ANNUAL REPORT 2017

RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 23rd 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 Wednesday, 13th day of June 2018 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1.	To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 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 RM168,000 for the financial year ended 31 December 2017.	**RESOLUTION 1**
3.	To approve the Directors' remuneration (excluding Directors' fee) payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM100,000 for the financial period from 14 June 2018 until 30 June 2019.	**RESOLUTION 2**
4.	To re-elect Datuk Lim Si Cheng, who retires by rotation pursuant to Article 64 of the Company's Constitution.	**RESOLUTION 3**
5.	To re-elect Mr Cheong Tuck Kong, who retires by rotation pursuant to Article 64 of the Company's Constitution.	**RESOLUTION 4**
6.	To re-elect Mr Tham Yew Chung, who retires pursuant to Article 69 of the Company's Constitution.	**RESOLUTION 5**
7.	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 6**

AS SPECIAL BUSINESS

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

8. **Ordinary Resolution**
Authority to issue and allot shares — **RESOLUTION 7**

"THAT subject always to the Companies Act, 2016, Constitution 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 75 of the Companies Act, 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) 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 pursuant to Section 76 of the Companies Act, 2016 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."

9. **Ordinary Resolution** **RESOLUTION 8**
Continuing in Office as an Independent Non-Executive Director - Datuk Lim Si Cheng

"THAT authority be and is hereby given to Datuk Lim Si Cheng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue act as an Independent Non-Executive Director of the Company."

10. 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)
HA MUI LING (MAICSA 7063607)
Company Secretaries

Kuala Lumpur
30 April 2018

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 6 June 2018.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

(i) **Item 1 of the Agenda**
Audited Financial Statements for the financial year ended 31 December 2017

This Agenda item is meant for discussion only, as the provisions of Section 248 and Section 340(1)(a) of the Companies Act, 2016 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 2**

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 23rd Annual General Meeting on the Directors' remuneration (excluding the Directors' fee) payable to the Non-Executive Directors of the Company and its subsidiaries for the financial period from 14 June 2018 until 30 June 2019 ("Relevant Period").

The Directors' remuneration (excluding Directors' fee) comprises the allowances and other emoluments payable to the Non-Executive Directors are set out below:

Description	Chairman (RM)	Non-Executive Director (RM)
Meeting Allowance (per meeting)		
- Board Committees	1,000	500
- Audit Committees	1,000	–
Fixed Allowance (per annum)	12,000	–
Medical Insurance (per annum)	1,365	1,365

Note:

- There are no Non-Executive Directors in the subsidiaries.

In determining the estimated total amount of the directors' remuneration (excluding Directors' fee), the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Payment of Directors' remuneration (excluding Directors' fee) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 2 has been passed at the 23rd Annual General Meeting. The Board is of the view that it is just and equitable for the Directors to be paid with the Directors' remuneration (excluding Directors' fee) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

(iii) **Ordinary Resolution 7**
Authority to issue and allot shares

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue and allot shares up to a maximum of ten per centum (10%) of the total number of issued shares (excluding treasury shares) 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 is to 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.

(iv) **Ordinary Resolution 8**
Continuing in Office as an Independent Non-Executive Director

The Board has assessed the independence of Datuk Lim Si Cheng, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:-

a. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;
b. he has been with the Company for more than 9 years and was familiar with the Company's business operations;
c. he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
d. he has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

The details of Datuk Lim Si Cheng are set out on page 8 of the Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Lim Si Cheng
Chairman,
Senior Independent
Non-Executive Director

Tan Heng Ta
Managing Director

Heng Chee Wei
Non-Independent and Non-Executive Director

Cheong Tuck Kong
Independent Non-Executive Director

Law Doung Chin
Independent Non-Executive Director

Tham Yew Chung
Independent Non-Executive Director

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Ha Mui Ling
(MAICSA 7063607)

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@rsmmalaysia.my

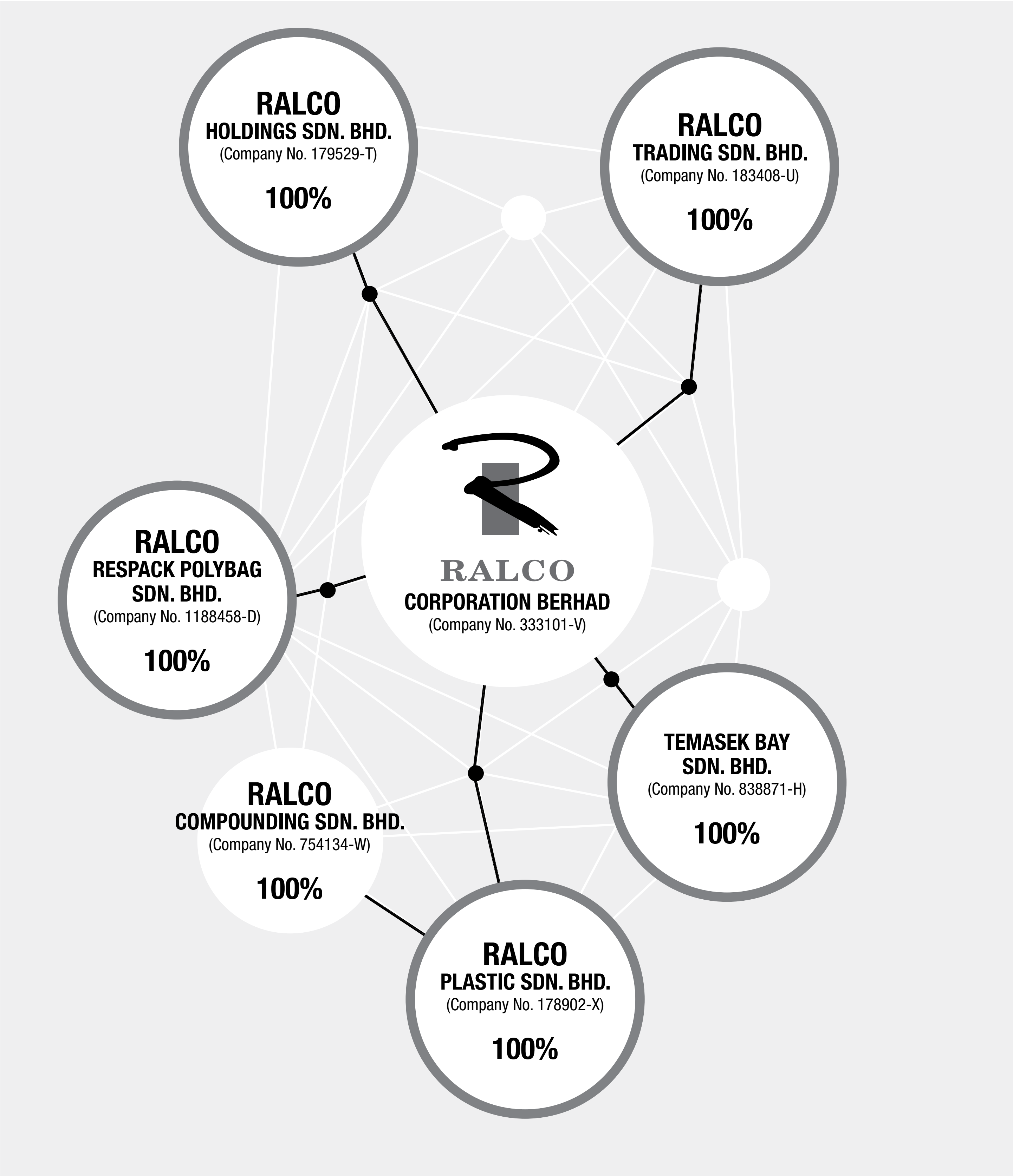
PRINCIPAL BANKERS

CIMB Bank Berhad
Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE



PROFILE OF DIRECTORS

DATUK LIM SI CHENG, PJN., PIS
Chairman, Senior Independent Non-Executive Director
Aged 68, Male, 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 and Risk Management 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 was a member of the Malaysian Pepper Board from 2008 to 2011.

Datuk Lim holds directorship in various companies which include LBS Bina Group Berhad and Koperasi Jayadiri Malaysia Bhd. He is also very active in community works of various charitable organisations. Presently, Datuk Lim is the Deputy Chairman of MCA Disciplinary Board, member of University Tunku Abdul Rahman Education Foundation, Trustee in Huaren Education Foundation, Trustees in Chang Ming Thien Foundation, board member of VTAR Education Sdn. Bhd. and committee member of Malaysia Mental Literacy Movement.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Details of number of Board meetings attended by him during the financial year are set out in page 18 of this Annual Report.

TAN HENG TA
Managing Director
Aged 50, Male, Malaysian

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

Mr Tan is a successful businessman with diverse interests in property development, plantation as well as trading. His diverse business interests have provided him with a wide range of operational, technical, as well as marketing knowledge and insight. He currently sits on the Board of a few private limited companies and does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Details of number of Board meetings attended by him during the financial year are set out in page 18 of this Annual Report.

HENG CHEE WEI, A.M.P.

Non Independent Non Executive
Aged 47, Male, Malaysian

Mr Heng Chee Wei was appointed to the Board on 8 August 2001. He was previously the Independent Non-Executive Director and re-designated as Chief Executive Officer of Ralco Corporation Berhad for the period from 1 July 2014 until 30 June 2017. He is the member of Risk Management Committee.

Mr Heng is a member of the Malaysian Institute of Accountants. He obtained the qualification of Australian Society of Certified Practicing 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 does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017. He does not hold any directorship in other public companies and listed issuers.

Details of number of Board meetings attended by him during the financial year are set out in page 18 of this Annual Report.

CHEONG TUCK KONG

Independent Non-Executive Director
Aged 45, Male, Malaysian

Mr Cheong Tuck Kong was appointed to the Board as Independent Non-Executive Director on 29 September 2014.

Mr Cheong is a member of the Malaysian Institute of Accountants and obtained his qualification from CPA Australia. He holds a Bachelor's Degree from University of Southern Queensland, Australia. Currently he is the Finance Director for a consumer goods company in Malaysia and had served as the Head of Group Finance for a listed manufacturing company. 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. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Details of number of Board meetings attended by him during the financial year are set out in page 18 of this Annual Report.

LAW DOUNG CHIN

Independent Non-Executive Director
Aged 47, Male, Malaysian

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

Mr Law 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 which are involves operations in logging activities, hotel operating and property development. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Details of number of Board meetings attended by him during the financial year are set out in page 18 of this Annual Report.

THAM YEW CHUNG

Independent Non-Executive Director
Aged 42, Male, Malaysian

Mr Tham Yew Chung was appointed to the Board on 5 April 2018. He is the Chairman of Audit Committee and a member of Nomination Committee, Remuneration Committee and Risk Management Committee.

Mr Tham is a member of the Malaysian Institute of Accountants and obtained his qualification from CPA Australia. He holds a Bachelor's Degree from University of Southern Queensland, Australia. He started his career with Messrs. S.M. Tuang & Co in 1998 as an Audit Assistant, before moving on to hold senior position in various companies. Currently, he is the Senior Finance Manager for a trading company in Malaysia. He has more than 10 years of experience leading the accounting, finance and corporate planning function of various companies and has extensive experience in management consulting, auditing and corporate finance. He does not hold any directorships in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

PROFILE OF KEY SENIOR MANAGEMENT

CHENG TECK LOKE

General Manager
Aged 52, Male, Malaysian

Mr Cheng joined Ralco group on 9 January 2018 as a General Manager. He is responsible for looking into the business strategies of Ralco Group.

