	Number of Meetings Attended
Cheong Tuck Kong	Chairman - Independent Non-Executive Director	5/5
Law Doung Chin	Member - Independent Non-Executive Director	5/5
Datuk Lim Si Cheng (Appointed w.e.f 1 July 2015)	Member - Independent Non-Executive Director	2/2
Mark Ho Hing Kheong (Resigned w.e.f 1 July 2015)	Member - Independent Non-Executive Director	1/3

The Audit Committee discharged its duties in accordance with its Terms of Reference during the year. The main activities undertaken by the Audit Committee during the financial year under review were as follows:-

(a) Financial Results

- (i) reviewed the unaudited quarterly financial results of the Group with the management team prior to making recommendations for the Board's approval and subsequent announcements.
- (ii) reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval. The review was, inter-alia, to ensure compliance with:
 - (a) provisions in the Companies Act, 1965;
 - (b) Main Market Listing Requirements;
 - (c) applicable approved accounting standards in Malaysia; and
 - (d) other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with management team and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit.



audit committee report (*cont'd*)

3. SUMMARY OF ATTENDANCE AND ACTIVITIES DURING THE FINANCIAL YEAR (CONTINUED)

(b) Internal Audit

- (i) reviewed and deliberated with the internal auditors the internal audit plan, internal audit reports, audit findings, audit recommendations made and management's responses to these recommendations and actions taken.
- (ii) reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised.

(c) External Auditors

- (i) reviewed with the external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by Malaysian Accounting Standards Board.
- (ii) reviewed with the external auditors the results of the audit of the audited financial statements and the audit report in particular, accounting issues and significant audit adjustments arising from the external audit.

(d) Related Party Transactions

The Audit Committee has reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group.

4. INTERNAL AUDIT

The Group has outsourced its internal audit function to an independent professional consulting firm to report directly to the Audit Committee whose principal responsibilities are to undertake independent reviews of the internal control system, which includes the following:-

- (i) reviewed and appraised the adequacy, integrity and effectiveness of the current system of internal control of the Group.
- (ii) performed a risk assessment of the Group to identify and evaluate the principal risk factors and ensuring the implementation of appropriate internal control processes and procedures to mitigate these risks.
- (iii) allocating adequate audit resources, in accordance with the internal audit plan approved by the Audit Committee to carry out internal audits on key operations of the Group so as to provide the Board with an effective and efficient audit coverage.

During the financial year, the Internal Auditor has carried out various risk-based audit reviews of the key processes of operations and provided recommendations to ensure all key risks and controls have been addressed.

The fee (inclusive of Goods and Services Tax) paid to a professional firm in respect of the internal audit function for the financial year ended 31 December 2015 was RM21,800.



STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Malaysian Code on Corporate Governance (“Code”) requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders’ investments and its assets.

This Statement on Risk Management and Internal Control is made pursuant to rule 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and as guided by Guidelines for Directors of Listed Issuer – Statement on Risk Management and Internal Control of Bursa Malaysia. It outlines the key elements of risk management and internal control systems within the Group for the current financial year.

BOARD RESPONSIBILITY

The Board acknowledges the importance of maintaining a sound system of internal control and effective risk management practices in the Group to ensure good corporate governance. The Board affirms its responsibility for the Group’s systems of risk management and internal control and the need to review its adequacy and integrity regularly. In view of the inherent limitations in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve the Group’s objectives and the system by its nature can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT FRAMEWORK

The Board maintains continuous commitment in strengthening the Group’s risk management framework and processes. Day-to-day risk management of the individual operating units is delegated to the Managing Director and respective senior managements. In this regard, the Managing Director is responsible for timely identification of the Group’s risks of each business units and implementation of systems to manage these risks. Periodic meetings are held to assess and monitor the Group’s risk as well as discuss, deliberate and appropriately addressed matters associated with strategic, financial and operational facets of the Group. Any significant weaknesses identified during the review together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Messrs H Corp Management Sdn. Bhd. (“H-Corp”). H-Corp is an independent professional firm supports the Audit Committee.

During the year under review, H-Corp assessed the adequacy and effectiveness of the Group’s key business areas in terms of governance, risk assessment and system of internal control. Internal audit reports are presented to the Audit Committee on a semi-annual basis, highlighting findings, recommendations and agreed action plans to improve the system of internal controls. Such reporting also includes follow-up reviews on significant audit issues that are performed to assess the status of implementation.

Based on the internal audit reviews conducted, weaknesses identified in internal controls have been appropriately addressed and senior managements will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.



statement on risk management and internal control *(cont'd)*

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintaining a strong internal control structure for the proper conduct of the Group's business operations and of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements. The key elements include:

- the responsibilities of the committees to the Board and management are clearly defined in the organization structure to ensure the effective discharge of their roles and responsibilities towards the Group.
- the limits of authority of the Group has been defined and adopted accordingly.
- monthly and periodic reporting structures have been put in place on key financial and operational statistics.
- the Group's internal audit function is an on-going review process of the operations to access the effectiveness of the control environment and to highlight significant risks as well as areas requiring improvements. Follow-up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.
- the Audit Committee meets regularly to review the adequacy, integrity and effectiveness of the system of internal control of the Group, discuss risk management issues and ensures that weaknesses controls highlighted are appropriately addressed by the management.

CONCLUSION

Several internal control improvements and risk areas were identified by internal auditors during the financial year ended 31 December 2015. These were reviewed by the Audit Committee and Board and were closely monitored by Management to ensure the integrity of internal controls and minimization of risks.

The Board is committed to an effective internal control system and is of the view that there is continuous process in evaluation and managing risks faced by the Group. In addition, the Board has also received assurance from the Chief Executive Officer with regard to the adequacy and effectiveness of the Group risk management and internal control system in place throughout the financial year.

Based on the foregoing, the Board is of the opinion that the system of internal control are generally satisfactorily and has not resulted in any material loss, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

REVIEW BY EXTERNAL AUDITORS

The external auditors had reviewed this statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 31 December 2015. Based on their review, the External Auditor have reported to the Board that nothing has come to their attention that has caused them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the system of internal control of the Company.



NOMINATION **COMMITTEE**

Chairman	:	Datuk Lim Si Cheng (<i>Senior Independent Non-Executive Director</i>)
Members	:	Mr. Cheong Tuck Kong (<i>Independent Non-Executive Director</i>) Mr. Law Doung Chin (<i>Independent Non-Executive Director</i>) Mr. Mark Ho Hing Kheong resigned as the Member of the Nomination Committee on 1 July 2015, and Mr. Cheong Tuck Kong was appointed as the Member of the Nomination Committee in place thereof.
Terms of Reference	:	• review and assess the skills, expertise and/or experience strategic and fundamental to the effective functioning of the Board as a whole. • review and assess the required mix of skills, experience and other qualities including core competencies, which non-executive directors could bring to the Board. • review, assess and recommend the appointment of the suitability of any individual for appointment to the Board by taking into account his/her skill, expertise and/or experience as well as other commitments, resources, time and effectiveness of the Board as a whole on an ongoing basis. • review and assess the contribution of all members of the Board and the effectiveness of the Board as a whole. • review, assess and make recommendation of candidates to fill vacancies of the Board. • review, assess and recommend to the Board for re-election of directors due to retirement by rotation. • review and assess the size of the Board to determine the impact of its effectiveness. • review, assess and make recommendation of directors to sit on various Board Committees and their performance and effectiveness.
Summary of Activities	:	• The Nomination Committee had appraised and evaluated the performance and effectiveness of the Board as a whole, Board Committees, individual directors as well as the Chief Financial Officer in the financial year 2015. • The Nomination Committee had assessed the independence of the Independent Directors annually. • The Nomination Committee had reviewed the tenure of the Independent Director(s), who has served in that capacity for more than nine (9) years, as per the recommendation of the MCCG 2012 during the financial year. None of the Independent Directors had served more than nine (9) years in that capacity during the financial year. • The Nomination Committee had reviewed and the capabilities of Datuk Lim Si Cheng and recommended him to fill up the vacancy as the member of Audit Committee during the financial year.



REMUNERATION **COMMITTEE**

Chairman : Datuk Lim Si Cheng
(Independent Non-Executive Director)

Members : Mr. Cheong Tuck Kong
(Independent Non-Executive Director)
Mr. Law Doung Chin
(Independent Non-Executive Director)

Mr. Mark Ho Hing Kheong resigned as the Member of the Remuneration Committee on 1 July 2015, and Mr. Cheong Tuck Kong was appointed as the Member of the Remuneration Committee in place thereof.

Terms of Reference :

- to review annually the remuneration packages as well as reviews and recommends all other director fees/attendance fees of the Executive Directors and furnishes recommendations to the Board on specific adjustments in remuneration and/or reward payments.
- to consider all aspects of the executive directors' performance and employment for recommendation of remuneration and incentives, drawing from outside advice if necessary.
- to carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Summary of Activities :

- The Remuneration Committee had reviewed the remuneration package of the Executive Directors for year 2015 and payment of bonus for year 2014 to the Executive Directors in the financial year 2015.



