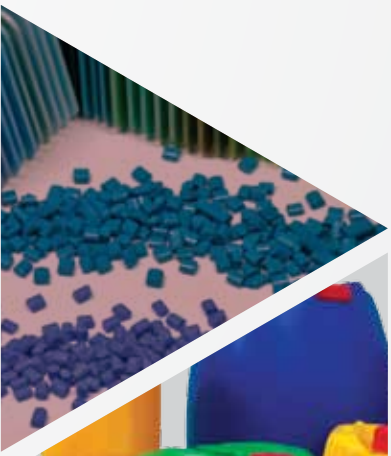
RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)



ANNUAL REPORT 2016

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NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 22nd 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, 14th day of June 2017 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 2016 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 RM140,000 for the financial year ended 31 December 2016. ***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 RM831,822 for the financial period from 1 January 2017 until the next Annual General Meeting. ***RESOLUTION 2***

4. To re-elect Mr. Heng Chee Wei, who retires by rotation pursuant to Article 64 of the Company's Constitution. ***RESOLUTION 3***

5. To re-elect Mr. Law Doung Chin, who retires by rotation pursuant to Article 64 of the Company's Constitution. ***RESOLUTION 4***

6. To re-elect Ms. Lim Chew Yin, who retires by rotation 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 Resolutions with or without modifications:-

8. **Ordinary Resolution** ***RESOLUTION 7***
Authority to issue and allot shares pursuant to Section 75 of the Companies Act, 2016

"**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 issued capital (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."

notice of annual general meeting (cont'd)

9. **Ordinary Resolution** ***RESOLUTION 8***
Continuing in Office as 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 nine years, to continue act as 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)
WAI SIEW MEI (MAICSA 7061055)
Company Secretaries

Kuala Lumpur
28 April 2017

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 2017.

notice of annual general meeting (cont'd)

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

(i) **Item 1 of the Agenda**
Audited Financial Statements for the financial year ended 31 December 2016

This Agenda item is meant for discussion only, as the provision 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 22nd 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 1 January 2017 until the next Annual General Meeting ("Relevant Period").

The Directors' remuneration (excluding Directors' fee) comprises the allowances and other emoluments payable to the Non-Executive Directors as 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)	695	695

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 22nd Annual General Meeting. The Board is of the view that it is just and equitable for the Directors to be paid 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.

notice of annual general meeting (cont'd)

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS: (CONT'D)

(iii) **Ordinary Resolution 7**
Authority to issue and allot shares pursuant to Section 75 of the Companies Act, 2016

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 issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

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

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

The Nomination Committee has assessed the independence of Datuk Lim Si Cheng, who has served as Independent Non-Executive Director of the Company for a cumulative term of 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 able to function as a check and balance, bring an element of objectivity to the Board;
b. he has been with the Company for 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.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

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

Tan Heng Ta
Managing Director

Heng Chee Wei
Chief Executive Officer

Cheong Tuck Kong
Independent Non-Executive Director

Law Doung Chin
Independent Non-Executive Director

Lim Chew Yin
Executive Director

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Wai Siew Mei
(MAICSA 7061055)

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**

RALCO CORPORATION BERHAD
(Company No. 333101-V)

- **100%** — **RALCO HOLDINGS SDN. BHD.** (Company No. 179529-T)
- **100%** — **RALCO PLASTIC SDN. BHD.** (Company No. 178902-X)
  - **100%** — **RALCO COMPOUNDING SDN. BHD.** (Company No. 754134-W)
- **100%** — **RALCO TRADING SDN. BHD.** (Company No. 183408-U)
- **100%** — **TEMASEK BAY SDN. BHD.** (Company No. 838871-H)
- **100%** — **RALCO RESPACK POLYBAG SDN. BHD.** (Company No. 1188458-D)

PROFILE OF **DIRECTORS**

DATUK LIM SI CHENG, PJN., PIS

Chairman, Senior Independent Non-Executive Director
Aged 67, 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.

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.

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. 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 2016.

Details of number of Board meetings attended by him during the financial year are set out in page 21 of this Annual Report.

TAN HENG TA

Managing Director
Aged 49, 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 2016.

Details of number of Board meetings attended by him during the financial year are set out in page 21 of this Annual Report.

profile of directors (cont'd)

HENG CHEE WEI, A.M.P.

Chief Executive Officer
Aged 46, Male, Malaysian

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

Mr. Heng is a member of the Malaysian Institute of Accountants. He obtained the qualification of Australian Society of Certified 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 also sits on the Board of ML Global Berhad as the Independent Non-Executive Director on 1 August 2014.

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 2016.

Details of number of Board meetings attended by him during the financial year are set out in page 21 of this Annual Report.

CHEONG TUCK KONG

Independent Non-Executive Director
Aged 44, Male,Malaysian

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

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 2016.

Details of number of Board meetings attended by him during the financial year are set out in page 21 of this Annual Report.

profile of directors (cont'd)

LAW DOUNG CHIN

Independent Non-Executive Director
Aged 46, Male,Malaysian

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

He has more than 10 years extensive and wide exposures experiences in accounting, financing and auditing and held several key manager position in auditing firm as well as in private limited companies 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 2016.

Details of number of Board meetings attended by him during the financial year are set out in page 21 of this Annual Report.

LIM CHEW YIN

Executive Director
Aged 58, Female,Malaysian

Ms Lim Chew Yin was appointed to the Board on 13 February 2017.

She holds a Masters of Business Administration (MBA) from University of Bath, United Kingdom and is an Associate of The Institute of Chartered Secretaries and Administrators (ACIS).

She has over 30 years of professional experience in the field of banking, construction, property development as well as manufacturing. Her last held position was independent non-executive director in Perwaja Holdings Berhad. Currently, she does not hold any directorship in other public companies and listed issuers.

She 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. She 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 her by any regulatory bodies during the financial year 2016.

PROFILE OF **KEY SENIOR MANAGEMENT**

CHAI HOON BOON

Chief Financial Officer
Aged 41, 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 2016.

LIM TUAN HOE

Group Operation Manager
Aged 34, 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 join 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 2016.

VOON PEI LEE

National Sales Manager
Aged 47, Male, Malaysian

Mr. Voon joined Ralco Plastic in year 2016. He holds a Diploma in Accounting from Segi College (formerly known as Systematic College). He has more than 25 years of working experience in sales & marketing industries.
He started his career as a sales representative in a FMCG (Fast Moving Consumer Group) company in year 1992. Moving forward as a sales & marketing manager in Hwa Tai Industries Berhad. Before joining Ralco Plastic Sdn Bhd, he was a senior manager of Syarikat Selamat Sdn Bhd. Mr Voon work as National Sales Manager on 15 December 2016 and is in charge of the overall sales & marketing related matters of the company. 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 2016.

STATEMENT ON **CORPORATE GOVERNANCE**

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

The Board is pleased to present below how the Group has applied the principles of corporate governance and the extent of compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). These principles and best practices have been applied consistently throughout the financial year ended 31 December 2016 except where otherwise stated herein.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

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 Directors, and Management as well as on properly constituted Board Committees comprising mainly/ exclusively Non-Executive Directors.

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 and leads strategic planning at the Board level. 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 Chief Executive Officer ("CEO") for implementing the policies and decisions of the Board but he is primarily accountable for overseeing the day-to-day operations of the Group to ensure the effective running of the Group.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Board Committees made up of Audit Committee, Nomination Committee and Remuneration Committee; and 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 Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

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.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company's strategic plans

The Board has in place a strategy planning process, whereby the Managing Director presents to the Board its recommended strategy, together with the proposed business plans for the Board's review and approval. The Board will deliberate both Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company's business

The Managing Director is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by the CEO and Management.

Management's performance, under the leadership of Managing Director, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Audit Committee, through guidance of the internal auditors, advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

(d) Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The Nomination Committee also undertakes yearly evaluation of the performance of the Chief Financial Officer. The performance evaluation of the Chief Financial Officer for year 2016 was reviewed by the Nomination Committee in February 2017.

statement on corporate governance (cont'd)

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions (Cont'd)

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

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.

In addition to the above, shareholders and 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.

(f) Reviewing the adequacy and integrity of management information and internal control systems of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control systems. Details pertaining to the Company's internal control systems and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

1.3 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 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 Group'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.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.4 Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

The Company recognises the value of a diversed and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to an equally diverse customer base. The Company's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

Schedule of Board and Committee meetings are determined in advance before the new financial year. This enables Management to plan ahead the yearly business and corporate affairs and ensure timely preparation of information for dissemination to the Board members. The Board has a defined schedule of matter reserved for Board's decision and that the Board papers for meetings will be circulated to the Board at least 5 days before the meeting. This is to ensure all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting.