Prior to this assignment, Mr Cheng has 20 years' experience in leading and managing various Businesses in Sales, Marketing, Finance, Manufacturing, Operations and Logistics. He is experienced in formulating Marketing/Sales and Business Plan to ensure Sales Strategies, Procedures and System are implemented effectively and successfully. He is versatile in Negotiation, Public Relations and Effective Management Skills to enhance the overall business operations. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

CHAI HOON BOON

Chief Financial Officer
Aged 42, Male, Malaysian

Mr Chai is a member of the Malaysian Institute of Accountants. He obtained the qualification from Association of Chartered Certified Accountants (ACCA), UK in 2002. He has more than 20 years of working experience in accounting and auditing. He started his career as an auditor with an accounting firm in 1996. He worked in the commercial sector from year 2002 as a finance manager in various industries including courier service company namely GD Express Berhad. Before joining Ralco Corporation Berhad, he was a senior finance manager of Hiap Huat Holdings Berhad group. Mr Chai joined Ralco group on 1 March 2015 as Chief Financial Officer and is in charge of the overall accounting and financial management related matters of the Group. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

LIM TUAN HOE

Group Operation Manager
Aged 35, Male, Malaysian

Mr Lim holds a Diploma in Electrical and Electronics Engineering from Inti College. He started his career as a Production Engineer with Hualon Corporation Berhad in year 2003. He has more than 10 years of working experience in plastic manufacturing industry and the last position he held was Production Manager before joining Ralco group. Mr Lim joined Ralco group in year 2014 as an Assistant Production Manager and promoted to Group Operation Manager on 1 February 2017. He is in charge of overall factory operation of the Group. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

JASON FONG CHOE SING

Senior Sales & Marketing Manager
Aged 55, Male, Malaysian

Jason holds a Bachelor of Sciences Degree from Monash University, Melbourne. He has extensive experience in Sales, Marketing, Business Development and MARCOM. He has over 30 years working experience and has worked with BP Oil PLC, General Mills US, Hong Leong Bank and DiGi. His last position was with ItraMAS Technologies Sdn Bhd as a General Manager of Sales and Business Development. He joined Ralco Plastic Sdn. Bhd. in year 2018 and currently is responsible for Ralco's sales and to identify the growth potential for the company as well as proposing new and innovative products. He does not hold any directorship in other public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of Ralco Corporation Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years other than traffic offences. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Ralco Corporation Berhad ("the Board") continues to recognise the importance of practising 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 practised throughout the Group as the underlying principle in discharging its responsibilities.

The Board presents this statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year 2017. This overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG").

This statement is prepared in compliance with Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and it is to be read together with the Corporate Governance Report ("CG Report") of the Company which is available on the Company's website at www.ralco.net.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017.

Principle A- Board leadership and effectiveness

1.1 Board Responsibilities

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group's business operations whilst providing effective oversight of Management's performance, risk assessment and controls over business operations. The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Director, and Management as well as on properly constituted Board Committees comprising exclusively of Non-Executive Directors.

All members of the Board are aware of their responsibilities to take decision objectively which promote the success of the Group for the benefits of the shareholders and other stakeholders. The roles and responsibilities of the Board are clearly set out in the Board Charter which is available on the Company's website.

The positions of the Chairman and the Managing Director are held by two different individuals. The Chairman of the Board is Datuk Lim Si Cheng, a Senior Independent Non-Executive Director whilst the Managing Director is Mr Tan Heng Ta.

There is a clear division of responsibilities between the Chairman of the Board and the Managing Director. The Chairman ensures the smooth and effective functioning of the Board, leads strategic planning at the Board level and instilling good corporate governance practices. The Managing Director is responsible for the vision and strategic directions of the Group as well as initiating innovative ideas to create competitive edge and development of business and corporate strategies. He is assisted by the Executive Director for implementing the policies and decisions of the Board but he is primarily accountable for overseeing the day-to-day operations to ensure the effective running of the Group.

The Board Committees made up of Risk Management Committee, Audit Committee, Nomination Committee and Remuneration Committee are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The Chairman of the relevant Board Committees report to the Board on key issues deliberated by the Board Committees at their respective meetings. The ultimate responsibilities for decision making, however, lies with the Board.

1.1 Board Responsibilities (continued)

Key matters reserved for the Board's approval include the business plan and budget, capital management and investment policies, authority limits/levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

The Board shall have the authority to approve transactions or activities which are beyond the individual discretionary powers of senior officers or management committees delegated by the Board as per the Approving Authority limits stipulated in the relevant policy manuals of respective operating units, subject to the provision of the Constitution of the Company.

1.2 Qualified and competent company secretaries

In delivering the above duties and responsibilities, the Board is supported by suitably qualified and competent Company Secretaries who are members of professional bodies.

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 notifying them of the closed periods for dealing in the Company's securities.

The Company Secretary attends and ensures 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 statutory register of the Company. The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

1.3 Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was reviewed and revised by the Board on 23 November 2017 and the same has been published on the Company's website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with CG principles.

1.4 Formalised ethical standards through Code of Conduct

The Group is committed to achieving and monitoring high standards pertaining to behaviour at work.

The Board is guided by the Company's Code of Conduct in discharging its oversight role effectively. The Code of Conduct requires all Directors and Management to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Groups' business and professional practice and act in good faith in the best interest of the Company and its shareholders. A summary of the Code of Conduct is available on the Company's website at www.ralco.net.

In addition, all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concern should be raised with senior management, and an appropriate action will be taken by the Company. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to the Senior Independent Non-Executive Director of the Company.

1.5 Whistle Blowing Policy

The Group has developed a whistle blowing policy ("the Policy") to enable employees and any other persons to report instances of unethical behaviour, actual or suspected fraud and/or abuse within the Company. This policy has been disseminated throughout the organisation with briefing by the Human Recourses Department on its use by employees.

The Policy facilitates an open and transparent corporate culture within the organisation, promoting accountability and enabling the Group to respond nimbly to changes in environment. It also serves to encourage and provide an alternative means for employees and any other persons to raise a concern outside the normal reporting channels. Such good faith reporting must not be made recklessly, maliciously, and/or for personal gain. The Policy has been disseminated to all staff and is available at www.ralco.net.

2 Composition of the Board

The Board currently comprises six (6) members, of whom four (4) are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. The four (4) Independent Non-Executive Directors fulfilled the criteria of independence as defined in the MMLR. The Board composition has met the requirement in the MMLR and the MCCG as more than half of its members are Independent Directors. The Board members are persons of high calibre and integrity, and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, finance and risk management, amongst others.

The size and composition of the Board are reviewed by the Nomination Committee annually, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives. The Nomination Committee also aims to maintain a diversity of gender, expertise, skills, ethnicity and attributes among the Directors, so as to form a quality Board that can contribute to more robust decision making and thereby, increasing governance and shareholders value.

The Board acknowledges the importance of diversity in boardroom and senior management and has set a target of 30% female directors to be achieved by 2020. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members.

Based on the review of the Board composition in year 2017, there was one (1) female director on the Board of the Company. However, she has resigned as an Executive Director of the Company in March 2018. The Nomination Committee will take steps to ensure that women candidates are sought as part of its recruitment exercise in order to achieve the optimum size with the right diversity. As such, this pursuit will continue to be a priority on the Board agenda in year 2018 and the Company will endeavour to achieve 30% female directors by 2020.

2.1 Nomination Committee

The present composition of the Nomination Committee comprises exclusively of Independent Non-Executive Directors and is chaired by the Senior Independent Director.

2 Composition of the Board (continued)

2.1 Nomination Committee (continued)

A summary of key activities undertaken by the Nomination Committee in discharging its duties during the financial year are set out below:-

- Assessed the contribution of each individual Director;
- Reviewed the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- Took the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity target;
- Reviewed the independence of Independent Directors;
- Reviewed and assessed the performance and effectiveness of the Board as a whole and Board Committees;
- Reviewed the profile of nominated Executive Director and recommended the appointment of the said Director;
- Discussed the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting ("AGM") and recommended the same for re-election by the shareholders; and
- Reviewed the performance of the Chief Financial Officer ("CFO").

2.2 Board appointment process

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments. Other than the recommendation of Management, existing board member and major shareholder, the Nomination Committee shall consider other approaches and sources i.e. sourcing from a directors' registry, open advertisements or use of independent search firms to identify the most suitable candidates.

The Nomination Committee evaluates and matches the criteria of the candidate, and will consider diversity, including gender and ethnicity (cultural background), where appropriate, and recommends to the Board for appointment.

In making the selection, the Board is assisted by the Nomination Committee to consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.

- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

According to the Constitution of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Constitution also states that one-third (1/3) of the Board members shall retire from office at the AGM and shall be eligible for re-election at the same AGM. The new Director(s) duly appointed by the Board is then recommended for re-election at the AGM.

2 Composition of the Board (continued)

2.2 Board appointment process (continued)

For the appointment of Mr Tham Yew Chung as an independent director during the financial year 2018, the Nomination Committee had reviewed a list of potential candidates from the various sources, including Management's nomination.

The Nomination Committee has reviewed and assessed the appointment of Mr Tham Yew Chung based on the criteria of "Fit and Proper Standard" as set out in the Company's Board Charter and recommended the appointment of Mr Tham Yew Chung as an independent director of the Company to the Board for approval.

2.3 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will need to justify and seek shareholders' approval at the AGM in the event it retains such director as an Independent Director. If the Board continues to retain the independent director after the twelfth year, the Board need to seek annual shareholders' approval through a two-tier voting process.

The Nomination Committee will assess the independence of the Independent Directors based on the assessment criteria developed by the Nomination Committee, and recommended to the Board for recommendation to the shareholders for approval. Justifications for the Board's recommendation will be provided under the explanatory note as set out in Notice of AGM.

Currently, there is one (1) long serving Independent Non-Executive Director, Datuk Lim Si Cheng, who has served for a cumulative term of more than nine years. The Board, on the review and recommendation made by the Nomination Committee, is unanimous in its opinion that the Independent Non-Executive Director has fulfilled the criteria in the definition of "Independent director" as set out in the Paragraph 1.01 of the MMLR. The Board believes that the independence of the Independent Non-Executive Director remains unimpaired and his judgment over business dealing of the Company was not influenced by the interest of the other Directors or Substantial Shareholders.

Thus, the Board recommends to the shareholders for approval at the forthcoming AGM for Datuk Lim Si Cheng to continue acting as an Independent Director of the Company.

2.4 Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises Board Assessment, Individual Director Assessment and Assessment of Independence of Independent Directors. The Assessment is based on specific criteria as stated in the performance assessment form adopted by the Nomination Committee.

Based on the above assessment in 2017, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgement to the board deliberations.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM. In addition, the Nomination Committee has reviewed and evaluated the performance of the CFO during the financial year.

2 Composition of the Board (continued)

2.5 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table below.

Name of Directors	Designation	Number of Meetings held and Attended during the financial year
Datuk Lim Si Cheng	Chairman and Senior Independent Non-Executive Director	5/5
Tan Heng Ta	Managing Director	5/5
Heng Chee Wei	Non-Independent and Non-Executive Director	5/5
Cheong Tuck Kong	Independent Non-Executive Director	5/5
Law Doung Chin	Independent Non-Executive Director	5/5
Lim Chew Yin (Resigned w.e.f 15 March 2018)	Executive Director	5/5
Tham Yew Chung (Appointed w.e.f 5 April 2018)	Independent Non-Executive Director	–

To ensure that the Directors devote sufficient time to fulfil their roles and responsibilities, the Directors must not hold directorships at more than five (5) public listed companies.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcements of the Group's quarterly results.

2 Composition of the Board (continued)

2.6 Training

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharge their duties and responsibilities as Directors.

During the financial year ended 31 December 2017, the Directors have attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate governance development:-

No.	Continuing Education Programme Attended	Date Attended
1.	Datuk Lim Si Cheng	
	• Sustainability Reporting & Compliance	19 January 2017
	• SDG Business Summit 2017 – Business as a Force for Good & the Role of the Private Sector in Achieving the Sustainable Development Goals	25 May 2017
2.	Mr Heng Chee Wei	
	• The Power of P2P Crowdfunding & Sharing Economy	30 November 2017
3.	Mr Tan Heng Ta	
	• Sustainability Forum for Directors/CEOs - The Velocity of Global Change & Sustainability- The New Business Model	10 January 2017
4.	Mr Law Doung Chin	
	• MECA Seminar – Employment Insurance System (EIS)	7 December 2017
5.	Mr Cheong Tuck Kong	
	• Companies Act 2016 – Key Insights and Implication for Directors, Auditors/Accountants & Company Secretary	08 June 2017
	• CG Breakfast Series with Directors: "Integrating an Innovation Mindset with Effective Governance	07 November 2017
	• Measuring the Fair Value of Financial and Non-Financial Assets	09 November 2017
	• Infor M3 Strategy Insights – Digital Transformation	10 November 2017
6.	Ms Lim Chew Yin (Resigned w.e.f 15 March 2018)	
	• The CG Breakfast Series For Directors - Leading Change @ The Brain	05 December 2017

The Directors are also encouraged to evaluate their own training needs on a continuous basis and to be determined by the Board on the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board.

3. Remuneration

The Remuneration Committee and the Board will take into account the corporate objective and performance of the Company to determine the remuneration packages of the Directors and Key Senior Management Officers to ensure that their remuneration packages are sufficiently attractive so as to retain persons of high calibre. Terms of Reference of Remuneration Committee is available at www.ralco.net.