GROUP
FINANCIAL HIGHLIGHTS
for the year ended 31 December 2015

	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
INCOME STATEMENT					
Gross Revenue	96,911	101,105	98,964	92,379	105,860
Profit/(Loss) Before Tax	2,419	468	969	(1,617)	1,531
Profit/(Loss) After Tax	2,463	413	395	(1,000)	1,516
BALANCE SHEET					
Property, Plant and Equipment	24,748	25,730	28,528	28,943	30,619
Prepaid lease repayment	3,110	3,135	3,160	3,185	3,210
Investment in quoted securities	–	–	–	–	–
Net Current Assets/(Liabilities)	13,530	12,090	11,677	11,175	11,635
Total Assets Employed	41,388	40,955	43,365	43,302	45,464
Shareholders' Fund	38,450	35,987	35,575	35,179	34,757
Minority Interest	–	–	–	–	–
Non-Current Liabilities	2,938	4,968	7,790	8,123	10,707
Total Funds Employed	41,388	40,955	43,365	43,302	45,464
PER RM 1 ORDINARY SHARE					
Earnings/(Loss) Per Share (sen)	5.87	0.98	0.94	(2.51)	3.85
Net Tangible Assets Per Share (RM)	0.92	0.86	0.85	0.88	0.88



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Ralco Corporation Berhad, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2015.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, Ralco group's turnover decreased by 4.15% to RM96.91 million compared to RM101.11 million in previous year. This marginal decrease in revenue was mainly due to the slow demand from both domestic and overseas market. The Group was experiencing a very challenging and uncertain economic environment in year 2015.

However, the Group's profit before taxation was increased by 414.89% from RM0.47 million reported in financial year ended 31 December 2014 to RM2.42 million in current financial year ended 2015. Net earnings per share improved to 5.87 sen from 0.98 sen in previous financial year. This improved performance was due to the Group's consistent effort in improving operational efficiency and effectively controlling costs. The Group has always ensured its customers receive high quality products, services and support in a continually competitive business environment.

INDUSTRY TREND AND DEVELOPMENT

The Malaysia economy achieved moderate growth in year 2014 mainly driven by private domestic demand and positive growth in net exports. Plastic packaging industry in Malaysia is expected to achieve moderate growth via positive growth in net exports.

OUTLOOK AND PROSPECTS

In 2016, the Malaysian economy is expected to remain challenging. Fluctuation of crude oil prices and Malaysian currency will have direct impact to our raw material prices. To meet this challenge, the Group will continuously explore innovations and automation to achieve operational excellence and exceed the high standards in our product quality.

The Group will diversify into higher margin and specialised products for premium markets to enlarge its customer base to deliver robust growth and higher profitability. The management is committed in sharpening its focus on minimising redundancy and wasted while utilising the best of its workforce, technologies and business processes.

CORPORATE SOCIAL RESPONSIBILITY

Whilst we pursue our business commitments, we acknowledge our responsibilities to our employees, our business partners and the communities in which we do business as well as the environment we operate in. We have also not forgotten the least fortunate and continue to provide donations and contributions to various charities and worthy causes.

APPRECIATION

On behalf of the Board, we would like to take this opportunity to express our deepest appreciation to all our customers, business associates, partners and shareholders for their unbounded support and confidence in the Group over the past year. We look forward to your continuous support in the coming year.

Appreciation and gratitude also goes to the Management and staffs for their dedication and commitment contributed throughout the year.

Last but not least, our appreciation also goes to our fellow Directors for their invaluable services, assistance and guidance rendered to the Group.

Datuk Lim Si Cheng, PJN., PIS

REPORTS AND FINANCIAL STATEMENTS

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DIRECTORS' **REPORT**

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are indicated in Note 7 to the Financial Statements.

There have been no significant changes in nature of these activities during the financial year under review.

RESULTS

	GROUP RM	COMPANY RM
Profit/(loss) for the financial year attributable to owners of the Company	2,462,522	(95,796)

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

RESERVES AND PROVISIONS

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

WARRANT

The Warrants are constituted by a Deed Poll dated 3 November 2009 ("Deed Poll").

The salient terms of the Warrants are set out below:

- (i) The Warrants are issued in registered form and constituted by a Deed Poll dated 3 November 2009 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 each in the Company at exercise price of RM1.00 per new share, subject to the adjustments in accordance with the provisions of the Deed Poll at the issue price of RM0.02 per New Warrants.
- (ii) The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or Warrants Register is/are closed. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

**WARRANT (CONTINUED)**

- (iii) Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares shall not be entitled to any dividend, right, allotment and/or other forms of distribution where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new ordinary shares.
- (iv) The exercise price and/ or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

The movements in the Company's Warrants are as follows:

	Number of warrants 2009/2019		
	At 1.1.2015	Exercised/Disposal	At 31.12.2015
Number of unexercised Warrants	20,340,955	–	20,340,955

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

The directors who held office since the date of the last report are:-

Datuk Lim Si Cheng
Heng Chee Wei
Tan Heng Ta
Law Doung Chin
Cheong Tuck Kong
Mark Ho Hing Kheong(Resigned on 01.07.2015)



directors' report (cont'd)

DIRECTORS' INTEREST IN SHARES

The directors holding office at the end of the financial year and their beneficial interest in the ordinary shares of the Company and its related corporations during the financial year as recorded in the Register of directors' shareholdings kept by the Company under Section 134 of the Companies Act 1965, were as follows:

	Number of ordinary shares of RM 1 each			
	At 1.1.2015	Acquired	(Disposal)	At 31.12.2015
The Company				
Direct interest				
Tan Heng Ta	7,736,800	1,000,000	–	8,736,800

	Number of warrants 2009/2019			
	At 1.1.2015	Acquired	(Disposal)	At 31.12.2015
The Company				
Direct interest				
Tan Heng Ta	–	1,761,500	–	1,761,500

By virtue of his interests in the ordinary shares of the Company, Tan Heng Ta is deemed to have interest in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year held any interest in the shares of the Company and its related corporations.

DIRECTORS' BENEFITS

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

There were no arrangements during or at the end of the financial year, to which the Company is a party, which had the object of enabling the directors to acquire benefits, by means of the acquisition of shares the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be written off nor any doubtful debts to be provided for; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.



OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (b) The directors are not aware of any circumstances:
 - (i) which would require any write off for bad debts or the setting up of provision for doubtful debts in the financial statements of the Group and of the Company; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) In the opinion of the directors:
 - (i) no contingent liability 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) 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 substantially affect the financial results of the Group or of the Company for the current financial year.

(III) AS AT THE DATE OF THIS REPORT

- (d) There are no charges on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (e) There are no contingent liabilities of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in the note to financial statements.
- (f) The directors are not aware of any circumstances not otherwise dealt with in the report of financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, Messrs RSM Malaysia, formerly known as RSM Robert Teo, Kuan & Co., have expressed their willingness to continue in office.

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

TAN HENG TA
Director

HENG CHEE WEI
Director



STATEMENTS OF
FINANCIAL POSITION
as at 31 December 2015

		GROUP		COMPANY	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
NON-CURRENT ASSETS					
Property, plant and equipment	6	27,857,710	28,865,475	5	5
Investments in subsidiaries	7	–	–	32,271,670	32,271,670
CURRENT ASSETS					
Inventories	8	13,792,814	8,939,804	–	–
Trade receivables	9	19,797,172	20,166,107	–	–
Other receivables and deposits	10	2,061,101	1,082,633	7,272	–
Other assets	11	317,237	139,815	39,820	–
Amount owing from subsidiaries	12	–	–	3,673,502	3,793,209
Tax recoverable		53,169	28,900	10,544	–
Fixed deposits with licensed banks	13	–	112,352	–	–
Cash and bank balances	14	3,266,450	4,357,907	72,698	92,641
		39,287,943	34,827,518	3,803,836	3,885,850
TOTAL ASSETS		67,145,653	63,692,993	36,075,511	36,157,525
EQUITY					
Share capital	15	41,981,000	41,981,000	41,981,000	41,981,000
Warrant reserve	16	406,828	406,828	406,828	406,828
Accumulated losses		(3,938,125)	(6,400,647)	(7,023,140)	(6,927,344)
TOTAL EQUITY		38,449,703	35,987,181	35,364,688	35,460,484
NON-CURRENT LIABILITIES					
Hire purchase liabilities	17	1,176,198	1,209,392	–	–
Deferred tax liabilities	18	1,525,500	1,601,000	–	–
Term loan	19	236,209	2,157,276	–	–
		2,937,907	4,967,668	–	–
CURRENT LIABILITIES					
Trade payables	20	14,880,692	10,781,539	–	–
Other payables and accruals	21	4,512,874	5,081,982	235,823	211,041
Amount owing to a subsidiary	12	–	–	475,000	475,000
Hire purchase liabilities	17	1,048,410	912,847	–	–
Term loan	19	1,921,067	1,774,000	–	–
Bills payable	22	3,395,000	3,561,000	–	–
Receivable finance	23	–	612,716	–	–
Tax liability		–	14,060	–	11,000
		25,758,043	22,738,144	710,823	697,041
TOTAL LIABILITIES		28,695,950	27,705,812	710,823	697,041
TOTAL EQUITY AND LIABILITIES		67,145,653	63,692,993	36,075,511	36,157,525

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



STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2015

		GROUP		COMPANY	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
REVENUE	24	96,910,937	101,105,278	1,800,000	1,800,000
COST OF SALES		(85,718,322)	(91,695,248)	–	–
GROSS PROFIT		11,192,615	9,410,030	1,800,000	1,800,000
OTHER INCOME		792,603	582,148	–	–
SELLING AND DISTRIBUTION COSTS		(3,703,200)	(3,632,352)	–	–
ADMINISTRATIVE EXPENSES		(5,315,606)	(5,194,655)	(1,895,796)	(1,847,212)
FINANCE COST	25	(547,509)	(696,896)	–	–
PROFIT/(LOSS) BEFORE TAXATION	26	2,418,903	468,275	(95,796)	(47,212)
TAXATION	27	43,619	(55,699)	–	6,182
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,462,522	412,576	(95,796)	(41,030)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		2,462,522	412,576	(95,796)	(41,030)