1.6 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 namely the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

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

The Company Secretary attends and 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.

statement on corporate governance (cont'd)

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.7 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 21 March 2016 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 Corporate Governance principles.

2.0 STRENGTHEN COMPOSITION

The Directors, with their different background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, banking, marketing and operations.

The Independent Non-Executive Directors bring objective and independent judgement to the Board's decision-making process and provide a capable check and balance for the executive Board members and management. They contribute significantly in areas such as policy and strategy development, performance monitoring as well as improving governance and controls. The executive Board members are intimately knowledgeable about the business. Together, the Board comprised persons who are committed to business integrity and growth, professionalism in all its activities and have proper understanding and competence to deal with current and emerging business issues.

2.1 Nomination Committee

The present composition of the Nomination Committee comprises exclusively Independent Non-Executive Directors.

Two meetings were held during the financial year under review with full attendance from the members of the Nomination Committee, namely, Datuk Lim Si Cheng, Mr Cheong Tuck Kong and Mr Law Doung Chin. At the meeting during financial year 2016, the Committee deliberated over the following:-

- To assess the contribution of each individual Director;
- To review 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;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review the independence of Independent Directors;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- Discussed the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting ("AGM") and recommended the same for re-appointment/re-election by the shareholders.

2.0 STRENGTHEN COMPOSITION (CONT'D)

2.2 Senior Independent Non-Executive Director

The Chairman of the Nomination Committee, Datuk Lim Si Cheng has been identified by the Board as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed, pursuant to Recommendation 2.1 of the MCCG 2012. He can be contacted at sicheng333@gmail.com.

2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors

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 was 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.

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

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The Nomination Committee will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

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 state 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 are then recommended for re-election at the AGM.

The Company shall then provide orientation and on-going education to the Board.

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.

statement on corporate governance (cont'd)

2.0 STRENGTHEN COMPOSITION (CONT'D)

2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors (Cont'd)

Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

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 Chief Financial Officer during the financial year.

Diversity in Gender, Ethnicity and Age

The Board acknowledges the importance of boardroom diversity and the recommendation of the MCCG 2012 pertaining to the establishment of a gender diversity policy. 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. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

Nevertheless, the Company will endeavour to achieve 30% female directors by 2020. The Board through its Nomination Committee should take steps to ensure that women candidates are sought as part of the recruitment process.

In response to the above, the Company has appoint one (1) female Director in February 2017.

2.4 Remuneration Policies and Procedures

The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

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, and which are depend 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.

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

The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the coverage under the Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

2.0 STRENGTHEN COMPOSITION (CONT'D)

2.4 Remuneration Policies and Procedures (Cont'd)

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2016 are as follows:

	Group		Company	
Categories of Remuneration	**Executive Directors RM**	**Non-Executive Directors RM**	**Executive Directors RM**	**Non-Executive Directors RM**
Director Fees	56,000	84,000	56,000	84,000
Salary, Bonus and Incentive	726,252	–	726,252	–
Meeting Allowance	5,000	12,500	5,000	12,500
EPF Contribution	105,570	–	105,570	–
Benefit-in-kind	–	–	–	–
Total:	**892,822**	**96,500**	**892,822**	**96,500**

There was no service rendered by the Directors to the Group during the financial year ended 31 December 2016.

The number of Directors whose remuneration falls within the following bands is tabulated as below:

	Group		Company	
Range of Remuneration	**Executive Directors**	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
RM50,001 – RM100,000	–	3	–	3
RM400,001 – RM450,000	2	–	2	–
Total	**2**	**3**	**2**	**3**

Successive bands between RM100,001 and RM400,000 are not shown as they are not applicable.

Remuneration payable to Directors of the Company and its group of companies during the year analysed into bands above, which complies with the disclosure requirements under the Main Market Listing Requirements.

statement on corporate governance (cont'd)

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and its involvement in any significant transaction with the Company.

Based on the above assessment in 2016, 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 board deliberations.

3.2 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 justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

3.3 Shareholders' approval for the Continuance Office as Independent Directors

The Nomination Committee will assess the independence of the Independent Director based on the assessment criteria developed by the Nomination Committee, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

Currently, there is one (1) long serving Independent Non-Executive Director, Datuk Lim Si Cheng, who has served for a cumulative term of 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 under the definition of Independent as set out in Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 Independent Director of the Company.

3.4 Separation of the Positions of the Chairman and the Managing Director

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.

The distinct and separate roles of the Chairman and Managing Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

3.0 REINFORCE INDEPENDENCE (CONT'D)

3.5 Composition of the Board

The Board of Directors currently comprises Six (6) members, of whom three (3) are Independent Non-Executive Directors and three (3) Executive Directors. The three (3) Independent Non-Executive Directors fulfilled the criteria of independence as defined in the Main Market Listing Requirements. The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The Board composition has met the Main Market Listing Requirements and the MCCG 2012 for a balance board is fulfilled with Independent Directors constituting more than one-third of the Board.

The Independent Non-Executive Directors are of the calibre necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills 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 Managing Director is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on the pages 8 to 10 of this Annual Report.

4.0 FOSTER COMMITMENT

4.1 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 Attended
Datuk Lim Si Cheng	Chairman and Senior Independent Non-Executive Director	5/5
Tan Heng Ta	Managing Director	5/5
Heng Chee Wei	CEO	4/5
Cheong Tuck Kong	Independent Non-Executive Director	5/5
Law Doung Chin	Independent Non-Executive Director	5/5
Lim Chew Yin (Appointed w.e.f 13 February 2017)	Executive Director	–

statement on corporate governance (cont'd)

4.0 FOSTER COMMITMENT (CONT'D)

4.1 Time Commitment (Cont'd)

There were Five (5) Board meetings held during the financial year ended 31 December 2016.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

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.

4.2 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 2016, save for Mr Cheong Tuck Kong who was not able to attend any Directors' Training during the financial year due to busy schedule, 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 • Highlights of the Companies Act 2016 – Changes & Implications	25 November 2016
2.	Mr Heng Chee Wei • PWC's Transpacific Forum • SDA Seminar on Enhancing Global Competitiveness through Standards Introducing: MS 1905:2015 and MS 1405:2008 • Highlights of the Companies Act 2016 – Changes & Implications	26 April 2016 25 October 2016 25 November 2016
3.	Mr Tan Heng Ta • The Interplay Between CG, NFI and Investment Decision – What Boards of Listed Companies Need to Know	28 September 2016
4.	Mr Law Doung Chin • Performance Improvement Workshop	16 June 2016

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

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.

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the Audit Committee to oversee and scrutinise the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

5.2 Assessment of suitability and independence of external auditors

The Audit Committee is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

The Audit Committee has reviewed the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors. The external auditors had provided a confirmation of their independence to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In the assessment of the External Auditors, the Audit Committee considered several factors which included adequacy of experience and resources of the firm and professional staff assigned to the audit and independence of the External Auditors.

Based on the Audit Committees' assessment of the External Auditors, the Board satisfied with the quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for financial year 2016.

In view thereof, the Board has recommended the re-appointment of Messrs RSM Malaysia as the External Auditors at the 22nd AGM.

statement on corporate governance (cont'd)

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's risk management framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The Audit Committee oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

6.2 Internal Audit Function

The Company has outsourced its Internal audit function to a professional services firm to assist the Audit Committee in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on page 31 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2016.

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy and Procedures

Corporate disclosure and information are important for investors and 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 Main Market Listing Requirements on the financial results and various announcements.

Management is invited to attend the Board and Audit Committee meetings and to provide explanations to the Board on the financial performance of the Group.

The Group leverages on its corporate website to disseminate and add depth to its communication with the public. News alert feature in the website is available for public community.

The board charter was formalised and published on its present corporate website.

7.2 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 share price information, all announcements made by the Company, Annual Reports, financial results, etc.

Through the Company's website, the stakeholders are able to direct queries to the Company.

8.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman/ Senior Independent Director ensures that the Board is accessible to shareholders and an open channel of communication is cultivated.

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.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which in line with the Main Market Listing Requirements, the Company had amended its Constitution to include explicitly the right of proxies to speak at general meetings.

8.2 Encourage poll voting

At the 21st AGM of the Company held on 16 June 2016, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

8.3 Effective communication and proactive engagement

At the 21st AGM, 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.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2016 complied with the principles and recommendations of the MCCG 2012 where it was specifically stated otherwise.