The Remuneration Committee reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, depending on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

3. Remuneration (continued)

The Board as a whole determines the remuneration of Non-Executive Directors and recommends the same for the shareholders’ approval.

Details of the Directors’ remuneration of each Director during the financial year 2017 for Group and Company are as follows:-

	Director Fees RM	Salary, Bonus and Incentive RM	<u>Group</u> Meeting Allowance RM	EPF Contribution RM	#Benefit-in-kind RM
Executive **<u>Directors</u>**					
Tan Heng Ta	–	–	–	–	–
*Lim Chew Yin	–	–	–	–	–
Non-Executive **<u>Directors</u>**					
Datuk Lim Si Cheng	–	–	–	–	–
Cheong Tuck Kong	–	–	–	–	–
Heng Chee Wei	–	–	–	–	–
Law Doung Chin	–	–	–	–	–
Total:	–	–	–	–	–

	Director Fees RM	Salary, Bonus and Incentive RM	<u>Company</u> Meeting Allowance RM	EPF Contribution RM	#Benefit-in-kind RM
Executive **<u>Directors</u>**					
Tan Heng Ta	28,000	240,000	2,500	26,400	1,365
*Lim Chew Yin	28,000	221,935	2,500	23,813	1,365
Non-Executive **<u>Directors</u>**					
Datuk Lim Si Cheng	28,000	12,000	5,000	–	1,365
Cheong Tuck Kong	28,000	–	5,000	–	1,365
Heng Chee Wei	28,000	126,667	1,000	13,937	–
Law Doung Chin	28,000	–	2,500	–	1,365
Total:	168,000	600,602	18,500	64,150	6,825

*Resigned w.e.f 15 March 2018.
#Benefit-in-kind include the Medical insurance for all directors.

There was no service rendered by the Directors to the Group during the financial year ended 31 December 2017.

3. Remuneration (continued)

The number of top three (3) senior management whose remuneration (comprising salary, bonus, benefits in-kind and other emoluments) for the financial year ended 31 December 2017 within the successive bands of RM50,000 is as follows:

Remuneration	*Number of top three (3) senior management
RM0 - RM50,000	–
RM50,001 to RM100,000	1
RM100,001 to RM150,000	1
RM150,001 to RM200,000	1
RM200,001 to RM300,000	–

*The Company has only three (3) senior management in financial year 2017.

Principle B -Effective Audit and Risk Management

1. Audit Committee

The Audit Committee of the Company comprised solely of Independent Non-Executive Directors. The position of the Chairman of the Audit Committee and the Chairman of the Board are held by two different individuals. The Chairman of the Audit Committee is Tham Yew Chung, an Independent Non-Executive Director whilst the Chairman of the Board is Datuk Lim Si Cheng, a Senior Independent Non-Executive Director.

The main responsibilities of the Audit Committee are to assist the Board in discharging its statutory and other responsibilities relating to the internal controls, financial and accounting matters, compliance, and business and financial risk management.

The Audit Committee reports to the Board on the results of the audits undertaken by the internal and external auditors, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of risk management and internal control. It reviews the quarterly and annual financial statements with Management and external auditors, reviews and approves the annual audit plans for the internal and external auditors' evaluation of the Group's system of internal control.

The Audit Committee is also responsible for evaluating the cost effectiveness of audits, the independence and objectivity of the external audit, and the nature and extent of the non-audit services provided by the external auditors to ensure that the independence of the external auditors is not compromised. It also makes recommendations to the Board on the appointment or re-appointment of the external auditors.

Based on the Audit Committee's assessment of the external auditors, the Board is satisfied with the independence, quality of service and adequacy of resources provided by the external auditors in carrying out the annual audit for financial year 2017. In view thereof, the Board has recommended the re-appointment of the external auditors to the shareholders for approval at the forthcoming AGM.

The composition of the Audit Committee will be reviewed annually by the Nomination Committee and recommended to the Board for approval.

The Audit Committee and the Risk Management Committee reviewed the results of audits performed by the Internal Auditor based on the approved audit plan and identified risk profile during the financial year. The details of internal audit function is stipulated in the Audit Committee Report on page 27 of this Annual Report.

2. Risk Management and Internal Control Framework

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while Management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objective.

A Risk Management Committee which comprised majority of the Audit Committee members was set up during the financial year 2017. The Risk Management Committee together with the Audit Committee assist to monitor the Company's risk exposures, the design and operating effectiveness of the underlying risk management and the internal control systems. The Audit Committee will report to the Board after due review of the effectiveness of the Group's risk management and internal control by the internal auditor. The Board is satisfied with the performance and the Risk Management Committee and the Audit Committee in discharging their responsibilities.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks facing by the Company and has embedded the risk management into operating and business processes. These processes are undertaken by all Executive Directors and the Management team members in their course of work. Key matters covering the financial performance, operating and market are reviewed and deliberated in the Risk Management Committee Meetings.

The Board receives assurance from the Managing Director and the CFO, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require additional disclosure in the Annual Report. Nonetheless, the Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. It should also be noted that the system of risk management and internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the system can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

Principle C - Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

1. Communication with Stakeholders

The Company is committed to ensure its communication with the shareholders and other stakeholders is transparent, timely and with quality disclosures. Hence, the Company actively engages with all its stakeholders through the following platforms:-

(a) Corporate Disclosure Policy and Procedures

Corporate disclosure and information are important for the investors and the shareholders. The Board is advised by Management, the company secretaries and the external and internal auditors on the contents and timely disclosure requirements of the MMLR on the financial results and various announcements.

The Group leverages on its corporate website to disseminate and add depth to its communication with the public.

1. Communication with Stakeholders (continued)

(b) Leverage on information technology for effective dissemination of information

The Company's website provides all relevant corporate information and it is accessible by the public. The Company's website includes the share price information, all announcements made by the Company, Annual Reports, financial results, and etc.

The Company has identified Datuk Lim Si Cheng as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed. He can be contacted at sicheng333@gmail.com.

In addition to the above, the shareholders and other stakeholders and the investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

2. Conduct of General Meeting

The AGM is an important means of communication with the Company's shareholders. The Board takes cognisance in serving longer than the required minimum notice period for AGM. The Company encloses the Annual Report together with the notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

To ensure effective participation of and engagement with shareholders, all members of the Board, Senior Management and external auditors will present at the Meeting to respond to the questions to be raised by the shareholders or proxies. The Chairman ensures that the Board is accessible to the shareholders and an open channel of communication is cultivated.

At the 22nd AGM held on 14 June 2017, the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries. The voting at the 22nd AGM was conducted through manual polling.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 4 April 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act, 2016 ("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 MMLR.

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 the financial year ended 31 December 2017, 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.

ADDITIONAL COMPLIANCE INFORMATION

1. **Utilisation of Proceeds raised from Any Corporate Proposal**

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

2. **Audit and Non-Audit Fees**

   During the financial year ended 31 December 2017, the amount of the audit fees paid to the external auditors by the Company and on a Group basis were RM24,000 and RM110,100 respectively.

   There was no non-audit fees paid or payable to the external auditors, or a firm or corporation affiliated to the auditors' firm by the Company and Group for the financial year ended 31 December 2017.

3. **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, chief executive who is not a director or major shareholders.

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

   The Company did not seek for shareholders' mandate to enter into any RRPT at the AGM in year 2017 and will monitor closely the transaction value of RRPT, if any, in accordance with paragraph 10.09 of the MMLR.

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 AND SUMMARY OF ATTENDANCE

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

The Audit Committee conducted five (5) meetings during the financial year. The composition and details of the attendance of the Audit Committee members are set out as follows:

Name of Members	Designation	Number of Meetings Attended
Tham Yew Chung (*Appointed w.e.f. 5 April 2018*)	Chairman - Independent Non-Executive Director	–
Cheong Tuck Kong (Cessation of office w.e.f. 5 April 2018)	Chairman - Independent Non-Executive Director	5/5
Law Doung Chin	Member - Independent Non-Executive Director	5/5
Datuk Lim Si Cheng	Member – Senior Independent Non-Executive Director	5/5

Mr Tham Yew Chung, is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities.

2. SUMMARY OF THE WORKS DURING THE FINANCIAL YEAR

The works carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year are summarised as follows:

Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Securities with the management team prior to making recommendation for the Board's approval. The review focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with the MMLR of Bursa Securities and other legal requirements.

In reviewing the annual financial results of the Group, the Audit Committee communicated with the external auditors, Messrs RSM Malaysia ("RSM") with particular focus on significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and compliance with the applicable approved accounting/ auditing standards in Malaysia and other legal and regulatory requirements.

The Audit Committee keeps itself apprise of changes in accounting policies and guidelines through regular updates by the external auditors.

2. SUMMARY OF THE WORKS DURING THE FINANCIAL YEAR (CONTINUED)

External Audit

The Audit Committee discussed with the external auditors the audit plan and scope of work for the Group, and the report on the audit of the year-end financial statements; reviewed audit findings and reservations arising from the audits, significant accounting issues and any matter the external auditors may wish to discuss.

In addition, the Audit Committee reviewed and evaluated RSM's audit plan for the financial year ended 31 December 2017. RSM's audit plan covered its engagement team, concept of materiality, independence and objectivity, and the areas of audit emphasis. The Audit Committee also reviewed key audit issues raised by RSM from its Audit Planning Memorandum including Management's responses/actions taken on the resolution of such issues.

Besides, the Audit Committee has assessed the independence and objectivity of RSM prior to the recommendation of re-appointment of RSM. Based on the assessment, the Audit Committee is satisfied that there is no conflict of interest situation.

The Audit Committee is of the opinion that the auditors' independence has not been compromised based on the confirmation provided by the external auditors.

Internal Audit

The Audit Committee reviewed with the internal auditor the enterprise risk management review and to monitor/follow-up on remedial action; reviewed the corrective actions taken by Management in addressing and resolving issues as well as ensuring that all key issues were adequately address on timely basis; and ensured the adequacy of the independence, competency and resource sufficiency of the internal audit function.

Related Party Transactions

The Audit Committee reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Others

The Audit Committee has full access to and co-operation of Management. The Audit Committee also has full discretion to invite any director or executive officer to attend its meetings, and has been given adequate resources to discharge its functions. The Audit Committee had met with the external auditors without the presence of Management during the financial year.

The Audit Committee has reviewed the Statement on Risk Management and Internal Control and Audit Committee Report in accordance with the MMLR and Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer, for inclusion into the Annual Report.

3. TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee reviewed the terms of reference of the Audit Committee during the financial year to ensure the terms of reference in line with the MCCG and MMLR.

The full details of the Terms of Reference of the Audit Committee are published on the Company's website at www.ralco.net.

4. INTERNAL AUDIT FUNCTION

The Group has set up an in-house internal audit function during the financial year 2017 and it is independent from the day-to-day operations of the Group. The internal auditor is a qualified and certified internal auditor under The Institute of Internal Auditors. The duties of the internal auditor is to provide the Audit Committee and the Board with an assurance and independent assessment in respect of the adequacy, efficiency and effectiveness of the risk management practices and system of internal control.

The internal auditor, which report directly to the Audit Committee whose principal responsibilities are to undertake independent reviews of the internal control system, which includes the following:-

(i) reviewing and appraising the adequacy, integrity and effectiveness of the current system of internal control of the Group.

(ii) performing 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 undertaken the following activities:

- briefed the Audit Committee on the MCCG 2017;
- attended Audit Committee Meetings to table and discuss compliance readiness for MCCG 2017 and recommended the setting up of Risk Management Committee which comprised majority of the Audit Committee members; and
- attended Risk Management Committee Meetings to table and discuss the enterprise risk management review.

The relevant Management members were made responsible for ensuring that corrective action on reported weaknesses were taken within the required timeframes.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2017 is RM24,000.

Further details of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control on page 29 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The MCCG 2017 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 paragraph 15.26(b) of MMLR and as guided by Guidelines for Directors of Listed Issuer – Statement on Risk Management and Internal Control of Bursa Securities. 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 overall responsibility for the Group's systems of risk management and internal control and the need to review its adequacy and integrity regularly. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. In view of the inherent limitations in any system of internal control, the Board recognises that this 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 recognises that risk management is an integral part of the Group's business operations and the Board maintains continuous commitment in strengthening the Group's risk management framework and processes. The Board is thus committed to continually promote the culture of risk awareness and builds the necessary knowledge in identifying, evaluating, mitigating, monitoring and managing the significant risks on an on-going basis.