		GROUP	
		2015	2014
Earnings per share (sen):	28		
Basic		5.87	0.98
Diluted		–	–

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



STATEMENTS OF ***CHANGES IN EQUITY***

for the financial year ended 31 December 2015

GROUP	← Attributable to Owners of the Company →			Total equity RM
	Share capital RM	Non-distributable warrant reserve RM	Accumulated losses RM	
Balance as at 1.1.2014	41,981,000	406,828	(6,813,223)	35,574,605
Total comprehensive income for the financial year ended 31.12.2014	–	–	412,576	412,576
Balance as at 31.12.2014/ 1.1.2015	41,981,000	406,828	(6,400,647)	35,987,181
Total comprehensive income for the financial year ended 31.12.2015	–	–	2,462,522	2,462,522
Balance as at 31.12.2015	41,981,000	406,828	(3,938,125)	38,449,703
<u>COMPANY</u>				
Balance as at 1.1.2014	41,981,000	406,828	(6,886,314)	35,501,514
Total comprehensive expense for the financial year ended 31.12.2014	–	–	(41,030)	(41,030)
Balance as at 31.12.2014/ 1.1.2015	41,981,000	406,828	(6,927,344)	35,460,484
Total comprehensive expense for the financial year ended 31.12.2015	–	–	(95,796)	(95,796)
Balance as at 31.12.2015	41,981,000	406,828	(7,023,140)	35,364,688

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



STATEMENTS OF **CASH FLOWS**

for the financial year ended 31 December 2015

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	2,418,903	468,275	(95,796)	(47,212)
Adjustments for:				
Depreciation of property, plant and equipment	3,546,052	3,468,427	–	–
Impairment loss on trade receivables no longer required	(16,721)	(50,000)	–	–
Interest expenses	547,509	696,896	–	–
Interest income	(4,399)	(2,846)	–	–
Gain on disposal of property, plant and equipment	(130,490)	(4,687)	–	–
Property, plant and equipment written off	–	56	–	–
Reversal of inventories written down in previous financial year	–	(88,740)	–	–
Unrealised (gain)/loss on foreign exchange	(54,407)	2,201	–	–
Operating profit/(loss) before working capital changes	6,306,447	4,489,582	(95,796)	(47,212)
Increase in inventories	(4,853,010)	(1,445,708)	–	–
Decrease in trade receivables	440,063	971,627	–	–
Increase in other receivables and deposits	(978,468)	(235,627)	(7,272)	–
(Increase)/Decrease in other assets	(177,422)	195,603	(39,820)	–
Increase in trade payables	4,099,153	2,652,355	–	–
(Decrease)/increase in other payables and accruals	(569,108)	(900,580)	24,782	(26,343)
Cash generated from/(used in) operations	4,267,655	5,727,252	(118,106)	(73,555)
Interest received	4,399	2,846	–	–
Interest paid	(547,509)	(696,896)	–	–
Tax paid	(99,110)	(267,191)	(21,544)	(34,818)
Tax refund	28,900	–	–	–
Net cash generated from/ (used in) operating activities	3,654,335	4,766,011	(139,650)	(108,373)



STATEMENTS OF
CASH FLOWS
for the financial year ended 31 December 2015 (*cont'd*)

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 6(d))	(1,414,297)	(554,179)	–	–
Proceeds from disposal of property, plant and equipment	130,500	97,900	–	–
Repayment from a subsidiary	–	–	119,707	156,371
Net cash (used in)/generated from investing activities	(1,283,797)	(456,279)	119,707	156,371
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment)/Drawdown of receivable finance	(612,716)	612,716	–	–
(Decrease)/Increase in bills payable	(166,000)	36,000	–	–
Repayment of term loan	(1,774,000)	(1,844,378)	–	–
Repayment of hire purchase	(1,021,631)	(1,294,842)	–	–
Net cash used in financing activities	(3,574,347)	(2,490,504)	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,203,809)	1,819,228	(19,943)	47,998
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,470,259	2,651,031	92,641	44,643
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 14)	3,266,450	4,470,259	72,698	92,641

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



NOTES TO THE
FINANCIAL STATEMENTS
31 December 2015

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are indicated in Note 7 to the Financial Statements.

There have been no significant changes in nature of these activities during the financial year under review.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia except that Note 40 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of Ralco Corporation Berhad and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, and consolidated statement of comprehensive income.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by MFRS 3 *Business Combinations*).

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 the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by MFRS.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combinations (continued)

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

(iii) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Property, plant and equipment and depreciation

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.



notes to the financial statements - 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment and depreciation (continued)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Building	2%
Factory building on leasehold land	2%
Furniture and fittings	10%
Leasehold land	94 years - 98 years
Motor vehicles	20%
Office equipment	10% - 33%
Plant and machinery	10%
Renovation	20%

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment (the Group and the Company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leased assets (continued)

Incentives to take out operating leases are credited to the profit or loss on a straight-line basis over the lease term.

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Group and the Company ceases to use premises and they are left vacant to the end of the lease or are sublet at rentals, which fall short of the amount payable by the Group and the Company under the lease.

(e) Goodwill

Goodwill arising from business combination is acquired in a business combination as an asset at the accounting date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Impairment of non-financial assets

The carrying amounts of assets other than financial assets excluding the investments in subsidiaries, deferred tax assets and inventories are reviewed at the end of each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. For goodwill that has an indefinite useful life, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are charged to the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. 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 to the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill, if any, is not reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are credited to the statement of profit or loss and other comprehensive income in the financial year in which the reversals are recognised.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been previously recognised for the asset.



notes to the financial statements - 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value. Cost is determined on a weighted average cost formula. Cost comprises the landed costs of goods purchased and in the case of work-in-progress and finished goods, comprises cost of materials, direct labour, other direct charges and an appropriate proportion of production overhead.

Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group and the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Group and the Company recognises financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Group and the Company and derecognised on the day that it is delivered by the Group and the Company.

(ii) Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Group and the Company classifies financial assets in one of the following four categories:

(a) Financial assets at fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition.

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

For the financial years ended on 31 December 2015 and 2014, the Group and the Company did not classify any financial assets as held for trading or designated as at fair value through profit or loss.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Subsequent measurement of financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Group and the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically trade and other receivables (excluding prepayments and non-refundable deposits) and cash and cash equivalents are classified in this category.

(c) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Group and the Company designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or uncollectibility.

For the financial years that ended on 31 December 2015 and 2014, the Group and the Company did not carry any financial asset classified in this category.

(d) Available-for-sale (AFS) financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified from equity to profit or loss.

(iii) Impairment of financial assets

At the end of each reporting period, the Group and the Company assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.



notes to the financial statements - 31 december 2015 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(iv) Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by MFRS 139. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised/derecognised in full or recognised to the extent of the Group's and the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

(v) Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Group and the Company classifies financial liabilities in one of the following two categories:

(a) Liabilities at fair value through profit or loss (FVTPL)

Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

For the financial years that ended on 31 December 2015 and 2014, the Group and the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(v) Subsequent measurement of financial liabilities (continued)

(b) Other financial liabilities

All liabilities which have not been classified in the previous category fall into this residual category.

These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category.

Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

(vi) Derecognition of financial liabilities

A financial liability is removed from the Group's and the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(vii) Financial guarantee contracts

A financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the 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 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 becomes 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.

(viii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.



notes to the financial statements - 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and deposits which have a short maturity (three months or less) that are readily convertible to cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents are presented net of bank overdrafts.

(j) Foreign currencies transactions and balances

Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except when deferred in other comprehensive income as qualifying cash flow hedges).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Translation differences on non-monetary items that are measured at fair value in a foreign currency (e.g. available-for-sale equity instruments) are translated using the exchange rates at the date when the fair value is determined.

(k) Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group and the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.

To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

(i) Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

(ii) Distribution of assets to owners of the Company

The Group and the Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group and the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(l) Provisions

Where, at reporting date, the Group and the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group and the Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised in the financial statements but is disclosed where the inflow of the economic benefits is probable.

(n) Financial guarantee contracts

A financial guarantee contract requires the issuer to make specific payments to reimburse the holder for a loss net of transaction cost it incurs when a specific debtor fails to make payment when due in accordance with the original or modified term of a debt instrument.

Financial guarantee contracts are initially recognised at fair value net of transaction cost and are subsequently measured at the greater of

- (a) the amount determined in accordance with MFRS 137; and
- (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(o) Employees benefits

(i) Short-term benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company, and the amount of revenue and cost incurred or to be incurred in respect of the transaction can be measured reliably and specific recognition criteria have been met for each of the Group's and the Company's activities as follows:

(i) Revenue from the sale of goods

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed. Revenue is the fair value of the consideration received or receivable for goods and is net of estimated returns, trade discounts and sales-based taxes (e.g. value added tax).



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(ii) Services

Revenue from filling services is recognised when the service rendered.

(iii) Management fees

Management fees are recognised on an accrual basis when services are rendered.

(iv) Rental income

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

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(vi) Dividend income

Dividend income is recognised in profit or loss when the right to receive the dividend is established.