This Corporate Governance statement is made in accordance with the resolution of the Board dated 29 March 2017.

statement on corporate governance (cont'd)

CORPORATE RESPONSIBILITY

The introduction of the Sustainability Framework by Bursa Securities in October 2015 has given our philosophy of Corporate Social Responsibility a new perspective where disclosures to meet the environment, social and governance ("ESG") criteria has been given greater emphasis. As a continuous programme, the Group is keen on helping to enhance in the various ESG programmes and activities that would reach all levels of society with lasting and meaning impact.

During the financial year, the Group also showed its concern for the well being of society by reaching out to the under-privileged group by providing job opportunity to the disabled personnel. The Group also contributed to the SJK(C) Bandar Sungai Long by giving donation for the funding of Pembinaan Classroom. The Group also continues to emphasise on a high priority of having a safe and healthy workplace for all its employees and promoting occupational safety and health activities in its business activities.

We hope that our contribution, big or small, would pave the way for many more activities for the benefit of the local communities as well as others.

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 Listing Requirements.

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

In the preparation of the financial statements for financial year ended 31 December 2016, 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 2016, the amount of the audit fees paid to the external auditors by the Company and on a Group basis were RM 24,000 and RM 99,700 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 2016.

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 and major shareholders.

4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPT")

The Company did not seek for shareholders' mandate to enter into recurrent related party transactions ("RRPT") of revenue or trading nature at the Annual General Meeting in year 2016 and will monitor closely the transaction value of RRPT, if any, in accordance with paragraph 10.09 of the Main Market Listing Requirement.

AUDIT COMMITTEE **REPORT**

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

1. COMPOSITION 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
Cheong Tuck Kong	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 Cheong Tuck Kong, 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 Main Market Listing Requirements of Bursa Securities.

2. SUMMARY OF WORK DURING THE FINANCIAL YEAR

The work carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year were 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 Main Market Listing Requirements of Bursa Securities and other legal requirements.

In the review of 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 the 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 WORK DURING THE FINANCIAL YEAR (CONT'D)

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; reviewed the external auditors' management letter and Management's responses thereto; and reviewed the External Auditors' objectivity and independence. In assessing independence, the Audit Committee reviewed the fees and expenses paid to the external auditors during the year. The Audit Committee is of the opinion that the auditors' independence has not been compromised based on the confirmation provided by the external auditors.

In addition, the Audit Committee reviewed and evaluated RSM's audit plan for the financial year ended 31 December 2016. 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.

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 auditors the internal audit reports 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 outsourced 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 Main Market Listing Requirements of Bursa Securities and Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer, for inclusion into the Annual Report.

audit committee report (cont'd)

3. TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee reviewed the revised terms of reference of the Audit Committee during the financial year to ensure the terms of reference are in line with the MCCG 2012 and Main Market Listing Requirements before recommending to the Board for approval.

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 outsourced its internal audit function to an independent professional consulting firm 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) reviewed and appraised the adequacy, integrity and effectiveness of the current system of internal control of the Group.

(ii) performed a risk assessment of the Group to identify and evaluate the principal risk factors and ensuring the implementation of appropriate internal control processes and procedures to mitigate these risks.

(iii) allocating adequate audit resources, in accordance with the internal audit plan approved by the Audit Committee to carry out internal audits on key operations of the Group so as to provide the Board with an effective and efficient audit coverage.

During the financial year, the Internal Auditors have undertaken the following activities:

- performance of audit on raw material mixed and usage for blowing Johor Plant and human resource;
- issuance of reports on the results of the internal audit review, identifying key weaknesses with suggested recommendation to Management for further action;
- attended Audit Committee meetings to table and discuss the internal audit reports.

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

The fee (inclusive of Goods and Services Tax) paid to the professional consulting firm in respect of the internal audit function for the financial year ended 31 December 2016 was RM22,300.

Further details of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control on page 31 of this Annual Report.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The MCCG 2012 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 Main Market Listing Requirements of Bursa Securities 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 responsibility for the Group's systems of risk management and internal control and the need to review its adequacy and integrity regularly. In view of the inherent limitations in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and the system by its nature can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT FRAMEWORK

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

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Messrs H Corp Management Sdn. Bhd. ("H-Corp"), an independent professional firm, reporting to the Audit Committee.

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

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

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

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

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

- the responsibilities of the committees to the Board and management are clearly defined in the organization structure to ensure the effective discharge of their roles and responsibilities towards the Group.
- the limits of authority of the Group has been defined and adopted accordingly.
- 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 internal auditors during the financial year ended 31 December 2016. These were reviewed by the Audit Committee and Board and were closely monitored by Management to ensure the integrity of internal controls and minimization of risks.

The Board is committed to an effective internal control system and is of the view that there is continuous process in evaluation and managing risks faced by the Group. In addition, the Board has also received assurance from the CEO 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

The external auditors had reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 31 December 2016. 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 Company.

GROUP **FINANCIAL HIGHLIGHTS**
for the year ended 31 December 2016

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
INCOME STATEMENT					
Gross Revenue	88,099	96,911	101,105	98,964	92,379
Profit/(Loss) Before Tax	(2,223)	2,419	468	969	(1,617)
Profit/(Loss) After Tax	(2,230)	2,463	413	395	(1,000)
BALANCE SHEET					
Property, Plant and Equipment	25,710	24,748	25,730	28,528	28,943
Prepaid lease repayment	3,085	3,110	3,135	3,160	3,185
Investment in quoted securities	–	–	–	–	–
Net Current Assets/(Liabilities)	10,760	13,530	12,090	11,677	11,174
Total Assets Employed	39,555	41,388	40,955	43,365	43,302
Shareholders' Fund	36,220	38,450	35,987	35,575	35,179
Minority Interest	–	–	–	–	–
Non-Current Liabilities	3,335	2,938	4,968	7,790	8,123
Total Funds Employed	39,555	41,388	40,955	43,365	43,302
PER RM 1 ORDINARY SHARE					
Earnings/(Loss) Per Share (sen)	(5.31)	5.87	0.98	0.94	(2.38)
Net Tangible Assets Per Share (RM)	0.86	0.92	0.86	0.85	0.84

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.

√ Our Mission-3Ps

Product Quality & Consistency

Profitability for Stakeholders

People Centric

management discussion and analysis (cont'd)

1. OVERVIEW

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 grown and 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 Jerrican (blow molding) and Pail (injection molding) in various sizes. Jerrican(s) are widely used for the packing of liquid form of chemical products as well as for edible oils while pails are utilized predominantly for the packing of paints for both household and industrial use.

As Jerrican is a main packaging material for oil filling we have in 2009, expanded our activity to include the provision of edible oil filling service to boost the sales of our plastic Jerrican.
In addition, as part of our continuous customer's service program and in our efforts to provide one stop solution we also offer customized services such as designing, printing and labelling based on specific requirements.

Markets

Our current market is mainly domestic with approximately 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 is located in Nilai Industrial Estate, the state of 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 114,757 sq. ft. with a total workforce of approximately 238 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 two other manufacturing plants which are strategically located in Skudai the Southern State of Johore, and another in Telok Gong, Port Klang, Selangor. The Johor plant is a single story detached factory cum 2-story office annexe 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 85 and it is specialise in the manufacture of blow molding products, catering to markets in the vicinity of Johor as well as Malacca and for our customers in Singapore.

The Port Klang plant is a single story factory of approximately 25,000 sq. ft. built up area with a land area of approximately 1 hectare. This plant has a total workforce of approximately 79 with both facilities for the manufacturing of blow molding product and providing edible oil packing and filling services.

management discussion and analysis (cont'd)

2. BUSINESS REVIEW

For the year under review, our revenue has dropped by 9% due to decline in sales. The decline can be attributed to non-optimization of production caused by aging machine averaging more than 20 years.

The Group is therefore undertaking an exercise to progressively upgrade and replace machines to ensure that our plants are running at optimum capacity.

The Group, like others in the manufacturing sector is also affected by the shortage of foreign operators as well the implementation of the minimum wage policy which has also affected the costs of production.

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

To attract more local workers, we have adopted a strategy of offering flexi working hours and part time job basis. By adopting this strategy, we hope to tap into and attract women labour force especially housewives wishing to earn extra income to ease their financial burden and at the same time to reduce over dependency on foreign labour.

Review of Operations

Injection molding

The orders from this product segment remains strong. Nevertheless, we will continue to optimize our capacity and production output to fulfill orders.

Blow molding

Orders from this product segment show 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 and ensure timely deliveries

3. FINANCIAL REVIEW

Revenue

The group revenue for the financial year was RM88.10 million, a decrease of RM8.81 million or 9.09% compared to the previous financial year of RM96.91 million. This was mainly due to the lower demand for blow molding products from existing customers particularly from the palm oil refinery sector. Beside this, aggressive competitions from low price manufacturers have continued challenge our revenue.