The key risk management initiatives undertaken include among others:

(i) A Risk Management Committee has been established to constantly identify, evaluate and monitor significant risks faced by the Group. It is also responsible for the development of risk mitigation strategies and plans.

(ii) The Risk Management Committee met on a quarterly basis to discuss and deliberate on the significant risks affecting the Group, including sustainability related matters. Risk profiles, control procedures and status of action plans were presented and deliberated in the Risk Management Committee meetings. Chairman of the Risk Management Committee will update the Board on their deliberation and findings of enterprise risk management review at Board's quarterly meetings. The Risk Management Committee also met with different management teams across the Group on quarterly basis for updates.

(iii) Board Committees (i.e. Audit Committee, Remuneration Committee, Risk Management Committee and Nomination Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference. Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Executive Directors to the Board for their review and approval after taking into account risk consideration and responses.

(iv) 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 to 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.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

The key risk management initiatives undertaken include among others: (continued)

(v) Formation of operational policies and procedures by the Management with a view of establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole.

(vi) The Audit Committee reviews on a quarterly basis the quarterly unaudited financial results to monitor the Group's progress towards achieving the Group's business objectives. Authority is given to the Audit Committee members to investigate and report on any areas of improvement for the betterment of the Group.

(vii) Regular interative meetings between the external and internal auditors to identify and retify any weakness in the system of internal controls. The Board on a timely basic would be informed of any matters brought up in the Audit Committee Meetings.

INTERNAL AUDIT FUNCTION

The Group has an in-house internal audit function headed by Mr. Ken Teh, a MIA member with more than 20 years of internal audit work experience. The internal audit function reporting to the Audit Committee, provides an independent assessment to the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditor reports directly to the Audit Committee and the risk-based internal audit plans are tabled to the Audit Committee on an annual basis for review and approval.

During the year under review, the internal auditor 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 quarterly 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.

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 organisation 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.
- policies and controls for the Group's operations have been defined and adopted. Procedures are also in place to ensure that assets are subject to proper physical controls.
- 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 the internal auditor during the financial year ended 31 December 2017. These were reviewed by the Audit Committee and Board and were closely monitored by Management to ensure the integrity of internal controls and minimisation 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 Managing Director and CFO 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

Pursuant to Paragraph 15.23 of MMLR of Bursa Securities , the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 31 December 2017. Based on their review, the external auditors 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 Group.

GROUP FINANCIAL HIGHLIGHTS

for the year ended 31 December 2017

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
INCOME STATEMENT					
Gross Revenue	84,489	88,099	96,911	101,105	98,964
Profit/(Loss) Before Tax	(6,739)	(2,223)	2,419	468	969
Profit/(Loss) After Tax	(6,501)	(2,230)	2,463	413	395
BALANCE SHEET					
Property, Plant and Equipment	29,694	28,795	27,858	28,865	31,688
Net Current Assets/(Liabilities)	5,021	10,760	13,530	12,090	11,677
Total Assets Employed	34,715	39,555	41,388	40,955	43,365
Shareholders' Fund	29,719	36,220	38,450	35,987	35,575
Non-Current Liabilities	4,997	3,335	2,938	4,968	7,790
Total Funds Employed	34,715	39,555	41,388	40,955	43,365
PER RM 1 ORDINARY SHARE					
Earnings/(Loss) Per Share (sen)	(15.48)	(5.31)	5.87	0.98	0.94
Net Tangible Assets Per Share (RM)	0.71	0.86	0.92	0.86	0.85

RALCO

VISION AND MISSION

√ ***Our Vision***

We aim to be leading plastic blowing & plastic injection manufacturer in the region known for its product quality and variety.

VISION AND MISSION

√ ***Our Mission-3Ps***

Product Quality & Consistency
Profitability for Stakeholders
People Centric

Our Believes

√ ***CORE VALUES***

- Passionate about our products
- Customer & Employee Oriented
- Commitment on quality & delivery

Our Believes

√ ***CORE QUALITIES***

- Teamwork
- Growth Focus
- Process Orientation & Cost Effectiveness

1. OVERVIEW

Ralco Corporation Berhad ("Ralco") started 25 years ago as a small backyard plastic manufacturer renting a small factory in Kajang, Selangor with one unit blow molding machine and three (3) sets of molds to manufacture medium and big size containers catering mainly for both local and Singapore market. From its humble beginnings, it has over the years grown to be one of the key plastic blow molding manufacturer in Malaysia. In line with our expansion plans and as part of our continuous commitments to provide more choices to our customers, we ventured into Plastic Injection Molding with production of industrial pail and parts.

Product

Our product line comprised mainly of Jerrycan (blow molding) and Pail (injection molding) in various sizes. Jerrycan(s) are widely used for the packing of liquid form of chemical products as well as for edible oils while Pails are utilised predominantly for the packing of paints for both household and industrial use.

In addition, as part of our continuous customer's service program and in our efforts to provide one stop solution, we also offer customised services such as designing, printing and labelling based on specific requirements.

Markets

Our current market is mainly domestic with approximately 10% - 15% of the group's turnover from other regional market such as Singapore.

Manufacturing Bases

Both our Head Office as well as the main plant are located in Nilai Industrial Estate, Negeri Sembilan, approximately 20mins away from the Kuala Lumpur International Airport (KLIA). This factory was built on a land measuring 4.51 acres with a total build-up area of approximately 45,000 sq. ft. with a total workforce of approximately 250 people and more than 50 machines. Our Nilai plant produces both plastic blow molding and injection molding products in various sizes, primarily for our domestic market.

Ralco has another manufacturing plant which are strategically located in Skudai, Johor. The Johor plant is a single storey detached factory cum 2-storey office annexed of situated on approximately 44,000 sq. ft. of industrial land with a built up area of approximately 12,000 sq. ft.

The Johor plant has a total workforce of approximately 100 people and it is specialises in the manufacturing of blow molding products, catering to markets in the vicinity of Johor as well as Malacca and for our customers in Singapore.

2. BUSINESS REVIEW

For the year under review, our revenue has dropped by 4% due to decline in sales. The decline was attributed to the non-optimisation of production caused by aging machine averaging more than 20 years.

The Group has progressively upgraded and replaced machines to ensure that the plants are running at optimum capacity. The Group had invested approximately RM2.2 million in upgrading and replacing of machines in the financial year 2017 ("FY 2017").

The main cost component for the manufacture of plastic product is resin and we have experienced an increasing trend of resin prices throughout FY 2017 with an average of 15% - 20% higher than the prior year. The Group manages the cost impact by cautiously reviewing customer prices and also continuously improve product defect rate.

2. BUSINESS REVIEW (CONTINUED)

The Group was continuously affected by the shortage of foreign workers in FY 2017 and also the implementation of the minimum wage policy which has affected the costs of production.

We have adopted several measures to retain our local workers and also to extend existing foreign workers' contract. The measures adopted include offering improved remuneration package and working environment.

Review of Operations

Injection molding

The demand of this product segment has dropped by approximately 8% as compared to the prior year mainly affected by declining orders from paint coating industry. The Group is aggressively putting effort to expand the customer base in different industries and also to diversify our product range into higher value added products which can offer better profit margins.

Blow molding

Orders from this product segment showed a decline due to output inefficiency as a result of old and aging machines. We will be embarking on a progressive replacement/ upgrading of existing machines to enhance productivity and quality of output.

As a Group strategy, we will adopt a collaboration approach with our customers as well as stakeholders to improve plant productivity, product quality and ensure timely deliveries.

3. FINANCIAL REVIEW

Revenue

The group revenue for the FY 2017 was RM84.49 million, a decrease of RM3.61 million or 4.10% as compared to the previous financial year of RM88.10 million. This was mainly due to the lower demand for both blow molding products and injection molding product from the existing customers particularly from oversea market. Besides, aggressive competitions from low price manufacturers have continued to challenge our revenue.

Manufacturing Costs

Total cost of sales for the group for the year was RM80.71 million as compared to RM80.05 million in the previous financial year. Gross profit margin dropped by 4.66% from 9.13% in the previous financial year to 4.47% in the current year due to the increase in the cost of raw material to approximately 68% of sales as compared to 64% in the previous financial year. Factory overheads had also increased from 12% of sales in the previous financial year to 14% in the current financial year whilst direct labour costs have also increased from 10% to 12%.

The increase in manufacturing costs is attributed to higher raw material prices, implementation of minimum wages policy in Malaysia and production inefficiency due to aging machineries. During the financial year, the Group had written down and written off approximatery RM0.24 million and RM0.16 million of obsolete stocks respectively.

Other Income

Other income has increased from RM0.12 million in the previous financial year to RM0.33 million in the current financial year. This is mainly due to the increase in gain on disposal of machinery and equipment as well as rental income.

3. FINANCIAL REVIEW (CONTINUED)

Expenses

Selling and distribution cost has reduced from RM3.21 million in the previous financial year to RM2.83 million in proportion with the decline in revenue. Total administrative expenses increased by RM0.68 million from RM6.55 million to RM7.23 million mainly due to provision of impairment loss on trade receivables of RM0.66 million and bad debts written off of RM0.64 million respectively in the current financial year.

Finance Costs

Finance cost has increased from RM0.51 million to RM0.67 million mainly due to the increase in bank borrowing from trade facilities and hire purchase facilities.

Taxation

Taxation of positive RM0.24 million mainly due to reverse adjustment of deferred taxation.

Profit after Tax

The Group incurred a loss of RM6.50 million as compared to the loss after taxation of RM2.23 million in the previous financial year.

Liquidity and Capital Resources

The Group's cash position reduced from RM3.41 million as at 31 December 2016 to RM1.11 million as at 31 December 2017. Net cash generated used in operations was RM2.92 million. Bank borrowing had increased by RM4.65 million and RM4.72 million was used for capital expenditure.

Dividend

The Board is not proposing any dividend for the financial year ended 31 December 2017.

4. FUTURE OUTLOOK

In view of the current economic scenario and the competitive business environment, our Group is expected to further streamline our production to improve operational efficiency and effectiveness whilst sharpening our business strategies in developing and expanding product range and customer base. We will continue undertake the exercise to upgrade and replace old machines to ensure that our plants are running at optimum capacity.

SUSTAINABILITY STATEMENT

It is our pleasure to present the Group's first Sustainability Statement produced in line with Practice Note 9 of the MMLR of Bursa Securities, in particular, Part III on Sustainability Statement. Based on the MMLR of Bursa Securities, the Group is required to:

(i) issue our first Sustainability Statement in our annual report for the financial year ended 31 December 2017 ("Annual Report 2017"); and

(ii) comply with the detailed disclosure requirements of Paragraph 6.2, Practice Note 9 of the MMLR in our annual report from the financial year ended 31 December 2018 onwards. As such, no separate disclosure of Corporate Social Responsibility Statement will be made from financial year ended 31 December 2017 onwards.

ABOUT THIS REPORT

Sustainability is of paramount importance to the Group. We are committed to develop and secure a sustainable future while maintaining an equitable balance between the expectations of a wide range of stakeholders while continuing to create value for our shareholders. To ensure our sustainability efforts are focused on issues that matter most to our stakeholders, we have categorised our commitment into three (3) core pillars:

Economy
Creating shareholders and business value

Environment
Managing the impacts from business

Social
Responsible to stakeholders

Governance Structure

We do not have a Sustainability Committee at the Board Level, however the Risk Management Committee ("RMC") has taken up the role and responsibilities of the Sustainability Committee. The Group Managing Director plays the role of Chief Sustainability Officer ("CSO"), reporting directly to the RMC on any sustainability matters. The RMC oversees the strategies, policies, initiatives, targets and performance of the Group to ensure that the Group's business is conducted in a sustainable manner. The CSO is assisted by RMC which oversees the implementation of the organisation's sustainability approach. Each business unit has its own Risk Management and Sustainability Working Group ("RMSWG") which allows RMC to leverage existing initiatives to identify material sustainability matters in respect of our three (3) core pillars concerning their respective business units, providing and collecting information, overseeing and ensuring integration of sustainability management into their respective business processes.

Members of RMC are as follows:

i. Mr Law Doung Chin – Chairman
ii. Datuk Lim Si Cheng
iii. Mr Tham Yew Chung
iv. Mr Heng Chee Wei

Scope and Basis

This is the Group's first Sustainability Statement that has been developed based on the Sustainability Reporting Guide. The guidelines look beyond financial performance and corporate governance practices which are outlined in this annual report, to examine our non-financial performance relating to our internal and external communities as well as the environment.