(q) Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.



notes to the financial statements
- 31 december 2015 (*cont'd*)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income taxes (continued)

Deferred tax assets are recognised only to the extent that the Group and the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, associates and joint arrangements, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.



notes to the financial statements - 31 december 2015 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Fair value measurement

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. When measuring the fair value of an asset or a liability, the Group and the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

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

Transfers between levels of the fair value hierarchy are recognised by the Group and the Company at the end of the reporting period during which the change occurred.

4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS

4.1 MFRSSs, Amendments to MFRSSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 July 2014:

- Amendments to MFRS 2 *Share-based Payment (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle)*
- Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle)*
- Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124 *Related Party Disclosure (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 138 *Intangible Assets (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 140 *Investment Property (Annual Improvements 2011–2013 Cycle)*

The adoption of the above mentioned accounting standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group and the Company.



notes to the financial statements
- 31 december 2015 (*cont'd*)

4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS

4.2 New/Revised MFRSS, Amendments to MFRSS and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

MFRSS, Amendments to MFRSS and Interpretations effective for annual periods beginning on or after 1 January 2016

- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Changes in Method of Disposal (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7 *Financial Instruments: Disclosures – Servicing Contracts and Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements*, MFRS 12 *Disclosure of Interests in Other Entities and MFRS 128 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116 *Property, Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 *Property, Plant and Equipment and MFRS 141 Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119 *Employee Benefits – Discount Rates: Regional Market Issue (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134 *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’ (Annual Improvements 2012-2014 Cycle)*
- Annual improvements to MFRSS 2012-2015 Cycle

MFRSS, Amendments to MFRSS and Interpretations effective for annual period beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments (2014)*
- MFRS 15 *Revenue from Contracts with Customers*

MFRSS, Amendments to MFRSS and Interpretations effective a date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above mentioned accounting standards, interpretations and amendments will be adopted by the Group and the Company when they become effective.



notes to the financial statements - 31 december 2015 (*cont'd*)

4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSS, Amendments to MFRSS and Interpretations not adopted (continued)

MFRSS, Amendments to MFRSS and Interpretations effective a date yet to be confirmed (continued)

The Group and the Company has assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Functional currency

The financial statements are prepared in the functional currency of the Group and the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Group and the Company operates. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Group and the Company has determined that Ringgit Malaysia to be its functional currency.



notes to the financial statements
- 31 december 2015 (cont'd)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Depreciation of plant and machinery

The cost of machinery for the manufacture of plastic products is depreciated on a straight line basis over the assets' useful lives. The management estimated the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in plastic industry. Any changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. However, the management does not expect such changes to have significant impact on the financial statements of the Group.

(c) Allowance for impairment losses of trade receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date (as reflected in Note 9).

(d) Asset impairment tests

A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Group and the Company ascertain that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

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

With regard to equity investments categorised as available-for-sale, the Group and the Company consider those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Group and the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

(e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 8).



notes to the financial statements
- 31 december 2015 (*cont'd*)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Fair value measurement

Some of the Group's and the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available (e.g. for unquoted investments), the Group and the Company work closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (e.g. use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis, option pricing models refined to reflect the issuer's specific circumstances). Prices determined then by the valuers are used by the Group and the Company without adjustment.

Changes in the fair value of assets and liabilities and their causes are quarterly analysed by the Group's and the Company's valuation sub-committee of the Board of Directors. Such valuations require the Group and the Company to select among a range of different valuation methodologies and to make estimates about expected future cash flows and discount rates.

(g) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

(h) Contingencies

Contingent liabilities of the Group and the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose 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. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and the Company requires significant judgement.



notes to the financial statements
- 31 december 2015 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

GROUP 2015	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
Cost							
As at 1.1.2015	22,275,301	89,123,636	1,961,581	2,115,710	923,007	683,215	117,082,450
Addition	69,396	1,447,107	29,530	48,030	-	944,234	2,538,297
Disposal	-	(5,506,034)	-	-	-	-	(5,506,034)
As at 31.12.2015	22,344,697	85,064,709	1,991,111	2,163,740	923,007	1,627,449	114,114,713

Accumulated depreciation

As at 1.1.2015	7,264,514	75,994,029	1,928,911	1,793,200	922,975	313,346	88,216,975
Charge for the financial year	487,431	2,723,262	11,917	130,874	-	192,568	3,546,052
Disposal	-	(5,506,024)	-	-	-	-	(5,506,024)
As at 31.12.2015	7,751,945	73,211,267	1,940,828	1,924,074	922,975	505,914	86,257,003

Net carrying amount

As at 31.12.2015	14,592,752	11,853,442	50,283	239,666	32	1,121,535	27,857,710
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GROUP 2014	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
Cost							
As at 1.1.2014	22,254,800	91,273,938	1,947,545	2,030,769	923,007	574,425	119,004,484
Addition	20,501	415,766	14,036	84,941	-	204,235	739,479
Disposal	-	(84,800)	-	-	-	(95,445)	(180,245)
Written off	-	(2,481,268)	-	-	-	-	(2,481,268)
As at 31.12.2014	22,275,301	89,123,636	1,961,581	2,115,710	923,007	683,215	117,082,450

Accumulated depreciation

As at 1.1.2014	6,767,332	75,845,503	1,919,358	1,664,031	902,679	217,889	87,316,792
Charge for the financial year	497,182	2,702,453	9,553	129,169	20,296	109,774	3,468,427
Disposal	-	(72,715)	-	-	-	(14,317)	(87,032)
Written off	-	(2,481,212)	-	-	-	-	(2,481,212)
As at 31.12.2014	7,264,514	75,994,029	1,928,911	1,793,200	922,975	313,346	88,216,975

Net carrying amount

As at 31.12.2014	15,010,787	13,129,607	32,670	322,510	32	369,869	28,865,475
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notes to the financial statements
- 31 december 2015 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY 2015	Furniture and fittings RM	Office equipment RM	Total RM
<u>Cost</u>			
As at 1.1.2015	261,733	13,669	275,402
As at 31.12.2015	261,733	13,669	275,402
<u>Accumulated depreciation</u>			
As at 1.1.2015	261,730	13,667	275,397
As at 31.12.2015	261,730	13,667	275,397
<u>Net carrying amount</u>			
As at 31.12.2015	3	2	5

COMPANY 2014	Furniture and fittings RM	Office equipment RM	Total RM
<u>Cost</u>			
As at 1.1.2014	261,733	13,669	275,402
As at 31.12.2014	261,733	13,669	275,402
<u>Accumulated depreciation</u>			
As at 1.1.2014	261,730	13,667	275,397
As at 31.12.2014	261,730	13,667	275,397
<u>Net carrying amount</u>			
As at 31.12.2014	3	2	5

(a) The net carrying amount of land and buildings of the Group comprise:

	2015 RM	GROUP 2014 RM
Freehold land and buildings	200,309	207,274
Factory buildings on leasehold land	11,282,943	11,668,957
Leasehold land	3,109,500	3,134,556
	14,592,752	15,010,787



notes to the financial statements
- 31 december 2015 (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (b) The following property, plant and equipment of a subsidiary stated at net carrying amount are charged to licensed banks for banking facilities granted to the Group. The Group is in the midst of discharging the charge with the facilities granted which have been fully settled.

	GROUP	
	2015 RM	2014 RM
Buildings	820,157	842,028
Plant and machinery	5	5
Leasehold land	1,213,800	1,213,800
	2,033,962	2,055,833

- (c) Included in the net carrying amount of property, plant and equipment of the Group are the following assets which are under hire purchase financing:

	GROUP	
	2015 RM	2014 RM
Plant and machinery	2,697,324	3,147,781
Motor vehicles	1,089,727	334,824
	3,787,051	3,482,605

- (d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	2015 RM	2014 RM
Purchase of property, plant and equipment	2,538,297	739,479
Financed by hire purchase arrangement	(1,124,000)	(185,300)
Cash payments on purchase of property, plant and equipment	1,414,297	554,179

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2015 RM	2014 RM
Unquoted shares, at cost	44,512,733	44,512,733
Less: Impairment of investment in subsidiaries	(12,241,063)	(12,241,063)
	32,271,670	32,271,670



notes to the financial statements
- 31 december 2015 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, which are incorporated in Malaysia are as follows:-

Name of company	Effective equity interests		Principal activities
	2015 %	2014 %	
Ralco Plastic Sdn. Bhd.	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
Ralco Holdings Sdn. Bhd.	100	100	Investment holding
Ralco Trading Sdn. Bhd.	100	100	Trading of furniture
Ralco Compounding Sdn. Bhd.	100	100	Inactive
Temasek Bay Sdn. Bhd.	100	100	Palm oil packers, trading of palm oil products, manufacturers of or dealers in packaging materials and all related products

8. INVENTORIES

	GROUP	
	2015 RM	2014 RM
At cost:		
Raw materials	5,433,834	3,393,913
Finished goods	7,267,629	4,809,363
	12,701,463	8,203,276
At net realisable value:		
Raw materials	1,091,351	736,528
	13,792,814	8,939,804
Recognised in profit or loss:		
Inventories recognised as cost of sales	85,718,322	91,695,248

9. TRADE RECEIVABLES

	GROUP	
	2015 RM	2014 RM
Trade receivables	19,982,143	20,367,799
Less: Impairment loss on trade receivables		
As at 1 January	(201,692)	(251,692)
Impairment loss no longer required	16,721	50,000
As at 31 December	(184,971)	(201,692)
	19,797,172	20,166,107



notes to the financial statements
- 31 december 2015 (cont'd)

9. TRADE RECEIVABLES (CONTINUED)

The currency exposure profile of trade receivables is as follows:

	GROUP	
	2015 RM	2014 RM
Ringgit Malaysia	17,424,803	17,675,822
Singapore Dollar	1,500,524	1,232,264
US Dollar	1,056,816	1,459,713
	19,982,143	20,367,799

Trade receivables are granted credit period of 30 to 90 days (2014: 30 to 90 days). For certain customers, the credit period may be extended at the discretion of the management.