Manufacturing Costs

Total cost of sales for the group for the year was RM80.05 million against RM85.72 million in the previous financial year. The decrease in total cost of sales was due to the decline in turnover for the financial year.

Gross profit margin dropped by 2.42% from 11.55% in previous financial year to 9.13% in the current year due to the increase in the cost of raw material to approximately 64% of sale compared to 63% in the previous financial year. Factory overheads had also increased from 11.8% of sale in the previous financial year to 12% in current financial year. The group's direct labour costs increase from 9.9% to 10%.

This increase in manufacturing costs can be contributed by higher raw material prices, implementation of minimum wages policy in Malaysia and also production inefficiency due to aging machineries.

3. FINANCIAL REVIEW (CONT'D)

Other Income

Other income reduced significantly from RM0.79 million in previous financial year to RM0.12 million in current financial year. This is mainly due to lower foreign exchange gain.

Expenses

Selling and distribution cost reduce from RM3.70 million to RM3.21 million, it was in proportion with the decline in turnover. Total admin expenses increased by RM1.23 million from RM5.32 million to RM6.55 million, this was mainly due to provision of impairment loss on trade receivables of RM0.39 million in the current financial year and increase in staff expenses.

Finance Costs

This is mainly due to the reduction in the utilization of term loan facility which has a higher financing cost and utilization of trade facilities which has increase from RM3.39 million to RM8.13 million.

Taxation

Tax expense of RM7,000 is due to non-tax deductible expenses for one of our subsidiary company.

Profit after Tax

The Group incurred a loss of RM2.23 million compare to profit after taxation of RM2.46 million in previous financial year.

Liquidity and Capital Resources

The Group cash position increased marginally from RM3.27 million as at 31 December 2015 to RM3.41 million as at 31 December 2016. Net cash generated from operations was RM1.07 million. Bank borrowing had increase by RM1.41 million and RM2.44 million was used for capital expenditure.

Dividend

The Board is not proposing any dividend for the financial year ended 31 December 2016.

4. OUTLOOK OF FUTURE PROPECTS

Against the backdrop of rising labour and raw material costs (in particular the rising crude oil prices), the impact of the GST as well as the volatility of the Malaysian Ringgit, the Group will continue to operate under a challenging and competitive environment. In this respect the Group will continue to focus our efforts to improving production efficiency, increase productivity and accelerating costs control measures.

Going forward, the Group will be concentrating its efforts in developing and expanding both the local and international market. In addition, the Group will also be working closely with both existing and new customers to expand our product range and to diversify into higher value added products which can generate better margins.

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DIRECTORS' REPORT

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 2016.

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	2,229,961	384,634

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

RESERVES AND PROVISIONS

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

WARRANT

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

The salient terms of the Warrants are set out below:

(i) The Warrants are issued in registered form and constituted by a Deed Poll dated 3 November 2009 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 each in the Company at exercise price of RM1.00 per new share, subject to the adjustments in accordance with the provisions of the Deed Poll at the issue price of RM0.02 per New Warrants.

(ii) The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or Warrants Register is/are closed. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(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.

directors' report (cont'd)

WARRANT (CONT'D)

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

	Number of warrants 2009/2019			
	At 1.1.2016	Exercised/Disposal		At 31.12.2016
Number of unexercised Warrants	20,340,955	–	–	20,340,955

ISSUE OF SHARES AND DEBENTURES

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

DIVIDEND

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

DIRECTORS

The directors who held office 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 *(Appointed on 13.02.2017)*

SUBSIDIARY COMPANIES
Heng Chee Wei
Tan Heng Ta

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 ordinary shares			
	At 1.1.2016	Acquired	(Disposed)	At 31.12.2016
THE COMPANY				
Direct interest				
Tan Heng Ta	8,736,800	–	–	8,736,800

	Number of warrants 2009/2019			
	At 1.1.2016	Acquired	(Disposed)	At 31.12.2016
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.

directors' report (cont'd)

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 there were no known bad debts to be 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 require any write off for bad debts or render 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 (CONT'D)

(III) AS AT THE DATE OF THIS REPORT

(d) There are no charges on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(e) There are no contingent liabilities of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in the note to financial statements.

(f) The directors are not aware of any circumstances not otherwise dealt with in the report of financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

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

HENG CHEE WEI
Director

31 March 2017

STATEMENTS OF **FINANCIAL POSITION**
as at 31 December 2016

	Note	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
NON-CURRENT ASSETS					
Property, plant and equipment	6	28,794,516	27,857,710	2,593	5
Investments in subsidiaries	7	–	–	32,271,770	32,271,670
CURRENT ASSETS					
Inventories	8	11,581,004	13,792,814	–	–
Trade receivables	9	19,440,352	19,797,172	–	–
Other receivables and deposits	10	2,071,627	2,061,101	1,913	7,272
Other assets	11	327,218	317,237	10,316	39,820
Amount owing from subsidiaries	12	–	–	3,311,373	3,673,502
Tax recoverable		91,994	53,169	9,641	10,544
Cash and bank balances	13	3,413,108	3,266,450	63,555	72,698
		36,925,303	39,287,943	3,396,798	3,803,836
TOTAL ASSETS		65,719,819	67,145,653	35,671,161	36,075,511
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		(6,168,086)	(3,938,125)	(7,407,774)	(7,023,140)
TOTAL EQUITY		36,219,742	38,449,703	34,980,054	35,364,688
NON-CURRENT LIABILITIES					
Hire purchase liabilities	16	1,810,019	1,176,198	–	–
Deferred tax liabilities	17	1,525,500	1,525,500	–	–
Term loan	18	–	236,209	–	–
		3,335,519	2,937,907	–	–

statements of financial position (cont'd)

	Note	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
CURRENT LIABILITIES					
Trade payables	19	9,298,040	14,880,692	–	–
Other payables and accruals	20	7,609,084	4,512,874	221,107	235,823
Amount owing to a subsidiary	12	–	–	470,000	475,000
Hire purchase liabilities	16	895,225	1,048,410	–	–
Term loan	18	236,209	1,921,067	–	–
Bills payable	21	8,126,000	3,395,000	–	–
		26,164,558	25,758,043	691,107	710,823
TOTAL LIABILITIES		29,500,077	28,695,950	691,107	710,823
TOTAL EQUITY AND LIABILITIES		65,719,819	67,145,653	35,671,161	36,075,511

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 2016

	Note	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
REVENUE	22	88,098,679	96,910,937	1,800,000	1,800,000
COST OF SALES		(80,054,427)	(85,718,322)	–	–
GROSS PROFIT		8,044,252	11,192,615	1,800,000	1,800,000
OTHER INCOME		120,071	792,603	–	–
SELLING AND DISTRIBUTION COSTS		(3,210,959)	(3,703,200)	–	–
ADMINISTRATIVE EXPENSES		(6,549,307)	(5,315,606)	(2,175,942)	(1,895,796)
OTHER OPERATING EXPENSE		(113,017)	–	–	–
FINANCE COSTS	23	(514,022)	(547,509)	–	–
(LOSS)/PROFIT BEFORE TAXATION	24	(2,222,982)	2,418,903	(375,942)	(95,796)
TAXATION	25	(6,979)	43,619	(8,692)	–
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(2,229,961)	2,462,522	(384,634)	(95,796)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE (EXPENSE)/INCOME		(2,229,961)	2,462,522	(384,634)	(95,796)

		GROUP 2016 RM	GROUP 2015 RM
(Loss)/Earnings per share (sen):	26		
Basic		(5.31)	5.87
Diluted		–	–

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

STATEMENTS OF **CHANGES IN EQUITY**
for the financial year ended 31 December 2016

	← Attributable to Owners of the Company →			
	Share capital RM	Non-distributable warrant reserve RM	Accumulated losses RM	Total equity RM
GROUP				
Balance as at 1.1.2015	41,981,000	406,828	(6,400,647)	35,987,181
Total comprehensive income for the financial year ended 31.12.2015	–	–	2,462,522	2,462,522
Balance as at 31.12.2015/ 1.1.2016	41,981,000	406,828	(3,938,125)	38,449,703
Total comprehensive income for the financial year ended 31.12.2016	–	–	(2,229,961)	(2,229,961)
Balance as at 31.12.2016	41,981,000	406,828	(6,168,086)	36,219,742
COMPANY				
Balance as at 1.1.2015	41,981,000	406,828	(6,927,344)	35,460,484
Total comprehensive expense for the financial year ended 31.12.2015	–	–	(95,796)	(95,796)
Balance as at 31.12.2015/ 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	41,981,000	406,828	(7,407,774)	34,980,054