Stakeholders' Engagement

We have identified certain stakeholders relevant to our operations and different platforms will be used to engage with all the different stakeholder groups, as indicated in the table below. We have yet to formally engage with all the stakeholders and as we progress, more stakeholders will be identified.

STAKEHOLDERS	METHOD OF ENGAGEMENT	STAKEHOLDERS' CONCERN	Core Pillars
Shareholder	• Annual General Meeting	• Business and financial performance	• Economy
Employees	• On-going training • Performance appraisal system	• Human resource management • Occupational health and safety	• Social
Customers	• Direct engagement • Customer feedback	• Pricing • Delivery • Quality	• Economy • Social
Suppliers	• Supplier meeting • Supplier survey	• Quality product • Cost efficiencies	• Economy • Social
Government	• Regulatory compliance	• Regulatory disclosure • Accountability	• Environmental • Social
Communities	• Meeting with local communities	• Environmental impact • Local employment	• Environmental • Social

Materiality Assessment

A Materiality Assessment is a stakeholder engagement exercise designed to gauge Ralco's most noteworthy economic, environmental and social impacts that may be important to stakeholders. The process helps us to identify, prioritise, validate and review the most significant areas on the basis of their impact on the business and the importance of these areas from stakeholders' perspectives.

The materiality matrix table will show outcome of Ralco's materiality assessment. Sustainability key matters have been rated on a scale of low, medium and high for the significant Group's Economic, Environmental and Social ("EES") impacts and the influence of stakeholder's assessment and decisions.

ENVIRONMENTAL SUSTAINABILITY

The Group is mindful of the impact that its expanding operations can have on the environment and seeks to reduce the impact through effective and efficient management of resources including effluent and waste management practice.

Waste Disposal

As a manufacturer, Ralco recognises its duty and responsibility in managing waste and effluent. We embed sustainability practices into our business processes to operate more efficiently and work towards minimising waste and effluent to the best of our ability. We ensure waste is disposed safely and recycled in compliance with the required regulations.

We have standard operating procedures to store and dispose scheduled wastes which are toxic and dangerous according to the Department of Environment (DOE) requirements. Without proper and effective management control, it can lead to serious environmental pollution which has long-term effect on human health and damage to the environmental ecosystem. Currently, we manage our scheduled wastes by sending it to licensed collectors to ensure our scheduled wastes undergo proper recovery, recycling and disposal process. Our scheduled waste management process is managed by our own competent employees.

Energy Management

Conservation of resources is an important priority for manufacturing business. We made conscious effort in improving our manufacturing processes and continuously working towards the reduction in the use of energy throughout the division. We have invested servo system into some machine which can reduce the energy consumption. In addition, halogen lights were replaced with LED lighting which consumes lower energy

SOCIAL SUSTAINABILITY

Occupational Safety and Health

The Management views occupational safety and health at work environment for employees as utmost important. Various actions are implemented to ensure workplace safety, such as:

- Frequent inspection and detection of unsafe activity and conditions;
- Requirement for sourcing experience contractors to perform maintenance works;
- Enforcement of policies and procedures under Occupational Safety and Health Act ("OSHA") 1994 to ensure safety guidance compliance; and
- Job orientation for new hired machine operators and continuous on job training for new and existing operators.

There is a Safety Officer which reports to the Group Operation Manager responsible for promoting safety measures adherence, identifying safety hazards and recommending corrective actions.

Staff welfare and skill development

The Group acknowledges that people are our greatest assets and continue to focus on human capital development. The Group sponsored the participation of our skilled employees and managerial staff to seminars and workshops to enhance their technical competency and to promote skill development. The Group also provides various in-house job-related training to employees focusing mainly on productivity and respective fields of expertise to strengthen their skills set and knowledge in areas related to the Group's operations. The Group also showed its concern for the well-being of society by reaching out the under-privileged group by providing job opportunity to the disabled personnel.

REPORTS AND FINANCIAL STATEMENTS

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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.

RESULTS

	GROUP RM	COMPANY RM
Loss for the financial year attributable to owners of the Company	6,500,579	42,514

In the opinion of the directors, the financial 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.

(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.

WARRANT (CONTINUED)

(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 1.1.2017	**Exercised/Disposal**		**At 31.12.2017**
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 and the directors do not recommend any dividend for the current financial year.

DIRECTORS

The directors who held office during the financial year until the date of this last report are:-

THE COMPANY
Datuk Lim Si Cheng
Heng Chee Wei
Tan Heng Ta
Law Doung Chin
Cheong Tuck Kong
Lim Chew Yin (Resigned on 15.3.2018)

SUBSIDIARY COMPANIES
Tan Heng Ta
Lim Chew Yin (Resigned on 15.3.2018)
Heng Chee Wei (Resigned on 30.6.2017)

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 59 of the Companies Act 2016, were as follows:

	Number of shares			
	At 1.1.2017	**Acquired**	**(Disposed)**	**At 31.12.2017**
THE COMPANY				
Direct interest				
Tan Heng Ta	8,736,800	–	–	8,736,800

	Number of warrants 2009/2019			
	At 1.1.2017	**Acquired**	**(Disposed)**	**At 31.12.2017**
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 remuneration received or due and receivable by the directors as shown in the notes to 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.

DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 35(c) to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Group and of the Company.

SUBSIDIARY COMPANIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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.

(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 render the amount written off for bad debts and the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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.

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

(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.

SIGNIFICANT EVENT

On 3 November 2017, the Company had entered into a Shareholders' Agreement with Respack Manufacturing Sdn Bhd to dispose its 40% equity interest in a subsidiary, Ralco Respack Polybag Sdn Bhd for a total consideration of RM40 to Respack Manufacturing Sdn Bhd. The disposal was not completed as at the end of the financial year.

AUDITORS

The auditors, Messrs RSM Malaysia, 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

CHEONG TUCK KONG
Director

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		GROUP		COMPANY	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
NON-CURRENT ASSETS					
Property, plant and equipment	6	29,694,293	28,794,516	2,319	2,593
Investments in subsidiaries	7	–	–	32,271,770	32,271,770
CURRENT ASSETS					
Inventories	8	13,466,295	11,581,004	–	–
Trade receivables	9	16,142,832	19,440,352	–	–
Other receivables and deposits	10	2,804,137	2,071,627	7,009	1,913
Other assets	11	522,183	327,218	22,099	10,316
Amount owing from subsidiaries	12	–	–	3,271,219	3,311,373
Tax recoverable		52,811	91,994	7,788	9,641
Cash and bank balances	13	1,112,999	3,413,108	123,654	63,555
		34,101,257	36,925,303	3,431,769	3,396,798
TOTAL ASSETS		63,795,550	65,719,819	35,705,858	35,671,161
EQUITY					
Share capital	14	41,981,000	41,981,000	41,981,000	41,981,000
Warrant reserve	15	406,828	406,828	406,828	406,828
Accumulated losses		(12,668,665)	(6,168,086)	(7,450,288)	(7,407,774)
TOTAL EQUITY		29,719,163	36,219,742	34,937,540	34,980,054
NON-CURRENT LIABILITIES					
Hire purchase liabilities	16	3,715,003	1,810,019	–	–
Deferred tax liabilities	17	1,282,000	1,525,500	–	–
		4,997,003	3,335,519	–	–

	Note	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
CURRENT LIABILITIES					
Amount owing to a subsidiary	12	–	–	474,135	470,000
Hire purchase liabilities	16	1,233,266	895,225	–	–
Term loan	18	–	236,209	–	–
Trade payables	19	8,809,143	9,298,040	–	–
Other payables and accruals	20	8,266,004	7,609,084	294,183	221,107
Bills payable	21	10,770,000	8,126,000	–	–
Tax liability		971	–	–	–
		29,079,384	26,164,558	768,318	691,107
TOTAL LIABILITIES		34,076,387	29,500,077	768,318	691,107
TOTAL EQUITY AND LIABILITIES		63,795,550	65,719,819	35,705,858	35,671,161

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 2017

		GROUP		COMPANY	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
REVENUE	22	84,489,069	88,098,679	1,800,000	1,800,000
COST OF SALES		(80,710,239)	(80,054,427)	–	–
GROSS PROFIT		3,778,830	8,044,252	1,800,000	1,800,000
OTHER INCOME		333,822	120,071	–	–
SELLING AND DISTRIBUTION COSTS		(2,832,135)	(3,210,959)	–	–
ADMINISTRATIVE EXPENSES		(7,228,512)	(6,549,307)	(1,842,205)	(2,175,942)
OTHER OPERATING EXPENSE		(116,896)	(113,017)	–	–
FINANCE COSTS	23	(673,446)	(514,022)	–	–
LOSS BEFORE TAXATION	24	(6,738,337)	(2,222,982)	(42,205)	(375,942)
TAXATION	25	237,758	(6,979)	(309)	(8,692)
LOSS FOR THE FINANCIAL YEAR		(6,500,579)	(2,229,961)	(42,514)	(384,634)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE EXPENSE		(6,500,579)	(2,229,961)	(42,514)	(384,634)

		GROUP	
		2017	2016
Loss per share (sen):	26		
Basic		(15.48)	(5.31)
Diluted		–	–

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

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Attributable to Owners of the Company →			
	Share capital RM	Non-distributable warrant reserve RM	Accumulated losses RM	Total equity RM
GROUP				
Balance as at 1.1.2016	41,981,000	406,828	(3,938,125)	38,449,703
Total comprehensive expense for the financial year ended 31.12.2016	–	–	(2,229,961)	(2,229,961)
Balance as at 31.12.2016/ 1.1.2017	41,981,000	406,828	(6,168,086)	36,219,742
Total comprehensive expense for the financial year ended 31.12.2017	–	–	(6,500,579)	(6,500,579)
Balance as at 31.12.2017	41,981,000	406,828	(12,668,665)	29,719,163
COMPANY				
Balance as at 1.1.2016	41,981,000	406,828	(7,023,140)	35,364,688
Total comprehensive expense for the financial year ended 31.12.2016	–	–	(384,634)	(384,634)
Balance as at 31.12.2016/ 1.1.2017	41,981,000	406,828	(7,407,774)	34,980,054
Total comprehensive expense for the financial year ended 31.12.2017	–	–	(42,514)	(42,514)
Balance as at 31.12.2017	41,981,000	406,828	(7,450,288)	34,937,540

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(6,738,337)	(2,222,982)	(42,205)	(375,942)
Adjustments for:				
Bad debt written off	644,574	–	–	–
Depreciation of property, plant and equipment	3,387,632	3,572,162	274	136
Impairment loss on trade receivables	658,029	385,716	–	–
Interest expenses	673,446	514,022	–	–
Interest income	(14,542)	(12,449)	–	–
Inventories written down	240,222	–	–	–
Inventories written off	161,375	–	–	–
Gain on disposal of property, plant and equipment	(174,989)	–	–	–
Property, plant and equipment written off	125,842	–	–	–
Goodwill written off	–	113,017	–	–
Unrealised gain on foreign exchange	(66,591)	(85,289)	–	–
Operating (loss)/profit before working capital changes	(1,103,339)	2,264,197	(41,931)	(375,806)
(Increase)/Decrease in inventories	(2,286,888)	2,211,810	–	–
Decrease in trade receivables	1,994,917	56,393	–	–
(Increase)/Decrease in other receivables and deposits	(713,748)	102,327	(5,096)	5,359
(Increase)/Decrease in other assets	(213,727)	182,519	(11,783)	29,504
Decrease in trade payables	(422,306)	(5,582,652)	–	–
Increase in other payables and accruals	450,150	2,379,395	73,832	(14,716)
Cash (used in)/ generated from operations	(2,294,941)	1,613,989	15,022	(355,659)

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest received	14,542	12,449	–	–
Interest paid	(673,446)	(514,022)	–	–
Tax paid	(40,523)	(45,804)	(8,500)	(7,789)
Tax refund	74,935	–	9,288	–
Net cash (used in)/ generated from operating activities	(2,919,433)	1,066,612	15,810	(363,448)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 6(d))	(2,340,687)	(2,444,839)	–	(2,724)
Proceeds from disposal of property, plant and equipment	484,092	–	–	(100)
Acquisition of a subsidiary, net of cash and cash equivalent acquired		124,355	–	–
Repayment from a subsidiary	–	–	44,289	357,129
Net cash (used in)/ generated from investing activities	(1,856,595)	(2,320,484)	44,289	354,305
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bills payable	2,644,000	4,731,000	–	–
Proceed from hire purchase facility	1,234,900	–	–	–
Repayment of term loan	(236,209)	(1,921,067)	–	–
Repayment of hire purchase	(1,166,772)	(1,409,403)	–	–
Net cash generated from financing activities	2,475,919	1,400,530	–	–
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(2,300,109)	146,658	60,099	(9,143)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,413,108	3,266,450	63,555	72,698
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13)	1,112,999	3,413,108	123,654	63,555

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

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.