10. OTHER RECEIVABLES AND DEPOSITS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	1,240,709	550,338	7,272	–
Deposits	820,392	532,295	–	–
	2,061,101	1,082,633	7,272	–

Included in the deposit of the Group are amounts totalling RM294,643 (2014: RM133,884) representing deposits paid for the acquisition of property, plant and equipment. The capital commitment has been disclosed in Note 35.

11. OTHER ASSETS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Prepayments	317,237	139,815	39,820	–

12. AMOUNT OWING FROM/(TO) SUBSIDIARIES

The amount owing from/(to) subsidiaries represent unsecured advances and management fees charged which are interest-free and repayable on demand.



notes to the financial statements
- 31 december 2015 (cont'd)

13. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP	
	2015 RM	2014 RM
Fixed deposits with licensed banks	–	112,352

In the last financial year, the fixed deposits with licensed banks have maturity period of 1 to 2 months and the effective interest rates of the fixed deposits with licensed banks are between 2.55% to 3.45%.

14. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following statement of financial position amounts:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash in hand	15,000	15,000	–	–
Cash at bank	3,251,450	4,342,907	72,698	92,641
Fixed deposit with licensed banks	–	112,352	–	–
	3,266,450	4,470,259	72,698	92,641

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	1,747,199	3,506,868	72,698	92,641
Singapore Dollar	433,340	134,743	–	–
US Dollar	1,085,911	828,648	–	–
	3,266,450	4,470,259	72,698	92,641

15. SHARE CAPITAL

GROUP/COMPANY	Number of ordinary shares of RM1 each		Amount	
	2015 Units	2014 Units	2015 RM	2014 RM
Authorised				
As at 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
As at 1 January/31 December	41,981,000	41,981,000	41,981,000	41,981,000



notes to the financial statements
- 31 december 2015 (cont'd)

16. WARRANT RESERVE

	GROUP/COMPANY	
	2015	2014
	RM	RM
Warrant reserve	406,828	406,828

Warrants 2009/2019

On 7 April 2009, the Company has announced a proposal which comprises Proposed Rights Issue of Warrants and Proposed Restricted Issue of Warrants.

The shareholders had, at the Extraordinary General Meeting held on 25 June 2009, approved the proposals.

On 22 December 2009, the Company issued 20,340,955 Warrants 2009/2019 pursuant to the following terms:

- (i) Renounceable rights issue of 16,628,640 Warrants 2009/2019 to all the shareholders of Company on the basis of two (2) Warrants 2009/2019 for every five (5) ordinary shares of RM1.00 each held in the Company at 5.00pm on 23 November 2009; and
- (ii) Restricted issue of 3,712,315 Warrants 2009/2019 to the holders of the unexercised Warrants 2004/2009 on 22 November 2009, being the expiry date of the Warrants 2004/2009 ("Expiry Date") on the basis of two (2) Warrants 2009/2019 for every five (5) unexercised Warrants 2004/2009 held on the Expiry Date.

The salient terms of the Warrants are set out below:

- (i) The Warrants are issued in registered form and constituted by a Deed Poll dated 3 November 2009 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 each in the Company at exercise price of RM1.00 per new share, subject to the adjustments in accordance with the provisions of the Deed Poll at the issue price of RM0.02 per New Warrants.
- (ii) The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or Warrants Register is/are closed. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- (iii) Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares shall not be entitled to any dividend, right, allotment and/or other forms of distribution where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new ordinary shares.
- (iv) The exercise price and/ or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.



notes to the financial statements
- 31 december 2015 (*cont'd*)

17. HIRE PURCHASE LIABILITIES

	2015 RM	GROUP 2014 RM
Minimum hire purchase instalments:-		
- not later than one year	1,162,466	1,025,162
- later than one year and not later than five years	1,277,552	1,273,582
	2,440,018	2,298,744
Unexpired term charges	(215,410)	(176,505)
Outstanding principal amount due	2,224,608	2,122,239
Outstanding principal amount due not later than one year	(1,048,410)	(912,847)
Outstanding principal amount due later than one year	1,176,198	1,209,392

	2015 RM	GROUP 2014 RM
Repayable as follows:		
Current liabilities:		
- not later than 1 year	1,048,410	912,847
Non-current liabilities:		
- later than 1 year and not later than 5 years	1,176,198	1,209,392
Outstanding principal amount due later than one year	2,224,608	2,122,239

The average terms for hire purchase ranges from 3 to 5 (2014: 3 to 5) years and the average effective interest rate on hire purchase ranges from 4.05% to 8.40% (2014: 4.05% to 8.40%) per annum.

18. DEFERRED TAX

(a) Deferred tax liabilities

	2015 RM	GROUP 2014 RM
As at 1 January	1,601,000	1,601,000
Transfer from statement of profit or loss and other comprehensive income (Note 27)	(75,500)	-
As at 31 December	1,525,500	1,601,000



notes to the financial statements
- 31 december 2015 (cont'd)

18. DEFERRED TAX (CONTINUED)

The balances in the deferred tax liabilities are made up of tax effects of temporary differences arising from:

	GROUP	
	2015 RM	2014 RM
Excess of net book value over tax written down value of property, plant and equipment	2,576,000	2,525,100
Unabsorbed capital allowances	(75,200)	(761,000)
Unutilised tax losses	(163,800)	(162,600)
Reinvestment allowance	(764,500)	–
Other temporary differences	(47,000)	(500)
	1,525,500	1,601,000

(b) Deferred tax assets

As at 31 December 2015, the Group and the Company has the following deferred tax assets which are not recognised in the financial statements as there are not probable that future taxable income will be available to allow the assets to be utilised:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Unabsorbed capital allowances	868	868	–	–
Unutilised reinvestment allowance	8,215,527	8,980,027	–	–
Unutilised tax losses	135,466	134,882	–	–
	8,351,861	9,115,777	–	–

As at 31 December 2015, the Group has unabsorbed tax losses and unabsorbed capital allowances of approximately RM541,000 and RM3,400 (2014: RM539,000 and RM3,400) respectively which are available to set-off against future chargeable income.

As at 31 December 2015, the Group has reinvestment allowance of RM32,862,108 (2014: RM35,920,108) which are available to set-off against future chargeable income.



notes to the financial statements
- 31 december 2015 (cont'd)

19. TERM LOAN

	2015 RM	GROUP 2014 RM
<u>Secured</u>		
Term loan at an effective interest rate of 8.00% (2014: 8.00%) per annum repayable by 72 equal monthly installments of RM168,670 each commencing from April 2011	2,157,276	3,931,276
Repayable as follows:-		
Current liabilities:- - not later than one year	1,921,067	1,774,000
Non-current liabilities:- - later than one year and not later than five years	236,209	2,157,276
	2,157,276	3,931,276

The term loans are secured by way of a corporate guarantee of RM9,620,000 by the Company.

20. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	2015 RM	GROUP 2014 RM
Ringgit Malaysia	12,592,557	9,480,117
US Dollar	2,288,135	1,301,422
	14,880,692	10,781,539

The credit periods granted by trade payables range from 30 to 90 days (2014: 30 to 90 days) from the date of invoice.

21. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	3,054,556	3,592,420	54,060	1,205
Accruals	1,458,318	1,489,562	181,763	209,836
	4,512,874	5,081,982	235,823	211,041



notes to the financial statements
- 31 december 2015 (cont'd)

21. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The currency exposure profile of other payables is as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	2,999,191	3,512,342	54,060	1,205
Singapore Dollar	54,845	52,326	–	–
US Dollar	520	27,752	–	–
	3,054,556	3,592,420	54,060	1,205

22. BILLS PAYABLE

	GROUP	
	2015 RM	2014 RM
Secured		
Bills payable	3,395,000	3,561,000

The bills payable bears effective interest rates ranging from 2.91% to 5.14% (2014: 3.91% to 5.14%) per annum.

The bills payable are secured by way of a corporate guarantee of RM8,000,000 by the Company.

23. RECEIVABLE FINANCE

	GROUP	
	2015 RM	2014 RM
Secured		
Receivable finance	–	612,716

Receivable finance is a type of asset-financing arrangement in which the Group uses its receivables as a collateral in a financing arrangement.

The receivable finance bears effective interest rates at 1.5% per annum above the cost of funds for the relevant currency quoted by the bank from time to time.

The receivable finance is secured by a corporate guarantee of RM10,000,000 by the Company.