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

STATEMENTS OF **CASH FLOWS**
for the financial year ended 31 December 2016

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(2,222,982)	2,418,903	(375,942)	(95,796)
Adjustments for:				
Depreciation of property, plant and equipment	3,572,162	3,546,052	136	–
Impairment loss on trade receivables	385,716	–	–	–
Impairment loss on trade receivables no longer required	–	(16,721)	–	–
Interest expenses	514,022	547,509	–	–
Interest income	(12,449)	(4,399)	–	–
Gain on disposal of property, plant and equipment	–	(130,490)	–	–
Goodwill written off	113,017	–	–	–
Unrealised gain on foreign exchange	(85,289)	(54,407)	–	–
Operating profit/(loss) before working capital changes	2,264,197	6,306,447	(375,806)	(95,796)
Decrease/(Increase) in inventories	2,211,810	(4,853,010)	–	–
Decrease in trade receivables	56,393	440,063	–	–
Decrease/(Increase) in other receivables and deposits	102,327	(978,468)	5,359	(7,272)
Decrease/(Increase) in other assets	182,519	(177,422)	29,504	(39,820)
(Decrease)/Increase in trade payables	(5,582,652)	4,099,153	–	–
Increase/(Decrease) in other payables and accruals	2,379,395	(569,108)	(14,716)	24,782
Cash generated from/(used in) operations	1,613,989	4,267,655	(355,659)	(118,106)
Interest received	12,449	4,399	–	–
Interest paid	(514,022)	(547,509)	–	–
Tax paid	(45,804)	(99,110)	(7,789)	(21,544)
Tax refund	–	28,900	–	–
Net cash generated from/ (used in) operating activities	1,066,612	3,654,335	(363,448)	(139,650)

statements of cash flows (cont'd)

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 6(d))	(2,444,839)	(1,414,297)	(2,724)	–
Proceeds from disposal of property, plant and equipment	–	130,500	–	–
Acquisition of a subsidiary	–	–	(100)	–
Acquisition of a subsidiary, net of cash and cash equivalent acquired	124,355	–	–	–
Repayment from a subsidiary	–	–	357,129	119,707
Net cash (used in)/generated from investing activities	(2,320,484)	(1,283,797)	354,305	119,707
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of receivable finance	–	(612,716)	–	–
Increase/(Decrease) in bills payable	4,731,000	(166,000)	–	–
Repayment of term loan	(1,921,067)	(1,774,000)	–	–
Repayment of hire purchase	(1,409,403)	(1,021,631)	–	–
Net cash generated from/(used in) financing activities	1,400,530	(3,574,347)	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	146,658	(1,203,809)	(9,143)	(19,943)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,266,450	4,470,259	72,698	92,641
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13)	3,413,108	3,266,450	63,555	72,698

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

NOTES TO THE **FINANCIAL STATEMENTS**
- 31 December 2016

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, 1965 in Malaysia except that Note 39 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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 (CONT'D)

(b) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

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

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

(iii) Transactions eliminated on consolidation

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

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

(c) Property, plant and equipment and depreciation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment and depreciation (Cont'd)

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.

(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.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leased assets (Cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

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

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

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

(h) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement of financial assets

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

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

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

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

For the financial years ended on 31 December 2016 and 2015, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Cont'd)

(ii) Subsequent measurement of financial assets (Cont'd)

(b) Loans and receivables

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

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

(c) Held-to-maturity financial assets

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

For the financial years that ended on 31 December 2016 and 2015, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Cont'd)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Cont'd)

(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 2016 and 2015, the Group and the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Cont'd)

(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.

(j) Foreign currencies transactions and balances

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

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

(k) Equity

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

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

(i) Dividend distribution

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Equity (Cont'd)

(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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employees benefits

(i) Short-term benefit

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

(ii) Defined contribution plan

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

(p) Revenue recognition

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

(i) Revenue from the sale of goods

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

(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.

notes to the financial statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Borrowing costs

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

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

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

(r) Income taxes

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

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

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

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 (CONT'D)

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

(u) Fair value measurement

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

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

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

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

notes to the financial statements (cont'd)

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 2016:

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

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 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)*

4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS (CONT'D)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (Cont'd)

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

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

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* has not been taken into consideration because it is 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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

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

notes to the financial statements (cont'd)

4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS (CONT'D)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (Cont'd)

MFRS 15 *Revenue from Contracts with Customers*

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

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

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 their 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Depreciation of plant and machinery

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

(c) Allowance for impairment losses of trade receivables

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

(d) Asset impairment tests

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

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

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

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

(e) Net realisable value of inventories

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Fair value measurement

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

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

(g) Deferred tax estimation

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

(h) Contingencies

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

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
GROUP 2016							
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	–	4,397,235	–	39,368	17,275	–	4,453,878
As at 31.12.2016	22,344,697	89,498,449	1,993,971	2,203,108	956,007	1,627,449	118,623,681
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
Net carrying amount							
As at 31.12.2016	14,162,853	13,512,081	39,619	208,838	31,382	839,743	28,794,516

notes to the financial statements (cont'd)

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

	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
GROUP 2015							
Cost							
As at 1.1.2015	22,275,301	89,123,636	1,961,581	2,115,710	923,007	683,215	117,082,450
Addition	69,396	1,447,107	29,530	48,030	–	944,234	2,538,297
Disposal	–	(5,506,034)	–	–	–	–	(5,506,034)
As at 31.12.2015	22,344,697	85,064,709	1,991,111	2,163,740	923,007	1,627,449	114,114,713
Accumulated depreciation							
As at 1.1.2015	7,264,514	75,994,029	1,928,911	1,793,200	922,975	313,346	88,216,975
Charge for the financial year	487,431	2,723,262	11,917	130,874	–	192,568	3,546,052
Disposal	–	(5,506,024)	–	–	–	–	(5,506,024)
As at 31.12.2015	7,751,945	73,211,267	1,940,828	1,924,074	922,975	505,914	86,257,003
Net carrying amount							
As at 31.12.2015	14,592,752	11,853,442	50,283	239,666	32	1,121,535	27,857,710

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

	Furniture and fittings RM	Office equipment RM	Total RM
COMPANY 2016			
Cost			
As at 1.1.2016	261,733	13,669	275,402
Addition	–	2,724	2,724
As at 31.12.2016	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
Net carrying amount			
As at 31.12.2016	3	2,590	2,593

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

notes to the financial statements (cont'd)

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

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

	GROUP	
	2016 RM	2015 RM
Freehold land and buildings	193,343	200,309
Factory buildings on leasehold land	10,885,066	11,282,943
Leasehold land	3,084,444	3,109,500
	14,162,853	14,592,752

(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	
	2016 RM	2015 RM
Buildings	1,209,048	820,157
Plant and machinery	–	5
Leasehold land	2,165,747	1,213,800
	3,374,795	2,033,962

(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	
	2016 RM	2015 RM
Plant and machinery	4,112,978	2,697,324
Motor vehicles	808,455	1,089,727
	4,921,433	3,787,051

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

	GROUP	
	2016 RM	2015 RM
Purchase of property, plant and equipment	4,453,878	2,538,297
Financed by hire purchase arrangement	(1,890,039)	(1,124,000)
Other payable	(119,000)	–
Cash payments on purchase of property, plant and equipment	2,444,839	1,414,297

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Unquoted shares, at cost	44,512,833	44,512,733
Less: Impairment of investment in subsidiaries	(12,241,063)	(12,241,063)
	32,271,770	32,271,670

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

Name of company	Effective equity interests 2016 %	2015 %	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	–	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	Inactive
Temasek Bay Sdn. Bhd.	100	100	Palm oil packers, trading of palm oil products, manufacturers of or dealers in packaging materials and all related products

8. INVENTORIES

	GROUP	
	2016 RM	2015 RM
At cost:		
Raw materials	5,324,113	6,525,185
Finished goods	6,256,891	7,267,629
	11,581,004	13,792,814
Recognised in profit or loss:		
Inventories recognised as cost of sales	78,524,567	84,678,296

notes to the financial statements (cont'd)

9. TRADE RECEIVABLES

	GROUP	
	2016 RM	2015 RM
Trade receivables	20,011,039	19,982,143
Less: Impairment loss on trade receivables		
As at 1 January	(184,971)	(201,692)
Impairment loss for the financial year	(385,716)	–
Impairment loss no longer required	–	16,721
As at 31 December	(570,687)	(184,971)
	19,440,352	19,797,172

The currency exposure profile of trade receivables is as follows:

	GROUP	
	2016 RM	2015 RM
Ringgit Malaysia	17,159,751	17,424,803
Singapore Dollar	1,939,642	1,500,524
US Dollar	911,646	1,056,816
	20,011,039	19,982,143

Trade receivables are granted credit period ranging from 30 to 90 days (2015: 30 to 90 days). For certain customers, the credit period may be extended at the discretion of the management.