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, 2016 in Malaysia.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 - 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2017 and 2016, 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Subsequent measurement of financial assets (continued)

(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 2017 and 2016, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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 2017 and 2016, the Group and the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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 Executive Director 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.

(t) 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 MFRSs, Amendments to MFRSs 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 January 2017:

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 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.

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 2018

- MFRS 9 *Financial Instruments* (2014)
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140 *Investment Property – Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

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 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.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

The Group and the Company have 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 and financial liabilities, impairment, hedge accounting, recognition and derecognition.

- MFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of MFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, MFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, MFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from MFRS 139.

The directors anticipate that MFRS 9 will be adopted in the Group's and the Company's financial statements when it becomes mandatory. The directors have performed a preliminary assessment of the impact of MFRS 9 on the financial statements based on an analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 (Notes 29) on the basis of the facts and circumstances that exist at that date.

- The Group's and the Company's financial assets and financial liabilities should continue to be measured on the same bases as currently under MFRS 139.
- Concerning impairment, the directors expect to apply the simplified approach to recognise lifetime ECL for the Group's and the Company's trade receivables. Although the directors are currently assessing the extent of this impact, they anticipate that the application of the ECL model of MFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the Group's and the Company's credit management systems.

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

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

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*.

It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The directors anticipate that MFRS 15 will be adopted in the Company's financial statements when it becomes mandatory, and they intend to use the modified retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Company's major sources of revenue (Note 22), the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions. However, as the directors are still in the process of assessing the full impact of the application of MFRS 15 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review.

MFRS 16 *Leases*

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Company are required to account for major part of its operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and the Company.

The financial effects arising from the adoption of this standard are still being assessed by the Group and the Company.

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.

(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).

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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).

(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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Fair value measurement (continued)

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.

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.

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Machinery in progress RM	Total RM
Cost								
As at 1.1.2016	22,344,697	85,064,709	1,991,111	2,163,740	923,007	1,627,449	–	114,114,713
Acquisition of subsidiary	–	36,505	2,860	–	15,725	–	–	55,090
Addition	–	3,162,335	–	39,368	17,275	–	1,234,900	4,453,878
As at 31.12.2016	22,344,697	88,263,549	1,993,971	2,203,108	956,007	1,627,449	1,234,900	118,623,681
Addition	227,200	4,401,938	59,690	32,026	1,500	–		4,722,354
Disposal	–	(18,572,905)	–	–	–	–	–	(18,572,905)
Transfer	–	1,234,900	–	–	–	–	(1,234,900)	–
Written off	(455,525)	(269,572)	(14,079)	(104,128)	(188,500)	–	–	(1,031,804)
As at 31.12.2017	22,116,372	75,057,910	2,039,582	2,131,006	769,007	1,627,449	–	103,741,326
Accumulated depreciation								
As at 1.1.2016	7,751,945	73,211,267	1,940,828	1,924,074	922,975	505,914	–	86,257,003
Charge for the financial year	429,899	2,775,101	13,524	70,196	1,650	281,792	–	3,572,162
As at 31.12.2016	8,181,844	75,986,368	1,954,352	1,994,270	924,625	787,706	–	89,829,165
Charge for the financial year	434,424	2,604,407	7,311	60,068	6,650	274,772	–	3,387,632
Disposal	–	(18,263,802)	–	–	–	–	–	(18,263,802)
Written off	(434,985)	(194,758)	(6,128)	(81,595)	(188,496)	–	–	(905,962)
As at 31.12.2017	8,181,283	60,132,215	1,955,535	1,972,743	742,779	1,062,478	–	74,047,033
Net carrying amount								
As at 31.12.2016	14,162,853	12,277,181	39,619	208,838	31,382	839,743	1,234,900	28,794,516
As at 31.12.2017	13,935,089	14,925,695	84,047	158,263	26,228	564,971	–	29,694,293

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Furniture and fittings RM	Office equipment RM	Total RM
Cost			
As at 1.1.2016	261,733	13,669	275,402
Addition	–	2,724	2,724
As at 31.12.2016/31.12.2017	261,733	16,393	278,126
Accumulated depreciation			
As at 1.1.2016	261,730	13,667	275,397
Charge for the financial year	–	136	136
As at 31.12.2016	261,730	13,803	275,533
Charge for the financial year	–	274	274
As at 31.12.2017	261,730	14,077	275,807
Net carrying amount			
As at 31.12.2016	3	2,590	2,593
As at 31.12.2017	3	2,316	2,319

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

	GROUP	
	2017 RM	2016 RM
Freehold land and buildings	186,377	193,343
Factory buildings on leasehold land	10,689,323	10,885,066
Leasehold land	3,059,389	3,084,444
	13,935,089	14,162,853

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.

	GROUP	
	2017 **RM**	**2016** **RM**
Buildings	1,173,214	1,209,048
Leasehold land	2,153,607	2,165,747
	3,326,821	3,374,795

(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	
	2017 **RM**	**2016** **RM**
Plant and machinery	6,729,225	4,112,978
Motor vehicles	534,201	808,455
	7,263,426	4,921,433

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

	GROUP	
	2017 **RM**	**2016** **RM**
Purchase of property, plant and equipment	4,722,354	4,453,878
Financed by hire purchase arrangement	(2,174,897)	(1,890,039)
Other payable	(206,770)	(119,000)
Cash payments on purchase of property, plant and equipment	2,340,687	2,444,839

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2017 **RM**	**2016** **RM**
Unquoted shares, at cost	44,512,833	44,512,833
Less: Impairment of investment in subsidiaries	(12,241,063)	(12,241,063)
	32,271,770	32,271,770

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Effective equity interests 2017 %	2016 %	Principal activities
Ralco Plastic Sdn. Bhd.	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
Ralco Respack Polybag Sdn. Bhd.	100	100	Manufacturing of and trading in plastic and polyethylene packaging materials and all related products
Ralco Holdings Sdn. Bhd.	100	100	Investment holding
Ralco Trading Sdn. Bhd.	100	100	Trading of furniture
Ralco Compounding Sdn. Bhd.	100	100	Supply of renewable energy
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 2017 RM	2016 RM
At cost:		
Raw materials	6,135,825	5,324,113
Finished goods	7,330,470	6,256,891
	13,466,295	11,581,004
Recognised in profit or loss:		
Inventories recognised as cost of sales	78,407,321	78,524,567
Inventories written down	240,222	–
Inventories written off	161,375	–

9. TRADE RECEIVABLES

	GROUP 2017 RM	GROUP 2016 RM
Trade receivables	17,371,548	20,011,039
Less: Impairment loss on trade receivables		
As at 1 January	(570,687)	(184,971)
Impairment loss for the financial year	(658,029)	(385,716)
As at 31 December	(1,228,716)	(570,687)
	16,142,832	19,440,352

The currency exposure profile of trade receivables is as follows:

	GROUP 2017 RM	GROUP 2016 RM
Ringgit Malaysia	15,620,732	17,159,751
Singapore Dollar	1,750,816	1,939,642
US Dollar	–	911,646
	17,371,548	20,011,039

Trade debtors are granted credit period ranging from 30 to 90 days (2016: 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 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Other receivables	1,448,140	1,462,206	7,009	1,913
Deposits	1,355,997	609,421	–	–
	2,804,137	2,071,627	7,009	1,913

Included in the deposits of the Group are amounts totalling RM378,494 (2016: RM18,232) representing deposits paid for the acquisition of property, plant and equipment. The capital commitment has been disclosed in Note 33.

10. OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

The currency exposure profile of other receivables is as follows:

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	1,428,759	1,462,206	7,009	1,913
US Dollar	19,381	–	–	–
	1,448,140	1,462,206	7,009	1,913

11. OTHER ASSETS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Prepayments	522,183	327,218	22,099	10,316

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.

13. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash in hand	27,100	30,100	–	–
Cash at bank	1,085,899	3,383,008	123,654	63,555
	1,112,999	3,413,108	123,654	63,555

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

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	596,814	1,836,915	123,654	63,555
Singapore Dollar	434,080	262,127	–	–
US Dollar	82,105	1,314,066	–	–
	1,112,999	3,413,108	123,654	63,555

14. SHARE CAPITAL

GROUP/COMPANY	Number of ordinary shares		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Issued and fully paid				
As at 1 January/31 December	41,981,000	41,981,000	41,981,000	41,981,000

15. WARRANT RESERVE

	GROUP/COMPANY	
	2017 RM	2016 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 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.

16. HIRE PURCHASE LIABILITIES

	GROUP 2017 RM	GROUP 2016 RM
Minimum hire purchase instalments:-		
- not later than one year	1,548,247	1,053,910
- later than one year and not later than five years	4,133,810	2,040,060
	5,682,057	3,093,970
Unexpired term charges	(733,788)	(388,726)
Outstanding principal amount due	4,948,269	2,705,244
Outstanding principal amount due not later than one year	(1,233,266)	(895,225)
Outstanding principal amount due later than one year	3,715,003	1,810,019

	GROUP 2017 RM	GROUP 2016 RM
Repayable as follows:		
Current liabilities:		
- not later than 1 year	1,233,266	895,225
Non-current liabilities:		
- later than 1 year and not later than 5 years	3,715,003	1,810,019
	4,948,269	2,705,244

The average terms for hire purchase ranges from 3 to 5 (2016: 3 to 5) years and the average effective interest rate on hire purchase ranges from 3.75% to 7.99% (2016: 4.78% to 8.40%) per annum.

The hire purchase liabilities of RM1,451,538 (2016: NIL) is secured by way of a corporate guarantee from the Company.

17. DEFERRED TAX

(a) Deferred tax liabilities

	GROUP 2017 RM	GROUP 2016 RM
As at 1 January	1,525,500	1,525,500
Transfer to profit or loss (Note 25)	(243,500)	–
As at 31 December	1,282,000	1,525,500

17. DEFERRED TAX (CONTINUED)

(a) Deferred tax liabilities (continued)

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

	GROUP	
	2017 RM	2016 RM
Excess of net book value over tax written down value of property, plant and equipment	3,207,418	2,481,242
Unabsorbed capital allowances	(1,125,665)	(261,000)
Unutilised tax losses	(504,861)	(166,200)
Reinvestment allowance	–	(733,920)
Other temporary differences	(294,892)	205,378
	1,282,000	1,525,500

(b) Deferred tax assets

As at 31 December 2017, the Group and the Company has the following deferred tax assets which are not recognised in the financial statements as there are no probable future taxable income will be available to allow the assets to be utilised:

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Excess of net book value over tax written down	(53,491)	(975)	(557)	(622)
Unabsorbed capital allowances	77,609	5,233	–	654
Unutilised reinvestment allowance	8,620,826	7,886,906	–	–
Unutilised tax losses	347,396	209,155	38,002	58,909
	8,992,340	8,100,319	37,445	58,941

As at 31 December 2017, the Group and the Company have the following unabsorbed tax losses and unabsorbed capital allowances which are available to set-off against future chargeable income:

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Unabsorbed tax losses	1,447,483	871,479	158,342	245,454
Unabsorbed capital allowances	323,371	21,804	–	2,725
Reinvestment allowances	35,920,108	32,862,108	–	–
	37,690,962	33,755,391	158,342	248,179

18. TERM LOAN

	GROUP	
	2017	2016
Secured	RM	RM
Term loan at an effective interest rate of 8.00% (2016: 8.00%) per annum repayable by 72 equal monthly installments of RM168,670 each commencing from April 2011	–	236,209

Repayable as follows:-		
Current liabilities:-		
- not later than one year	–	236,209
Non-current liabilities:-		
- later than one year and not later than five years	–	–
	–	236,209

In the previous financial year, the term loan was secured by way of a corporate guarantee of RM9,620,000 by the Company.

19. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	GROUP	
	2017 RM	2016 RM
Ringgit Malaysia	6,637,816	7,833,351
US Dollar	2,171,327	1,464,689
	8,809,143	9,298,040

The credit periods granted by trade creditors range from 30 to 90 days (2016: 30 to 90 days) from the date of invoice.