24. REVENUE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	96,910,937	101,105,278	–	–
Management fees	–	–	1,800,000	1,800,000
	96,910,937	101,105,278	1,800,000	1,800,000



notes to the financial statements
- 31 december 2015 (cont'd)

25. FINANCE COST

	GROUP	
	2015 RM	2014 RM
Interest on bills payable	154,134	152,150
Interest on receivable finance	–	7,301
Interest on bank term loan	250,040	348,332
Hire purchase term charges	143,335	189,113
	547,509	696,896

26. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging:-

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Auditors' remuneration				
- current year	100,700	99,700	24,000	24,000
- (over)/underprovision in prior year-	(1,000)	–	1,000	–
- other	10,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	3,546,052	3,468,427	–	–
Directors' remuneration				
- fees	154,000	165,667	154,000	165,667
- other emoluments	538,840	577,343	538,840	577,343
Interest expense (Note 25)	547,509	696,896	–	–
Loss on foreign exchange				
- unrealised	–	2,201	–	–
Operating leases				
- rental of premises	555,384	658,950	–	–
- rental of equipment	70,450	45,480	–	–
Property, plant and equipment written off	–	56	–	–
And crediting:-				
Gain on disposal of property, plant and equipment	(130,490)	(4,687)	–	–
Gain on foreign exchange				
- realised	(563,585)	(125,767)	–	–
- unrealised	(54,407)	–	–	–
Impairment loss on trade receivables no longer required	(16,721)	(50,000)	–	–
Interest income	(4,399)	(2,846)	–	–
Rental income	(23,000)	(276,000)	–	–
Reversal of inventories written down in previous financial year	–	(88,740)	–	–



notes to the financial statements
- 31 december 2015 (cont'd)

27. TAXATION

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Current financial year				
- income tax expense	15,652	73,560	–	11,000
- deferred taxation (Note 18)	(42,226)	210,913	–	–
	(26,574)	284,473	–	11,000
Under/(over) provision in prior financial years				
- income tax expense	16,229	(17,861)	–	(17,182)
- deferred taxation (Note 18)	(33,274)	(210,913)	–	–
Total tax expense	(43,619)	55,699	–	(6,182)

The numerical reconciliation between the taxation and the product of accounting results multiplied by the applicable tax rate is as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before taxation	2,418,903	468,275	(95,796)	(47,212)
Tax at the applicable tax rate of 25% (2014: 25%) for the Group and the Company	604,726	117,069	(23,949)	(11,803)
Tax effects in respect of:				
Depreciation of non-qualifying property, plant and equipment	56,871	16,890	–	–
Non-allowable expenses	152,350	140,237	23,949	22,898
Non-taxable income	–	(43)	–	–
Temporary differences not recognised during the financial year	580	9,634	–	–
Utilisation of unabsorbed tax losses previously not recognised	–	(95)	–	(95)
Utilisation of reinvestment allowance previously not recognised	(841,946)	–	–	–
Permitted expenses not deductible under section 60F of the Income Tax Act 1967	845	781	–	–
	(26,574)	284,473	–	11,000



notes to the financial statements

- 31 december 2015 (cont'd)

28. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The basic earnings per ordinary share is calculated based on consolidated net profit for the financial year attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year.

	2015	2014
Profit attributable to equity holders of the Company (RM)	2,462,522	412,576
Weighted average number of ordinary shares in issue	41,981,000	41,981,000
Basic earnings per ordinary share (in sen)	5.87	0.98

(b) Diluted earnings per ordinary share

The diluted earnings per share is not disclosed as the potential ordinary shares arising from the full conversion of warrants at stipulated price in Note 16, have an anti-dilutive effect.

29. STAFF COSTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries, wages, allowances and bonuses	12,023,921	10,803,294	1,339,607	1,295,007
EPF contributions	665,804	606,159	161,556	156,948
SOCSSO contributions	69,243	68,801	6,203	7,562
Other staff related expenses	304,589	582,905	2,000	1,490
	13,063,557	12,061,159	1,509,366	1,461,007

30. OPERATING SEGMENTS

Two reportable segments, as described below, are the Group's strategic business units. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis. The following summary describes the operation in each of the Group's reportable segments:

- Plastic products - manufacturing and sale of plastic products
- Others - trading of furniture, oil packing, buying and selling of palm oil products, manufacturing or dealing in packaging materials and all related products.

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's Chief Operating Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



notes to the financial statements
- 31 december 2015 (cont'd)

30. OPERATING SEGMENTS (CONTINUED)

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

	Plastic products RM	Others RM	Eliminations RM	Group RM
2015				
Revenue				
Sales to external customers	91,097,803	5,813,134	–	96,910,937
Inter-segment sales	3,873,755	1,825,300	(5,699,055)	–
Total revenue	94,971,558	7,638,434	(5,699,055)	96,910,937
Results				
Segment operating profit	3,258,868	(292,456)	–	2,966,412
Finance costs	(547,509)	–	–	(547,509)
Profit before taxation				2,418,903
Taxation				43,619
Net profit for the financial year				2,462,522

	Plastic products RM	Others RM	Eliminations RM	Group RM
2015				
Other information				
Segment assets	66,212,576	7,847,947	(6,914,870)	67,145,653
Segment liabilities	32,384,679	3,226,141	(6,914,870)	28,695,950
Depreciation	3,388,011	158,041	–	3,546,052



notes to the financial statements
- 31 december 2015 (cont'd)

30. OPERATING SEGMENTS (CONTINUED)

	Plastic products RM	Others RM	Eliminations RM	Group RM
2014				
Revenue				
Sales to external customers	85,293,970	15,811,308	–	101,105,278
Inter-segment sales	13,774,559	1,850,400	(15,624,959)	–
Total revenue	99,068,529	17,661,708	(15,624,959)	101,105,278
Results				
Segment operating profit	1,356,475	(191,304)	–	1,165,171
Finance costs	(696,896)	–	–	(696,896)
Profit before taxation				468,275
Taxation				(55,699)
Net profit for the financial year				412,576

	Plastic products RM	Others RM	Eliminations RM	Group RM
2014				
Other information				
Segment assets	61,812,515	8,181,825	(6,301,347)	63,692,993
Segment liabilities	30,668,913	3,338,246	(6,301,347)	27,705,812
Depreciation	3,288,483	179,944	–	3,468,427

Major customers

The following are major customers with revenue equal or more than 10 percent of Group revenue:

	2015 RM	2014 RM	Segment
All common control companies of:			
- Customer A	19,328,035	21,069,710	Plastic Products
- Customer B	–	16,212,912	Plastic Products



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

(a) Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by MFRS 139 categories:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>Financial Assets</u>				
Trade receivables	19,797,172	20,166,107	–	–
Other receivables and deposits	2,061,101	1,082,633	7,272	–
Amount owing from subsidiaries	–	–	3,673,502	3,793,209
Fixed deposit with licensed banks	–	112,352	–	–
Cash and bank balances	3,266,450	4,357,907	72,698	92,641
As at the end of the financial year	25,124,723	25,718,999	3,753,472	3,885,850
<u>Financial Liabilities</u>				
Trade payables at amortised cost	14,880,692	10,781,539	–	–
Other payables and accruals	4,512,874	5,081,982	235,823	211,041
Amount owing to a subsidiary	–	–	475,000	475,000
Borrowings at amortised cost	7,776,884	10,227,231	–	–
As at the end of the financial year	27,170,450	26,090,752	710,823	686,041

Further quantitative disclosures are included throughout these financial statements.

(b) Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There is exposure to the financial risks on the financial instruments such as credit risk, interest risk and market price risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The major guidelines are the following:

- (i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency. The same strategy is pursued with regards to interest rate risk.



notes to the financial statements
- 31 december 2015 (*cont'd*)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

- (iii) All financial risk management activities are carried out and monitored by senior management staff.
- (iv) All financial risk management activities are carried out following good market practices.

The Group is exposed to the following risks from its use of financial instruments:

- (i) credit risk
- (ii) liquidity risk
- (iii) interest risk
- (iv) currency risk

There are no arrangements to reduce such risk exposures through derivatives and other hedging instruments.

(i) Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting period.

Credit risk on cash balances with banks is limited because the counter-parties are banks licensed in Malaysia.

For credit risk on receivables, an ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in profit or loss. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

As part of the process of setting customer credit limits, different credit terms are used.

The average credit period generally granted to trade receivable customers is between 30 to 90 days (2014: 30 to 90 days). But some customers take a longer period to settle the amounts. The table below illustrates the ageing analysis:

	GROUP	
	2015 RM	2014 RM
Trade receivables:		
Less than 60 days	8,485,073	8,912,303
61-90 days	4,931,663	5,675,604
91-120 days	4,153,519	4,312,820
Over 121 days	2,411,888	1,467,072
	19,982,143	20,367,799
The total of overdue accounts was	8,545,323	7,265,284



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

	2015 RM	GROUP 2014 RM
Concentration of trade receivable customers:		
Top 1 customer	5,171,070	6,173,945
Top 2 customer	1,286,537	1,898,651
Top 3 customer	971,539	1,128,560

(a) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired as at 31 December 2015 amounting to RM11,436,820 (2014: RM13,102,515) are creditworthy customers with good payment records.

(b) Trade receivables that are past due but not impaired

Receivables that are past due but not impaired as at 31 December 2015 are:-

	2015 RM	GROUP 2014 RM
1-30 days past due	4,735,982	5,358,060
31-60 days past due	1,669,429	1,254,106
61-90 days past due	972,143	287,435
More than 90 days past due	982,798	163,991
	8,360,352	7,063,592

The above receivables are not secured by any collateral.