10. OTHER RECEIVABLES AND DEPOSITS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	1,462,206	1,240,709	1,913	7,272
Deposits	609,421	820,392	–	–
	2,071,627	2,061,101	1,913	7,272

Included in the deposits of the Group are amounts totalling RM18,232 (2015: RM294,643) representing deposits paid for the acquisition of property, plant and equipment. The capital commitment has been disclosed in Note 33.

11. OTHER ASSETS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Prepayments	327,218	317,237	10,316	39,820

12. AMOUNT OWING FROM/(TO) SUBSIDIARIES

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

13. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand	30,100	15,000	–	–
Cash at bank	3,383,008	3,251,450	63,555	72,698
	3,413,108	3,266,450	63,555	72,698

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	1,836,915	1,747,199	63,555	72,698
Singapore Dollar	262,127	433,340	–	–
US Dollar	1,314,066	1,085,911	–	–
	3,413,108	3,266,450	63,555	72,698

14. SHARE CAPITAL

GROUP/COMPANY	Number of ordinary shares		Amount	
	2016 Units	2015 Units	2016 RM	2015 RM
Authorised				
As at 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
As at 1 January/31 December	41,981,000	41,981,000	41,981,000	41,981,000

15. WARRANT RESERVE

	GROUP/COMPANY	
	2016 RM	2015 RM
Warrant reserve	406,828	406,828

Warrants 2009/2019

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

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

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

(i) Renounceable rights issue of 16,628,640 Warrants 2009/2019 to all the shareholders of Company on the basis of two (2) Warrants 2009/2019 for every five (5) ordinary shares of RM1.00 each held in the Company at 5.00pm on 23 November 2009; and

(ii) Restricted issue of 3,712,315 Warrants 2009/2019 to the holders of the unexercised Warrants 2004/2009 on 22 November 2009, being the expiry date of the Warrants 2004/2009 ("Expiry Date") on the basis of two (2) Warrants 2009/2019 for every five (5) unexercised Warrants 2004/2009 held on the Expiry Date.

The salient terms of the Warrants are set out below:

(i) The Warrants are issued in registered form and constituted by a Deed Poll dated 3 November 2009 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 each in the Company at exercise price of RM1.00 per new share, subject to the adjustments in accordance with the provisions of the Deed Poll at the issue price of RM0.02 per New Warrants.

(ii) The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or Warrants Register is/are closed. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(iii) Upon exercise of the Warrants into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares shall not be entitled to any dividend, right, allotment and/ or other forms of distribution where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new ordinary shares.

(iv) The exercise price and/ or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

16. HIRE PURCHASE LIABILITIES

	GROUP	
	2016 RM	2015 RM
Minimum hire purchase instalments:-		
- not later than one year	1,053,910	1,162,466
- later than one year and not later than five years	2,040,060	1,277,552
	3,093,970	2,440,018
Unexpired term charges	(388,726)	(215,410)
Outstanding principal amount due	2,705,244	2,224,608
Outstanding principal amount due not later than one year	(895,225)	(1,048,410)
Outstanding principal amount due later than one year	1,810,019	1,176,198

	GROUP	
	2016 RM	2015 RM
Repayable as follows:		
Current liabilities:		
- not later than 1 year	895,225	1,048,410
Non-current liabilities:		
- later than 1 year and not later than 5 years	1,810,019	1,176,198
Outstanding principal amount due later than one year	2,705,244	2,224,608

The average terms for hire purchase ranges from 3 to 5 (2015: 3 to 5) years and the average effective interest rate on hire purchase ranges from 4.78% to 8.40% (2015: 4.05% to 8.40%) per annum.

notes to the financial statements (cont'd)

17. DEFERRED TAX

(a) Deferred tax liabilities

	GROUP	
	2016 RM	2015 RM
As at 1 January	1,525,500	1,601,000
Transfer from profit or loss (Note 25)	–	(75,500)
As at 31 December	1,525,500	1,525,500

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

	GROUP	
	2016 RM	2015 RM
Excess of net book value over tax written down value of property, plant and equipment	2,632,920	2,606,500
Unabsorbed capital allowances	(240,200)	(140,200)
Unutilised tax losses	(157,800)	(163,800)
Reinvestment allowance	(733,920)	(764,500)
Other temporary differences	24,500	(12,500)
	1,525,500	1,525,500

(b) Deferred tax assets

As at 31 December 2016, the Group and the Company has the following deferred tax assets which are not recognised in the financial statements as there are not probable that future taxable income will be available to allow the assets to be utilised:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Excess of net book value over tax written down	(33,299)	–	–	–
Unabsorbed capital allowances	78,014	868	–	–
Unutilised reinvestment allowance	7,886,906	8,215,527	–	–
Unutilised tax losses	214,927	135,466	–	–
	8,146,548	8,351,861	–	–

As at 31 December 2016, the Group has unabsorbed tax losses and unabsorbed capital allowances of approximately RM895,000 and RM325,000 (2015: RM541,000 and RM3,400) respectively which are available to set-off against future chargeable income.

As at 31 December 2016, the Group has reinvestment allowance of RM32,862,108 (2015: RM32,862,108) which are available to set-off against future chargeable income.

18. TERM LOAN

	GROUP	
	2016 RM	2015 RM
Secured		
Term loan at an effective interest rate of 8.00% (2015: 8.00%) per annum repayable by 72 equal monthly installments of RM168,670 each commencing from April 2011	236,209	2,157,276
Repayable as follows:-		
Current liabilities:-		
- not later than one year	236,209	1,921,067
Non-current liabilities:-		
- later than one year and not later than five years	–	236,209
	236,209	2,157,276

The term loans are secured by way of a corporate guarantee of RM9,620,000 (2015: RM9,620,000) by the Company.

19. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	GROUP	
	2016 RM	2015 RM
Ringgit Malaysia	7,833,351	12,592,557
US Dollar	1,464,689	2,288,135
	9,298,040	14,880,692

The credit periods granted by trade payables range from 30 to 90 days (2015: 30 to 90 days) from the date of invoice.

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	6,250,286	3,054,556	53,307	55,265
Accruals	1,358,798	1,458,318	167,800	180,558
	7,609,084	4,512,874	221,107	235,823

notes to the financial statements (cont'd)

20. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in the other payables of the Group are amounts of 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	6,212,814	2,999,191	53,307	55,265
Singapore Dollar	37,472	54,845	–	–
US Dollar	–	520	–	–
	6,250,286	3,054,556	53,307	55,265

21. BILLS PAYABLE

	GROUP	
	2016 RM	2015 RM
Secured		
Bills payable	8,126,000	3,395,000

The bills payable bears effective interest rates ranging from 2.91% to 5.14% (2015: 2.91% to 5.14%) per annum.

The bills payable are secured by way of a corporate guarantee of RM13,500,000 (2015: RM8,000,000) by the Company.