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	7,531,964	6,250,710	74,342	53,307
Accruals	734,040	1,358,374	219,841	167,800
	8,266,004	7,609,084	294,183	221,107

20. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Included in the other payables of the Group are amounts of RM940,000 (2016: RM440,000) representing advances due to companies in which a director has interests. These amounts are unsecured, interest free and repayable on demand.

The currency exposure profile of other payables is as follows:

	GROUP		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Ringgit Malaysia	7,446,472	6,213,238	74,342	53,307
Singapore Dollar	39,142	37,472	–	–
US Dollar	46,350	–	–	–
	7,531,964	6,250,710	74,342	53,307

21. BILLS PAYABLE

	GROUP	
	2017 RM	**2016 RM**
Secured		
Bills payable	10,770,000	8,126,000

The bills payable bears effective interest rates ranging from 4.84% to 5.34% (2016: 2.91% to 5.14%) per annum.

The bills payable are secured by way of a corporate guarantee of RM13,500,000 (2016: RM13,500,000) by the Company.

22. REVENUE

	GROUP		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Sale of goods	76,276,612	84,527,145	–	–
Service income	8,212,457	3,571,534	–	–
Management fees	–	–	1,800,000	1,800,000
	84,489,069	88,098,679	1,800,000	1,800,000

23. FINANCE COSTS

	GROUP	
	2017 RM	**2016 RM**
Interest on bills payable	389,846	248,237
Hire purchase term charges	282,593	162,812
Interest on bank term loan	1,007	102,973
	673,446	514,022

24. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:-

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Auditors' remuneration				
- current year	106,700	100,700	24,000	24,000
- underprovision in prior financial year	7,000	–	–	–
- other	5,000	10,000	5,000	5,000
Bad debt written off	644,574	–	–	–
Depreciation of property, plant and equipment	3,387,632	3,572,162	274	136
Directors' remuneration				
- fees	163,333	140,000	163,333	140,000
- other emoluments	676,175	833,305	676,175	833,305
Goodwill written off	–	113,017	–	–
Impairment loss on trade receivables	658,029	385,716	–	–
Inventories written down	240,222	–	–	–
Inventories written off	161,375	–	–	–
Loss on foreign exchange				
- realised	141,861	13,988	–	–
Operating leases				
- rental of premises	795,838	867,902	–	–
- rental of equipment	105,300	87,660	–	–
Property, plant and equipment written off	125,842	–	–	–
And crediting:-				
Gain on disposal of property, plant and equipment	(154,467)	–	–	–
Gain on foreign exchange				
- unrealised	(66,591)	(85,289)	–	–
Interest income	(14,542)	(12,449)	–	–
Rental income	(71,700)	(10,400)	–	–

25. TAXATION

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Current financial year				
- income tax expense	4,932	4,432	–	–
- deferred taxation (Note 17)	(916,306)	–	–	–
	(911,374)	4,432	–	–
Under provision in prior financial years				
- income tax expense	810	2,547	309	8,692
- deferred taxation (Note 17)	672,806	–	–	–
Total tax expense	(237,758)	6,979	309	8,692

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

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Loss before taxation	(6,738,337)	(2,222,982)	(42,205)	(375,942)
Tax at the applicable tax rate of 24% (2016: 24%) for the Group and the Company	(1,617,201)	(533,516)	(10,129)	(90,226)
Tax effects in respect of:				
Depreciation of non-qualifying property, plant and equipment	3,617	94,300	–	–
Effect of change in tax rate	–	(85,011)	–	–
Non-allowable expenses	542,884	235,773	31,625	47,934
Temporary differences not recognised during the financial year	(29,693)	54,569	65	(360)
Unabsorbed tax losses	159,147	79,913	–	42,260
Unabsorbed capital allowance	73,030	56,760	–	392
Utilisation of capital allowance previously not recognised	(654)	100,766	(654)	–
Utilisation of unabsorbed tax losses previously not recognised	(20,907)	–	(20,907)	–
Temporary different on property, plant and equipment not recognised during the financial year	(22,478)	–	–	–
Permitted expenses not deductible under section 60F of the Income Tax Act 1967	881	878	–	–
	(911,374)	4,432	–	–

26. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

The basic loss per ordinary share is calculated based on consolidated net loss 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.

	2017	2016
Loss attributable to equity holders of the Company (RM)	(6,500,579)	(2,229,961)
Weighted average number of ordinary shares in issue	41,981,000	41,981,000
Basic loss per ordinary share (in sen)	(15.48)	(5.31)

(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 15, have an anti-dilutive effect.

27. STAFF COSTS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages, allowances and bonuses	12,596,754	12,035,419	1,264,345	1,581,850
EPF contributions	683,177	724,856	167,887	208,950
SOCSO contributions	71,928	66,197	10,139	7,541
Other staff related expenses	146,273	235,245	330	–
	13,498,132	13,061,717	1,442,701	1,794,341

28. 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 Executive Director 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 Executive Director, 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.

28. 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 Executive Director. 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 Executive Director. Hence no disclosure is made on segment liability.

2017	Plastic products RM	Others RM	Eliminations RM	Group RM
Revenue				
Sales to external customers	76,273,972	8,215,097	–	84,489,069
Inter-segment sales	5,594,673	1,828,910	(7,423,583)	–
Total revenue	81,868,645	10,044,007	(7,423,583)	84,489,069
Results				
Segment operating loss	(5,714,259)	(350,632)	–	(6,064,891)
Finance costs	(590,861)	(82,585)	–	(673,446)
Loss before taxation				(6,738,337)
Taxation				237,758
Net loss for the financial year				(6,500,579)
Other information				
Segment assets	64,648,064	7,921,321	(8,773,835)	63,795,550
Segment liabilities	38,574,917	4,275,305	(8,773,835)	34,076,387
Depreciation	3,141,734	245,898	–	3,387,632

28. OPERATING SEGMENTS (CONTINUED)

2016	Plastic products RM	Others RM	Eliminations RM	Group RM
Revenue				
Sales to external customers	84,525,187	3,573,492	–	88,098,679
Inter-segment sales	1,530,857	1,825,756	(3,356,613)	–
Total revenue	86,056,044	5,399,248	(3,356,613)	88,098,679
Results				
Segment operating loss	(1,169,725)	(539,235)	–	(1,708,960)
Finance costs	(514,022)	–	–	(514,022)
Loss before taxation				(2,222,982)
Taxation				(6,979)
Net loss for the financial year				(2,229,961)
Other information				
Segment assets	65,999,846	9,629,154	(9,909,181)	65,719,819
Segment liabilities	33,849,080	5,560,178	(9,909,181)	29,500,077
Depreciation	3,415,118	157,043	–	3,572,161

Major customers

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

	2017 RM	2016 RM	Segment
- Customer A	16,678,036	18,368,500	Plastic Products
- Customer B	12,191,420	11,208,198	Plastic Products
- Customer C	5,631,747	10,794,070	Plastic Products

29. 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:

Financial assets categorised as loans and receivables

	GROUP		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade receivables	16,142,832	19,440,352	–	–
Other receivables and deposits	2,804,137	2,071,627	7,009	1,913
Amount owing from subsidiaries	–	–	3,271,219	3,311,373
Cash and bank balances	1,112,999	3,413,108	123,654	63,555
As at the end of the financial year	20,059,968	24,925,087	3,401,882	3,376,841

Financial liabilities measured at amortised costs

	GROUP		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade payables	8,809,143	9,298,040	–	–
Other payables and accruals	8,266,004	7,609,084	294,183	221,107
Amount owing to a subsidiary	–	–	474,135	470,000
Borrowings	15,718,269	11,067,453	–	–
As at the end of the financial year	32,793,416	27,974,577	768,318	691,107

Further quantitative disclosures are included throughout these financial statements.

Net gains and losses arising from financial instruments

	2017 RM	**2016 RM**
Net gains/(losses) on:		
Loans and receivables	(1,288,061)	(287,978)
Financial liabilities measured at amortised cost	(606,855)	(514,022)
	(1,894,916)	(802,000)

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

(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.

(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.

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

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

The average credit period generally granted to trade receivable customers is between 30 to 90 days (2016: 30 to 90 days). But some customers take a longer period to settle the amounts. The table below illustrates the ageing analysis:

	GROUP	
	2017	**2016**
	RM	**RM**
Trade receivables:		
Less than 30 days	5,319,285	14,583,732
31-60 days	4,762,678	3,415,336
61-90 days	3,992,452	522,557
Over 91 days	3,297,133	1,489,414
	17,371,548	20,011,039
The total of overdue accounts was	8,953,391	8,748,244

	GROUP	
	2017	**2016**
	RM	**RM**
Concentration of trade receivable customers:		
Top 1 customer	4,807,246	5,853,618
Top 2 customer	699,667	2,633,595
Top 3 customer	647,681	1,411,069

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

Trade receivables that are neither past due nor impaired as at 31 December 2017 amounting to RM8,418,157 (2016: RM11,262,795) are creditworthy customers with good payment records.

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

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

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

Receivables that are past due but not impaired as at 31 December 2017 are:-

	GROUP	
	2017	**2016**
	RM	**RM**
1-30 days past due	4,705,457	5,618,128
31-60 days past due	1,793,625	1,285,575
61-90 days past due	430,431	430,577
More than 90 days past due	795,162	843,277
	7,724,675	8,177,557

The above receivables are not secured by any collateral.

The Group has trade receivables amounting to RM7,724,675 (2016: RM8,177,557) that are past due at the reporting date but not impaired are unsecured in nature. The Group has subsequently collected RM5,215,865 (2016: RM5,750,000) 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.

(c) Trade receivables that are impaired

Receivables that are impaired as at 31 December 2017 and the movement of the allowance for impairment account are as follows:-

	GROUP	
	2017	**2016**
	RM	**RM**
Trade receivable, nominal amount:	1,228,716	570,687
Less: Allowance for impairment loss		
As at 1 January	(570,687)	(184,971)
Impairment loss no longer required	(658,029)	(385,716)
As at 31 December	(1,228,716)	(570,687)
	–	–

These 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.

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

(b) Financial risk management (continued)

(i) Credit risk on financial assets (continued)

(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 RM12,221,538 (2016: RM8,362,209) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.

(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.

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

(b) Financial risk management (continued)

(ii) Liquidity Risk (continued)

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2017	Carrying amount RM	Contractual interest rate/coupon RM	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
GROUP						
Trade payables	8,809,143	–	8,809,143	8,809,143	–	–
Other payables and accruals	8,266,004	–	8,266,004	8,266,004	–	–
Hire purchase liabilities	4,948,269	3.75%-7.99%	5,682,057	1,548,247	2,746,962	1,386,848
Bill payables	10,770,000	4.84%-5.34%	10,770,000	10,770,000	–	–
At the end of the financial year	32,793,416		33,527,204	29,393,394	2,746,962	1,386,848
COMPANY						
Other payables and accruals	294,183	–	294,183	294,183	–	–
Amount owing to a subsidiary	474,135	–	474,135	474,135	–	–
Financial guarantee* (Note 29(b)(i)(e))	12,221,538	–	12,473,312	11,163,072	786,144	524,096
At the end of the financial year	12,989,856		13,241,630	11,931,390	786,144	524,096

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

(b) Financial risk management (continued)

(ii) Liquidity Risk (continued)

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (continued):

2016	Carrying amount RM	Contractual interest rate/coupon RM	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
GROUP						
Trade payables	9,298,040	–	9,298,040	9,298,040	–	–
Other payables and accruals	7,609,084	–	7,609,084	7,609,084		
Hire purchase liabilities	2,705,244	4.78%-8.40%	3,093,970	1,053,910	1,310,165	729,895
Bill payables	8,126,000	2.91%-5.14%	8,126,000	8,126,000	–	–
Term loan	236,209	8.00%	284,625	284,625	–	–
At the end of the financial year	27,974,577		28,411,719	26,371,659	1,310,165	729,895
COMPANY						
Other payables and accruals	221,107	–	221,107	294,183	–	–
Amount owing to a subsidiary	470,000	–	470,000	474,135	–	–
Financial guarantee* (Note 29(b)(i)(e))	8,362,209	–	8,410,625	8,410,625	–	–
At the end of the financial year	9,053,316		9,101,732	9,178,943	–	–

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

(b) Financial risk management (continued)

(ii) Liquidity Risk (continued)

*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.

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 loss after tax would have been RM14,853 (2016: RM13,346) 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.