The Group has trade receivables amounting to RM8,360,352 (2014: RM7,063,592) that are past due at the reporting date but not impaired are unsecured in nature. The Group has subsequently collected RM7,107,800 (2014: RM6,815,396) out of the outstanding balances. The Group monitors these counterparties on an on-going basis to ensure that the Group is exposed to minimal credit risk.



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

(c) Trade receivables that are impaired

Receivables that are impaired as at 31 December 2015 and the movement of the allowance for impairment account are as follows:-

	GROUP	
	2015 RM	2014 RM
Trade receivable, nominal amount:	184,971	201,692
Less: Allowance for impairment loss		
As at 1 January	(201,692)	(251,692)
Impairment loss no longer required	16,721	50,000
As at 31 December	(184,971)	(201,692)
	-	-

receivables which are individually determined to be impaired relate to debtors who are in financial difficulties and have defaulted in payment. These receivables are not secured by any collateral.

(d) Other receivables

Other receivables are normally with no fixed terms and therefore there is no maturity.

(e) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary.

The Company monitors on an on-going basis the results of the subsidiary and repayments made by the subsidiary.

The maximum exposure to credit risk amounts to RM4,531,413 (2014:RM5,756,972) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

(f) Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. These advances have been overdue for less than a year.

(ii) Liquidity Risk

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	GROUP	
	2015 RM	2014 RM
<u>Less than 1 year</u>		
Trade payables	14,880,692	10,781,539
Other payables and accruals	4,512,874	5,081,982
Borrowings	6,581,506	7,222,918
At the end of the financial year	25,975,072	23,086,439

	GROUP	
	2015 RM	2014 RM
<u>1 – 5 year</u>		
Borrowings	1,515,835	3,535,905
At the end of the financial year	1,515,835	3,535,905

	COMPANY	
	2015 RM	2014 RM
<u>Less than 1 year</u>		
Other payables and accruals	235,823	211,041
Amount owing to a subsidiary	475,000	475,000
Financial guarantee* (Note 31(b)(i)(e))	–	–
At the end of the financial year	710,823	686,041

* As at end of the reporting period, there was no indication that the subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity Risk (continued)

The average credit period taken to settle trade payables is between 30 to 90 days (2014: 30 to 90 days). The other payables are with short-term durations.

It is expected that all the liabilities will be paid at their contractual maturity. The operating activity is expected to generate sufficient cash inflows in order to meet such cash commitments.

(iii) Interest Rate Risk

Interest rate risk arises from borrowings at variable rates to finance its capital expenditure and working capital requirements. The Management monitors the prevailing interest rates at regular intervals.

The Group also earns interest income derived from the placement of short-term deposits with licensed banks and financial institutions.

Sensitivity analysis for interest rate risk:

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the profit after tax would have been RM20,532 (2014: RM26,134) higher/lower, arising mainly as a result of lower/higher interest expenses on floating interest rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iv) Currency risk

The Group is exposed to foreign currency risk on revenue and cost of goods sold that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar (USD) and Singapore Dollar (SGD). The Group does not hedge the exposures to foreign currencies. The management monitors the foreign currency exposure on an on-going basis.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	GROUP Denominated in	
	USD RM	SGD RM
2015		
Trade receivables	1,056,816	1,500,524
Trade payables	(2,288,135)	–
Other payables	(520)	(54,845)
Net exposure	(1,231,839)	1,445,679
2014		
Trade receivables	1,459,713	1,232,264
Trade payables	(1,301,422)	–
Other payables	(27,752)	(52,326)
Net exposure	130,539	1,179,938



notes to the financial statements
- 31 december 2015 (cont'd)

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Currency risk sensitivity analysis

10% strengthening of Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	GROUP	
	Equity RM	Profit or loss RM
2015		
USD	–	(92,388)
SGD	–	108,426
2014		
USD	–	9,790
SGD	–	88,495

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities as reflected in the Statement of Financial Position approximate to their fair values due to the relatively short term maturity of the financial instruments.

The carrying amounts of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The financial instruments of the Group are measured subsequent to initial recognition at fair value, grouped under Level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).



notes to the financial statements

- 31 december 2015 (cont'd)

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio at the lower end range within 0.2 to 1.00. The debt-to-equity ratios as at 31 December 2015 and 31 December 2014 were as follows:

	GROUP	
	2015 RM	2014 RM
Total hire purchase liabilities (Note 17)	2,224,608	2,122,239
Total term loan (Note 19)	2,157,276	3,931,276
Total bills payable (Note 22)	3,395,000	3,561,000
Total receivable finance (Note 23)	–	612,716
Less: Fixed deposits with licensed banks	–	(112,352)
Cash and bank balances	(3,266,450)	(4,357,907)
Net debt	4,510,434	5,756,972
Total equity	38,449,703	35,987,181
Debt-to-equity ratio	0.117	0.160

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases warehouse, hostels for employees and office premises under cancellable and non-cancellable operating leases for its operations. These leases have an average tenure of 1 to 2 years. None of the leases includes contingent rentals.

The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP	
	2015 RM	2014 RM
Not later than one year	666,288	669,688
Later than one year and not later than five years	51,168	731,556
	717,456	1,401,244



notes to the financial statements
- 31 december 2015 (cont'd)

35. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Contracted but not provided for:				
Acquisition of property, plant and equipment	674,856	460,362	–	–

36. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Unsecured corporate guarantees given to banks for credit facilities granted to a subsidiary	–	–	44,270,000	44,270,000

A corporate guarantee of RM9,620,000, RM8,000,000 and RM10,000,000 (2014: RM9,620,000, RM8,000,000 and RM10,000,000) have been given by the Company to secure the term loan, bill payable and receivable finance of a subsidiary as disclosed in Note 19, Note 22 and Note 23 respectively.

37. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

- (a) The Company has controlling related party relationship with its subsidiaries.
- (b) In addition to information disclosed elsewhere in the Financial Statements, the Group has the following significant transactions with related parties during the financial year are as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Management fees charged to a subsidiary	–	–	1,800,000	1,800,000

Significant related party balances related to the above transactions are disclosed in Note 12.



notes to the financial statements
- 31 december 2015 (*cont'd*)

37. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The key management personnel are the directors of the Company. The remuneration of directors of the Company during the financial year comprises:

	GROUP/COMPANY	
	2015	2014
	RM	RM
Fees	154,000	165,667
Other emoluments	480,000	504,000
EPF and SOCSO contribution	58,840	73,343
Total compensation	692,840	743,010

38. OTHER INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is located at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.
- (c) The principal place of business of the Company is located at Lot 1476, Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus.
- (d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 21 March 2016.



notes to the financial statements
- 31 december 2015 (cont'd)

40. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

Pursuant to the directive, the amounts of realised and unrealised losses included in the accumulated losses of the Group and the Company as at 31 December are as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Group and Company				
- Realised	(2,027,061)	(4,684,494)	(7,023,140)	(6,927,344)
- Unrealised	(1,911,064)	(1,716,153)	–	–
	(3,938,125)	(6,400,647)	(7,023,140)	(6,927,344)

The determination of realised and unrealised profits or losses are based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.



STATEMENT **BY DIRECTORS**

We, the undersigned, being two of the directors of **RALCO CORPORATION BERHAD (333101-V)**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 30 to 79 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2015 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the directors, the information set out in note 40 on page 79 to the financial statements has been complied in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

TAN HENG TA
Director

HENG CHEE WEI
Director

STATUTORY **DECLARATION**

I, CHAI HOON BOON, being the officer primarily responsible for the financial management of **RALCO CORPORATION BERHAD (333101-V)** do solemnly and sincerely declare that the financial statements set out on pages 31 to 78 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAI HOON BOON

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on

Before me

**INDEPENDENT
AUDITORS' REPORT**

to the members of Ralco Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ralco Corporation Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 79.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



independent auditors' report
to the members of Ralco Corporation Berhad (*cont'd*)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 79 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

RSM Malaysia
AF: 0768
Chartered Accountants

Kuala Lumpur

21 March 2016

Lou Hoe Yin
3120/04/16(J)
Chartered Accountant



LIST OF GROUP'S
PROPERTIES
as at Year 2015

Location	Type (Existing Use)	Tenure (Expiring Date)	Land Area (Built-up Area)	Net Book Value (RM)	Approximate Age of property (No. of Years)	Date of Last Revaluation/ Acquisition
Lot 1476 Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan	Land and building (Factory)	Leasehold (20/08/2089)	18,257 sq meters (10,660 sq meters)	8,824,818	25	10/6/1991
Lot 1478 Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan	Land and building (Factory)	Leasehold (31/07/2089)	5,168 sq meters (2,660 sq meters)	2,315,442	20	12/12/1995
PT 5001, 5536, 5490, 5491, 5535 Mukim Labu, 71800 Nilai, Negeri Sembilan	Land and Building 5 one-storey Terrace House (Workers Hostel)	Freehold	835.1 sq meters	200,309	22	6/9/1993
No. 7, Jalan Bistari 2, Taman Industri Jaya, 81300 Skudai, Johor Bahru, Johor	Land and building (Factory)	Leasehold (03/09/2911)	4,047 sq meters (1,152 sq meters)	2,593,943	13	20/3/2003
No. 32, 38, 40, Jalan Bistari 2, Taman Industri Jaya, 81300 Skudai, Johor	1 1/2 storey Terrace Workshop	Leasehold (03/09/2911)	557 sq meters	658,240	5	11/2/2011



ANALYSIS OF **SHAREHOLDINGS** as at 31 March 2016

SHARE CAPITAL

Authorised share capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM41,981,000 divided into 41,981,000 ordinary shares of RM1.00 each
Class of shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued and paid-up capital
Less than 100	25	2.53	833	0.00
100 – 1,000	60	6.06	35,525	0.09
1,001 – 10,000	766	77.37	2,237,777	5.33
10,001 – 100,000	101	10.20	2,800,920	6.67
100,001 – less than 5% of issued shares	36	3.64	24,090,645	57.38
5% and above issued shares	2	0.20	12,815,300	30.53
Total	990	100.00	41,981,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS:

Name of Shareholder	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tan Heng Ta	8,736,800	20.81	–	–
2. Datin Goh Phaik Lynn	5,078,500	12.10	–	–

DIRECTORS' INTEREST IN SHARES IN THE COMPANY AND RELATED CORPORATION

Name of Director	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tan Heng Ta	8,736,800	20.81	–	–

Save as disclosed above, none of the other Directors of the Company has any interest, direct or indirect, in shares of the Company and of its related corporation.