22. REVENUE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	84,527,145	93,548,301	–	–
Service income	3,571,534	3,362,636	–	–
Management fees	–	–	1,800,000	1,800,000
	88,098,679	96,910,937	1,800,000	1,800,000

23. FINANCE COSTS

	GROUP	
	2016 RM	2015 RM
Interest on bills payable	248,237	154,134
Interest on bank term loan	102,973	250,040
Hire purchase term charges	162,812	143,335
	514,022	547,509

24. (LOSS)/PROFIT BEFORE TAXATION

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- current year	100,700	100,700	24,000	24,000
- other	10,000	10,000	5,000	5,000
Depreciation of property, plant and equipment	3,572,162	3,546,052	136	–
Directors' remuneration				
- fees	140,000	154,000	140,000	154,000
- other emoluments	833,305	538,840	833,305	538,840
Goodwill written off	113,017	–	–	–
Impairment loss on trade receivables	385,716	–	–	–
Interest expense (Note 23)	514,022	547,509	–	–
Loss on foreign exchange				
- realised	13,988	–	–	–
Operating leases				
- rental of premises	867,902	567,384	–	–
- rental of equipment	87,660	70,450	–	–
And crediting:-				
Gain on disposal of property, plant and equipment	–	(130,490)	–	–
Gain on foreign exchange				
- realised	–	(563,585)	–	–
- unrealised	(85,289)	(54,407)	–	–
Impairment loss on trade receivables no longer required	–	(16,721)	–	–
Interest income	(12,449)	(4,399)	–	–
Rental income	(10,400)	(23,000)	–	–

notes to the financial statements (cont'd)

25. TAXATION

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Current financial year				
- income tax expense	4,432	15,652	–	–
- deferred taxation (Note 17)	–	(42,226)	–	–
	4,432	(26,574)	–	–
Under/(over) provision in prior financial years				
- income tax expense	2,547	16,229	8,692	–
- deferred taxation (Note 17)	–	(33,274)	–	–
Total tax expense	6,979	(43,619)	8,692	–

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
(Loss)/Profit before taxation	(2,222,982)	2,418,903	(375,942)	(95,796)
Tax at the applicable tax rate of 24% (2015: 25%) for the Group and the Company	(533,516)	604,726	(90,226)	(23,949)
Tax effects in respect of:				
Depreciation of non-qualifying property, plant and equipment	94,300	56,871	–	–
Effect of change in tax rate	(85,011)	–	–	–
Non-allowable expenses	235,231	152,350	47,934	23,949
Temporary differences not recognised during the financial year	149,372	580	(360)	–
Unabsorbed tax losses	86,418	–	42,260	–
Unabsorbed capital allowance	56,760	–	392	–
Utilisation of reinvestment allowance previously not recognised	–	(841,946)	–	–
Permitted expenses not deductible under section 60F of the Income Tax Act 1967	878	845	–	–
	4,432	(26,574)	–	–

26. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

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

	2016	2015
(Loss)/Profit attributable to equity holders of the Company (RM)	(2,229,961)	2,462,522
Weighted average number of ordinary shares in issue	41,981,000	41,981,000
Basic (loss)/earnings per ordinary share (in sen)	(5.31)	5.87

(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	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, wages, allowances and bonuses	12,035,419	12,023,921	1,581,850	1,339,607
EPF contributions	724,856	665,804	208,950	161,556
SOCSO contributions	66,197	69,243	7,541	6,203
Other staff related expenses	235,245	304,589	–	2,000
	13,061,717	13,063,557	1,794,341	1,509,366

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 Chief Executive Officer reviews internal management reports on at least a quarterly basis. The following summary describes the operation in each of the Group's reportable segments:

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

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

notes to the financial statements (cont'd)

28. OPERATING SEGMENTS (CONT'D)

Segment assets

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

Segment liabilities

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

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 profit	(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	3,415,119	157,043	–	3,572,162

28. OPERATING SEGMENTS (CONT'D)

2015	Plastic products RM	Others RM	Eliminations RM	Group RM
Revenue				
Sales to external customers	91,097,803	5,813,134	–	96,910,937
Inter-segment sales	3,873,755	1,825,300	(5,699,055)	–
Total revenue	94,971,558	7,638,434	(5,699,055)	96,910,937
Results				
Segment operating profit	3,258,868	(292,456)	–	2,966,412
Finance costs	(547,509)	–	–	(547,509)
Profit before taxation				2,418,903
Taxation				43,619
Net profit for the financial year				2,462,522
Other information				
Segment assets	66,212,576	7,847,947	(6,914,870)	67,145,653
Segment liabilities	32,384,679	3,226,141	(6,914,870)	28,695,950
Depreciation	3,388,011	158,041	–	3,546,052

Major customers

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

	2016 RM	2015 RM	Segment
All common control companies of:			
- Customer A	18,368,500	19,328,035	Plastic Products
- Customer B	11,208,198	–	Plastic Products
- Customer C	10,794,070	–	Plastic Products

notes to the financial statements (cont'd)

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:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets categorised as loans and receivables				
Trade receivables	19,440,352	19,797,172	–	–
Other receivables and deposits	2,071,627	2,061,101	1,913	7,272
Amount owing from subsidiaries	–	–	3,311,373	3,673,502
Cash and bank balances	3,413,108	3,266,450	63,555	72,698
As at the end of the financial year	24,925,087	25,124,723	3,376,841	3,753,472
Financial liabilities measured at amortised costs				
Trade payables	9,298,040	14,880,692	–	–
Other payables and accruals	7,609,084	4,512,874	221,107	235,823
Amount owing to a subsidiary	–	–	470,000	475,000
Borrowings	11,067,452	7,776,884	–	–
As at the end of the financial year	27,974,576	27,170,450	691,107	710,823

Further quantitative disclosures are included throughout these financial statements.

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(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.

notes to the financial statements (cont'd)

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk on financial assets (Cont'd)

The average credit period generally granted to trade receivable customers is between 30 to 90 days (2015: 30 to 90 days). But some customers take a longer period to settle the amounts. The table below illustrates the ageing analysis:

	GROUP	
	2016 RM	2015 RM
Trade receivables:		
Less than 60 days	14,583,732	8,485,073
61-90 days	3,415,336	4,931,663
91-120 days	522,557	4,153,519
Over 121 days	1,489,414	2,411,888
	20,011,039	19,982,143
The total of overdue accounts was	8,748,244	8,545,323

	GROUP	
	2016 RM	2015 RM
Concentration of trade receivable customers:		
Top 1 customer	5,853,618	5,171,070
Top 2 customer	2,633,595	1,286,537
Top 3 customer	1,411,069	971,539

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

Trade receivables that are neither past due nor impaired as at 31 December 2016 amounting to RM11,262,795 (2015: RM11,436,820) are creditworthy customers with good payment records.

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk on financial assets (Cont'd)

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

Receivables that are past due but not impaired as at 31 December 2016 are:-

	GROUP	
	2016 RM	2015 RM
1-30 days past due	5,618,128	4,735,982
31-60 days past due	1,285,575	1,669,429
61-90 days past due	430,577	972,143
More than 90 days past due	843,277	982,798
	8,177,557	8,360,352

The above receivables are not secured by any collateral.

The Group has trade receivables amounting to RM8,177,557 (2015: RM8,360,352) that are past due at the reporting date but not impaired are unsecured in nature. The Group has subsequently collected RM5,930,263 (2015: RM7,107,800) 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 2016 and the movement of the allowance for impairment account are as follows:-

	GROUP	
	2016 RM	2015 RM
Trade receivable, nominal amount:	570,687	184,971
Less: Allowance for impairment loss		
As at 1 January	(184,971)	(201,692)
Impairment loss no longer required	(385,716)	16,721
As at 31 December	(570,687)	(184,971)
	–	–

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 (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk on financial assets (Cont'd)

(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 RM8,362,209 (2015: RM4,531,413) 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.

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Liquidity Risk

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

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

	GROUP	
	2016 RM	2015 RM
Less than 1 year		
Trade payables	9,298,040	14,880,692
Other payables and accruals	7,609,084	4,512,874
Borrowings	10,404,343	6,581,506
At the end of the financial year	27,311,467	25,975,072

	GROUP	
	2016 RM	2015 RM
1 – 5 year		
Borrowings	2,040,060	1,515,835
At the end of the financial year	2,040,060	1,515,835

	COMPANY	
	2016 RM	2015 RM
Less than 1 year		
Other payables and accruals	221,107	235,823
Amount owing to a subsidiary	470,000	475,000
Financial guarantee* (Note 29(b)(i)(e))	–	–
At the end of the financial year	691,107	710,823

* 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.

The average credit period taken to settle trade payables is between 30 to 90 days (2015: 30 to 90 days). The other payables are with short-term durations.

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

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Interest Rate Risk

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

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

Sensitivity analysis for interest rate risk:
At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the profit after tax would have been RM19,533 (2015: RM20,532) higher/lower, arising mainly as a result of lower/higher interest expenses on floating interest rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iv) Currency risk

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

Exposure to foreign currency risk

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

	GROUP Denominated in	
	USD RM	SGD RM
2016		
Trade receivables	911,646	1,939,642
Trade payables	(1,464,689)	–
Other payables	–	(37,472)
Net exposure	(553,043)	1,902,170
2015		
Trade receivables	1,056,816	1,500,524
Trade payables	(2,288,135)	–
Other payables	(520)	(54,845)
Net exposure	(1,231,839)	1,445,679

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Currency risk (Cont'd)

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) and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	GROUP	
	Equity RM	**Profit or loss RM**
2016		
USD	–	(42,031)
SGD	–	144,565
2015		
USD	–	(92,388)
SGD	–	08,426

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.

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

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

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.