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

(b) Financial risk management (continued)

(iv) Currency risk (continued)

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**
2017		
Bank balances	82,105	434,080
Trade receivables	–	1,750,816
Other receivables	19,381	–
Trade payables	(2,237,918)	–
Other payables	(46,350)	(39,142)
Net exposure	(2,182,782)	2,145,754
2016		
Bank balances	1,314,066	262,127
Trade receivables	911,646	1,939,642
Trade payables	(1,464,689)	–
Other payables	–	(37,472)
Net exposure	761,023	2,164,297

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

(b) Financial risk management (continued)

(iv) 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) 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 Profit or loss RM
2017	
USD	(165,891)
SGD	163,077
2016	
USD	(57,838)
SGD	164,487

30. 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.

31. 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.

31. CAPITAL MANAGEMENT (CONTINUED)

During 2017, the Group's strategy, which was unchanged from 2016, 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 2017 and 31 December 2016 were as follows:

	GROUP	
	2017	**2016**
	RM	**RM**
Total hire purchase liabilities (Note 16)	4,948,269	2,705,244
Total term loan (Note 18)	–	236,209
Total bills payable (Note 21)	10,770,000	8,126,000
Less: Cash and bank balances	(1,112,999)	(3,413,108)
Net debt	14,605,270	7,654,345
Total equity	29,719,163	36,219,742
Debt-to-equity ratio	0.491	0.211

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.

32. 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 3 years. None of the leases includes contingent rentals.

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

	GROUP	
	2017	**2016**
	RM	**RM**
Not later than one year	331,200	685,068
Later than one year and not later than five years	432,300	63,600
	763,500	748,668

33. CAPITAL COMMITMENTS

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Contracted but not provided for:				
Acquisition of property, plant and equipment	747,895	1,122,448	–	–

34. CONTINGENT LIABILITIES

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Unsecured corporate guarantees given to banks for credit facilities granted to a subsidiary	–	–	16,065,360	23,720,000

A corporate guarantee of RM1,965,360, NIL and RM13,500,000 (2016: NIL, RM9,620,000 and RM13,500,000) have been given by the Company to secure the hire purchase liabilities, term loan and bill payable of a subsidiary as disclosed in Note 16, Note 18 and Note 21 respectively.

35. 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 the Company, and certain members of senior management of the Group and the Company.

(a) The Company has controlling related party relationship with its subsidiaries.

35. RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Management fees charged to a subsidiary	–	–	1,800,000	1,800,000
Advances from companies in which a director has interests	500,000	440,000	–	–

Significant related party balances related to the above transactions are disclosed in Note 12 and 20.

(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	
	2017 RM	2016 RM
Fees	163,333	140,000
Other emoluments	586,666	480,000
EPF and SOCSO contribution	89,509	353,305
Total compensation	839,508	973,305

36. ACQUSITION OF SUBSIDIARY

In the previous financial year, the Group acquired all the shares in Ralco Respack Polybag Sdn. Bhd. for a total consideration of RM100 and from that date the Group gained control, it became a subsidiary. The transaction was accounted for by the acquisition method of accounting. The effects of the acquisition of the subsidiary on the financial results of the Group between the date of acquisition on 19 August 2016 and the end of the previous financial year are as follows:

	2016 RM
Sales	72,917
Cost of sales	(113,853)
Gross loss	(40,936)
Administrative expenses	(7,424)
Net loss before tax	(48,360)
Tax expenses	–
Net loss for the financial period	(48,360)

36. ACQUSITION OF SUBSIDIARY (CONTINUED)

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2016.

	2016 RM
Identified assets acquired and liabilities assumed	
Property, plant and equipment	55,090
Other receivables and deposits	112,853
Other assets	192,500
Cash and cash equivalents	124,455
Other payables	(597,815)
Total identifiable net liabilities	(112,917)
Goodwill on acquisition	113,017
Total purchase consideration	100
Less: Cash and cash equivalents	(124,455)
Net cash inflow	124,355

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	2016 RM
Total consideration transferred	100
Fair value of identifiable net assets	(113,117)
Goodwill	113,017

The goodwill was written off in the previous financial year.

37. SIGNIFICANT EVENT

On 3 November 2017, the Company had entered into a Shareholders' Agreement with Respack Manufacturing Sdn Bhd to dispose its 40% equity interest in a subsidiary, Ralco Respack Polybag Sdn Bhd for a total consideration of RM40 to Respack Manufacturing Sdn Bhd. The disposal was not completed as at the end of the financial year.

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 and the Company'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 4 April 2018.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

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 45 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2017 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

TAN HENG TA
Director

CHEONG TUCK KONG
Director

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **CHAI HOON BOON (MIA No. 21945)**, 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 45 to 101 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 (MIA No. 21945)

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 4 April 2018

Before me

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ralco Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 101.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

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

Key audit matters – Inventories (note 8)	How our audit addressed the key audit matters
Inventories are significant balance and the Group's main raw material, resin, a key component of finished goods inventories valuation, is subject to price volatility. The key drivers behind the price volatility are: (a) adverse fluctuation in world crude oil price which indirectly affects the price of resin; and (b) depletion of local currency, Ringgit Malaysia against foreign currencies in recent years has driven the resin price upward in the local market. Due to stiff competition in plastic industry, the Group may face challenges in adjusting the selling price of plastic products under competitive market force especially where fluctuation in resin price is showing upward trend. This can lead to potential issue over the recoverability of inventory balances of the Group may be affected when the adjustment in selling price is not reflective of the adverse fluctuation in resin price.	In this area, our audit procedures were performed as follows:- (a) compared the trend of resin price against world crude oil price during the year to understand the co-relationship between them; (b) understood the selling price setting policy of the Group; (c) agreed the cost of resin purchased on sampling basis to the relevant supporting documentation; (d) reviewed the standard costing and performed a reasonableness test on cost absorption to ascertain the accuracy of inventory valuation; and (e) performed net realisable value test to ascertain whether finished goods are stated at lower of cost or net realisable value.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis, Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

RSM Malaysia
AF: 0768
Chartered Accountants

Yeoh Kian Teck
03322/08/2019 J
Chartered Accountant

Kuala Lumpur

4 April 2018

LIST OF GROUP'S PROPERTIES
As at Year 2018

Locatio	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)	8,223,241	26	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)	2,207,199	21	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	186,377	23	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)	2,463,968	14	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	643,720	6	11/2/2011

ANALYSIS OF SHAREHOLDINGS
As at 30 March 2018

SHARE CAPITAL

Class of shares	:	Ordinary Shares
Issued Share Capital	:	41,981,000 ordinary shares
Voting rights	:	One (1) vote per Ordinary Share
Number of shareholders	:	933

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued and paid-up capital
Less than 100	26	2.79	883	0.00
100 – 1,000	59	6.32	35,840	0.09
1,001 – 10,000	716	76.74	2,075,012	4.94
10,001 – 100,000	93	9.97	2,576,420	6.14
100,001 – less than 5% of issued shares	37	3.97	24,477,545	58.30
5% and above issued shares	2	0.21	12,815,300	30.53
Total	**933**	**100.00**	**41,981,000**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS
AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS:

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	–	–

LIST OF DIRECTORS' SHAREHOLDINGS
AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS:

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, he is also deemed to be interested in the shares of all subsidiaries to the extent the Company has an interest.

LIST OF 30 LARGEST SHAREHOLDERS
As at 30 March 2018

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 Kok Wah	2,011,500	4.79
7.	Lee Thiam Lai	1,999,000	4.76
8.	Leong Fee Foon	1,985,200	4.73
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. for International Scientific (Private) Limited (5U-35388))	964,945	2.30
14.	Chia May Fong	712,800	1.70
15.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Wong Swee Yee)(M09)	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.	Er Kim Heng	444,700	1.06
19.	Yew Vui Heung	310,700	0.74
20.	Ching Gek Lee	300,000	0.71
21.	Gek Lee Enterprise Sdn. Bhd.	300,000	0.71
22.	Tan Siew Ling	275,100	0.66
23.	Syarikat Rimba Timur (RT) Sdn. Bhd.	275,000	0.66
24.	RHB Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Loh Tung Sing)	209,500	0.50
25.	Chai Fooi Heong	195,100	0.46
26.	Tan Siew Lan	188,000	0.45
27.	Kenanga Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Wong Siong Seh)	187,000	0.45
28.	Mak Ha @ Lum Hoi Heng	170,300	0.41
29.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
30.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Ting Hua Liong (E-BTL))	135,000	0.32

ANALYSIS OF
WARRANT HOLDINGS

As at 30 March 2018

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 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	13.15	2,315	0.01
100 – 1,000	76	17.84	55,074	0.27
1,001 – 10,000	149	34.98	586,922	2.89
10,001 – 100,000	102	23.94	4,289,706	21.09
100,001 – less than 5% of exercised warrants	40	9.39	9,954,938	48.94
5% of exercised warrants and above	3	0.70	5,452,000	26.80
Total	426	100.00	20,340,955	100.00

LIST OF DIRECTORS' WARRANT HOLDINGS
AS PER THE REGISTER OF DIRECTORS' WARRANT HOLDINGS

Name of Director	Direct	%	Indirect	%
Tan Heng Ta	1,761,500	8.66	–	–

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

LIST OF 30 LARGEST WARRANT HOLDERS
As at 30 March 2018

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.	Lim Kwee Seng	1,583,700	7.79
4.	Chan Thye Thian	975,800	4.80
5.	RHB Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Aw Khoon Lee)	564,140	2.77
6.	Maybank Nominees (Tempatan) Sdn. Bhd. (Ang Chin Han)	496,700	2.44
7.	Kor Seng Chai	415,500	2.04
8.	Kenanga Nominees (Asing) Sdn. Bhd. (RHB Securities Singapore Pte. Ltd. for International Scientific (Private) Limited (5U-35388)	385,978	1.90
9.	Er Yow Tong	367,500	1.81
10.	Er Kim Lan	335,000	1.65
11.	Sui Diong Hoe	321,343	1.58
12.	TA Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Lau Yen Chang)	300,000	1.47
13.	Tan Thong How	300,000	1.47
14.	Hoo Lay See	285,877	1.41
15.	Wong Kie Yung	273,100	1.34
16.	Ter Ban @ Tuh Hong Soon	260,200	1.28
17.	Wong Ah Yong	260,000	1.28
18.	Tong Jee Moi	256,900	1.26
19.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (CIMB Bank for Wong Ah Yong)(MY1278)	250,000	1.23
20.	HLIB Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Boon Kim Yu (CCTS))	249,960	1.23
21.	Low Saw Sian	218,500	1.07
22.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Cheah Chee Kong (E-MLB))	218,000	1.07
23.	Goh Yoke Choo	201,100	0.99
24.	Ambank (M) Berhad (pledged securities account for Wong Ah Yong (SMART))	200,000	0.98
25.	Chon Kee Kuan	200,000	0.98
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Wong Ah Yong (470281))	200,000	0.98
27.	Ling Lee Wee	199,900	0.98
28.	Vidhiya A/P Ravindran	186,000	0.91
29.	Ngo Tek Phang	183,696	0.90
30.	Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Liang Tek Ling)	163,060	0.80

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RALCO CORPORATION BERHAD (Company No. 333101-V)

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 23rd Annual General Meeting of the Company to be held at the Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 13th day of June 2018 at 10.00 a.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

Item	Agenda	Resolution	For	Against
1.	To approve the payment of Directors' fees amounting to RM168,000 for the financial year ended 31 December 2017.	Ordinary Resolution 1		
2.	To approve the Directors' remuneration (excluding Directors' fee) payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM100,000 for the financial period from 14 June 2018 until 30 June 2019.	Ordinary Resolution 2		
3.	To re-elect Datuk Lim Si Cheng, who retires by rotation pursuant to Article 64 of the Company's Constitution.	Ordinary Resolution 3		
4.	To re-elect Mr Cheong Tuck Kong, who retires by rotation pursuant to Article 64 of the Company's Constitution.	Ordinary Resolution 4		
5.	To re-elect Mr Tham Yew Chung, who retires pursuant to Article 69 of the Company's Constitution.	Ordinary Resolution 5		
6.	To re-appoint Messrs. RSM Malaysia as the Auditors of the Company.	Ordinary Resolution 6		
Special Business				
7.	To approve the authority to issue and allot shares.	Ordinary Resolution 7		
8.	To approve continuing in Office as an Independent Non-Executive Director – Datuk Lim Si Cheng.	Ordinary Resolution 8		

(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	%
	100%

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.*

CDS Account No.	
No. of share held	
Telephone No.	

Dated this ....day of 2018

____

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 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 6 June 2018.*

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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

Then fold here

ralcocorp.com.my

RALCO

RALCO CORPORATION BERHAD
(Company No. 333101-V)