By virtue of Tan Heng Ta's interest in the shares of the Company, the Director is also deemed to be interested in the shares of all subsidiaries to the extent the Company has an interest.



analysis of shareholdings
as at 31 March 2016 (*cont'd*)

LIST OF 30 LARGEST SHAREHOLDERS

As at 31 March 2016

No.	Name of Registered Shareholders	Shareholdings	%
1.	HLB Nominees (Tempatan) Sdn Bhd (pledged securities account for Tan Heng Ta)(SIN91274-2)	7,736,800	18.43
2.	Datin Goh Phaik Lynn	5,078,500	12.10
3.	Ong Aun Kung	2,070,000	4.93
4.	Bong Yam Keng	2,050,800	4.89
5.	Er Kim Lan	2,036,900	4.85
6.	Leong Lai Shen	2,011,500	4.79
7.	Leong Fee Foon	2,000,000	4.76
8.	Lee Thiam Lai	1,999,000	4.76
9.	Duclos Sdn. Bhd.	1,636,800	3.90
10.	Teng Li Ling	1,200,000	2.86
11.	Loke Mei Sang	1,097,300	2.61
12.	Tan Heng Ta	1,000,000	2.38
13.	Kenanga Nominees (Asing) Sdn. Bhd. (RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388))	964,945	2.30
14.	Chia May Fong	712,800	1.70
15.	Wong Swee Yee	570,700	1.36
16.	RHB Nominees (Tempatan) Sdn Bhd (pledged securities account for Pau Chiong Ung)	506,000	1.21
17.	Chau Jee Choong	467,500	1.11
18.	Yew Vui Heung	310,700	0.74
19.	Ching Gek Lee	300,000	0.71
20.	Gek Lee Enterprise Sdn Bhd	300,000	0.71
21.	Tan Tee See @ Tan See See	275,100	0.66
22.	Syarikat Rimba Timur (RT) Sdn Bhd	275,000	0.66
23.	RHB Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Loh Tung Sing)	209,500	0.50
24.	Public Nominees (Tempatan) Sdn Bhd (pledged securities account for Ting Hua Liong) (E-BTL)	200,000	0.48
25.	Chai Fooi Heong	195,100	0.46
26.	Kenanga Nominees (Tempatan) Sdn Bhd (pledged securities account for Wong Siong Seh)	187,000	0.45
27.	Tan Siew Lan	176,500	0.42
28.	Mak Ha @ Lum Hoi Heng	170,300	0.41
29.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
30.	Tan Kak Seng	129,500	0.31
Total		36,018,245	85.81



WARRANT **HOLDINGS STRUCTURE**

as at 31 March 2016

Number of Warrants	:	20,340,955 ten (10) years Warrants 2009/2019
Maturity Date	:	15 December 2019
Exercise Price	:	RM1.00 per Warrant
Exercise Rights	:	Each Warrant entitles the holder to subscribe for One (1) Ordinary Share of RM1.00 each in the Company
Voting Rights	:	Nil

DISTRIBUTION OF WARRANTS

Size of Warrants	No. of Warrant Holders	%	No. of Warrant held	% of issued capital
Less than 100	56	13.08	2,298	0.01
100 – 1,000	75	17.52	54,773	0.27
1,001 – 10,000	157	36.68	601,496	2.96
10,001 – 100,000	98	22.90	4,056,844	19.94
100,001 – less than 5% of exercised warrants	38	8.88	8,498,640	41.78
5% of exercised warrants and above	4	0.94	7,126,904	35.04
Total	428	100.00	20,340,955	100.00

DIRECTORS' WARRANTS HOLDINGS

Name of Director	Direct	%	Indirect	%
Datuk Lim Si Cheng	–	–	–	–
Tan Heng Ta	1,761,500	8.66	–	–
Heng Chee Wei	–	–	–	–
Cheong Tuck Kong	–	–	–	–
Law Doung Chin	–	–	–	–



warrant holdings structure
as at 31 March 2016 (*cont'd*)

LIST OF 30 LARGEST WARRANTS HOLDERS

As at 31 March 2016

No.	Name Of Registered Holders	Warrants Holdings	%
1.	Datin Goh Phaik Lynn	2,106,800	10.36
2	Tan Heng Ta	1,761,500	8.66
3.	RHB Nominees (Tempatan) Sdn Bhd (<i>OSK Capital Sdn Bhd for Sui Diong Hoe</i>)	1,674,904	8.23
4.	Lim Kwee Seng	1,583,700	7.79
5.	Huan Mee Kiew	695,000	3.42
6.	RHB Nominees (Tempatan) Sdn Bhd (<i>pledged securities account for Aw Khoon Lee</i>)	564,140	2.77
7.	Kenanga Nominees (Asing) Sdn Bhd (<i>RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388)</i>)	385,978	1.90
8.	Er Yow Tong	367,500	1.81
9.	Er Kim Lan	335,000	1.65
10.	Sui Diong Hoe	321,343	1.58
11.	Maybank Nominees (Tempatan) Sdn Bhd (<i>Ang Chin Han</i>)	300,200	1.48
12.	Low Saw Sian	288,500	1.42
13.	Hoo Lay See	285,877	1.41
14.	Ter Ban @ Tuh Hong Soon	260,200	1.28
15.	Wong Ah Yong	260,000	1.28
16.	CIMSEC Nominees (Tempatan) Sdn Bhd (<i>CIMB Bank for Wong Ah Yong (MY1278)</i>)	250,000	1.23
17.	Ooi Lee Peng	227,602	1.12
18.	Tong Jee Moi	216,900	1.07
19.	Maybank Nominees (Tempatan) Sdn Bhd (<i>pledged securities account for Jenny Chan Yin Lai</i>)	213,700	1.05
20.	HLIB Nominees (Tempatan) Sdn Bhd (<i>pledged securities account for Boon Kim Yu</i>)(CCTS)	210,060	1.03
21.	Goh Yoke Choo	201,100	0.99
22.	Ambank (M) Berhad (<i>pledged securities account for Wong Ah Yong</i>) (SMART)	200,000	0.98
23.	CIMSEC Nominees (Tempatan) Sdn Bhd (<i>CIMB for Ling Lee Wee (PB)</i>)	200,000	0.98
24.	Citigroup Nominees (Tempatan) Sdn Bhd (<i>pledged securities account for Wong Ah Yong</i>) (470281)	200,000	0.98
25.	Vidhiya A/P Ravindran	186,000	0.91
26.	Ngo Tek Phang	183,696	0.90
27.	Loh Choon Yow	180,000	0.88
28.	Yew Tan Seng	165,000	0.81
29.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (<i>pledged securities account for Liang Tek Ling</i>)	163,060	0.80
30.	Wong Kie Yung	161,000	0.79
Total		14,148,760	69.56

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FORM OF PROXY

I/We, NRIC No./Passport No./Company No.

of

being a member/members of Ralco Corporation Berhad hereby appoint

NRIC No./Passport No. of

*and/or failing him/her NRIC No./Passport No.

of

or failing him/her, *the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 21st Annual General Meeting of the Company to be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 16th day of June 2016 at 10.00 a.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015			
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2015	Ordinary Resolution 1		
3.	To re-elect Datuk Lim Si Cheng pursuant to Article 64 of the Company's Articles of Association	Ordinary Resolution 2		
4.	To re-elect Mr Tan Heng Ta pursuant to Article 64 of the Company's Articles of Association	Ordinary Resolution 3		
5.	To re-appoint Messrs. RSM Malaysia as the Auditors	Ordinary Resolution 4		
Special Business				
6.	To approve the authority to issue shares under Section 132D of the Companies Act, 1965	Ordinary Resolution 5		

(Please indicate with an "X" in the appropriate space how you wish your vote to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote or abstain from voting as he/they may think fit.)

The proportion of *my/our shareholding to be represented by *my/our proxy/proxies is as follows:

First named proxy	%
Second named proxy	%
	<u>100%</u>

In case of a vote taken by show of hands, the first named proxy shall vote on my/our behalf.

* Delete whichever is not applicable.

Dated this day of 2016

No. of share held	
-------------------	--

Signature of Shareholder/Common Seal

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.
2. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Annual General Meeting is 9 June 2016.

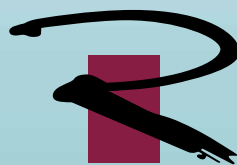


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STAMP

The Share Registrar
RALCO CORPORATION BERHAD (333101-V)
System & Securities Sdn. Bhd.
Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur

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RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)

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