During 2016, the Group's strategy, which was unchanged from 2015, 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 2016 and 31 December 2015 were as follows:

	GROUP	
	2016 RM	**2015 RM**
Total hire purchase liabilities (Note 16)	2,705,244	2,224,608
Total term loan (Note 18)	236,209	2,157,276
Total bills payable (Note 21)	8,126,000	3,395,000
Less: Cash and bank balances	(3,413,108)	(3,266,450)
Net debt	7,654,345	4,510,434
Total equity	36,219,742	38,449,703
Debt-to-equity ratio	0.211	0.117

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	
	2016 RM	**2015 RM**
Not later than one year	685,068	666,288
Later than one year and not later than five years	63,600	51,168
	748,668	717,456

33. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Contracted but not provided for:				
Acquisition of property, plant and equipment	1,122,448	674,856	–	–

34. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Unsecured corporate guarantees given to banks for credit facilities granted to a subsidiary	–	–	32,620,000	44,270,000

A corporate guarantee of RM9,620,000 and RM13,500,000 (2015: RM9,620,000, RM8,000,000 and RM10,000,000) have been given by the Company to secure the term loan and bill payable of a subsidiary as disclosed in 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 certain members of senior management of the Group.

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

(b) In addition to information disclosed elsewhere in the Financial Statements, the Group has the following significant transactions with related parties during the financial year are as follows:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Management fees charged to a subsidiary	–	–	1,800,000	1,800,000
Advances due to companies in which a director has interests	440,000	–	–	–

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

notes to the financial statements (cont'd)

35. RELATED PARTY DISCLOSURES (CONT'D)

(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	
	2016 RM	2015 RM
Fees	140,000	154,000
Other emoluments	480,000	480,000
EPF and SOCSO contribution	353,305	58,840
Total compensation	973,305	692,840

36. ACQUISITION OF SUBSIDIARY

On 19 August 2016, 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 and the end of the financial year are as follows:

	GROUP 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. ACQUISITION OF SUBSIDIARY (CONT'D)

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.

	GROUP 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:

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

The goodwill is recognised as other operating expense and written off subsequently during the financial year.

37. OTHER INFORMATION

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

(b) The registered office of the Company is located at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.

(c) The principal place of business of the Company is located at Lot 1476, Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus.

(d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 31 March 2017.

notes to the financial statements (cont'd)

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

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

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

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Group and Company				
- Realised	(5,127,984)	(2,027,061)	(7,407,774)	(7,023,140)
- Unrealised	(1,040,102)	(1,911,064)	–	–
	(6,168,086)	(3,938,125)	(7,407,774)	(7,023,140)

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

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

STATEMENT BY **DIRECTORS**

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 44 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the directors, the information set out in note 39 on page 98 to the financial statements has been complied in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

TAN HENG TA
Director

HENG CHEE WEI
Director

31 March 2017

STATUTORY **DECLARATION**

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

I, **CHAI HOON BOON**, being the officer primarily responsible for the financial management of **RALCO CORPORATION BERHAD (333101-V)** do solemnly and sincerely declare that the financial statements set out on pages 44 to 98 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAI HOON BOON

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 31 March 2017

Before me

INDEPENDENT **AUDITORS' REPORT**
to the members of Ralco Corporation Berhad

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 2016 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 44 to 97.

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 2016, 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 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit 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) depreciation 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.

independent auditors' report (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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.

independent auditors' report (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

independent auditors' report (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

Other Reporting Responsibilities

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 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

Lou Hoe Yin
3120/04/18(J)
Chartered Accountant

Kuala Lumpur

31 March 2017

LIST OF **GROUP'S PROPERTIES**
as at year 2016

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

ANALYSIS OF **SHAREHOLDINGS**
as at 31 March 2017

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued and paid-up capital
Less than 100	25	2.62	833	0.00
100 – 1,000	61	6.39	36,425	0.09
1,001 – 10,000	734	76.86	2,120,577	5.05
10,001 – 100,000	97	10.16	2,685,020	6.40
100,001 – less than 5% of issued shares	36	3.77	24,322,845	57.93
5% and above issued shares	2	0.20	12,815,300	30.53
Total	**955**	**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.

analysis of shareholdings (cont'd)

LIST OF 30 LARGEST SHAREHOLDERS

As at 31 March 2017

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.	Leong Fee Foon	1,999,800	4.76
8.	Lee Thiam Lai	1,999,000	4.76
9.	Duclos Sdn. Bhd.	1,636,800	3.90
10.	Teng Li Ling	1,200,000	2.86
11.	Loke Mei Sang	1,097,300	2.61
12.	Tan Heng Ta	1,000,000	2.38
13.	Kenanga Nominees (Asing) Sdn. Bhd. *(RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388))*	964,945	2.30
14.	Chia May Fong	712,800	1.70
15.	Wong Swee Yee	570,700	1.36
16.	RHB Nominees (Tempatan) Sdn Bhd *(pledged securities account for Pau Chiong Ung)*	506,000	1.21
17.	Chau Jee Choong	467,500	1.11
18.	Er Kim Heng	401,900	0.96
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.	Kenanga Nominees (Tempatan) Sdn Bhd *(pledged securities account for Wong Siong Seh)*	187,000	0.45
27.	Tan Siew Lan	176,500	0.42
28.	Mak Ha @ Lum Hoi Heng	170,300	0.41
29.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
30.	Public Nominees (Tempatan) Sdn Bhd *(pledged securities account for Ting Hua Liong)*	135,000	0.32

ANALYSIS OF **WARRANT HOLDINGS**
as at 31 March 2017

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

DISTRIBUTION OF WARRANTS

Size of Warrants	No. of Warrant Holders	%	No. of Warrant held	% of issued capital
Less than 100	57	13.10	2,336	0.01
100 – 1,000	75	17.24	54,779	0.27
1,001 – 10,000	155	35.63	591,096	2.91
10,001 – 100,000	99	22.76	3,863,106	18.99
100,001 – less than 5% of exercised warrants	46	10.58	10,377,638	51.02
5% of exercised warrants and above	3	0.69	5,452,000	26.80
Total	435	100.00	20,340,955	100.00

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

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

analysis of warrant holdings (cont'd)

LIST OF 30 LARGEST WARRANTS HOLDERS

As at 31 March 2017

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.	Mansor Bin Topil Mohamad	738,400	3.63
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)*	482,000	2.37
7.	Kenanga Nominees (Asing) Sdn. Bhd. *(RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388)*	385,978	1.90
8.	Er Yow Tong	367,500	1.81
9.	HLIB Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Boon Kim Yu) (CCTS)*	358,060	1.76
10.	Er Kim Lan	335,000	1.65
11.	Sui Diong Hoe	321,343	1.58
12.	Ong Beng Tiong	300,000	1.47
13.	Hoo Lay See	285,877	1.41
14.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Ong Beng Tiong) (PENANG-CL)*	265,200	1.30
15.	Ter Ban @ Tuh Hong Soon	260,200	1.28
16.	Wong Ah Yong	260,000	1.28
17.	CIMSEC Nominees (Tempatan) Sdn Bhd *(CIMB Bank for Wong Ah Yong) (MY1278)*	250,000	1.23
18.	Kor Seng Chai	227,400	1.12
19.	Ooi Lee Peng	219,000	1.08
20.	Low Saw Sian	218,500	1.07
21.	Public Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Cheah Chee Kong) (E-MLB)*	218,000	1.07
22.	Tong Jee Moi	216,900	1.07
23.	Maybank Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Jenny Chan Yin Lai)*	213,700	1.05
24.	Goh Yoke Choo	201,100	0.99
25.	Ambank (M) Berhad *(pledged securities account for Wong Ah Yong) (SMART)*	200,000	0.98
26.	Chon Kee Kuan	200,000	0.98
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Wong Ah Yong) (470281)*	200,000	0.98
28.	Ling Lee Wee	200,000	0.98
29.	Wong Kie Yung	196,000	0.96
30.	Vidhiya A/P Ravindran	186,000	0.91

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 22nd 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, 14th day of June 2017 at 10.00 a.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

Item	Agenda			
1.	To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2016			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2016	Ordinary Resolution 1		
3.	To approve the Directors' remuneration (excluding Directors' fees) payable to the Non-Executive Director of the Company and its subsidiaries for the financial period from 1 January 2017 until the next Annual General Meeting	Ordinary Resolution 2		
4.	To re-elect Mr Heng Chee Wei pursuant to Paragraph 64 of the Company's Constitution	Ordinary Resolution 3		
5.	To re-elect Mr Law Doung Chin pursuant to Paragraph 64 of the Company's Constitution	Ordinary Resolution 4		
6.	To re-elect Ms Lim Chew Yin pursuant to Paragraph 69 of the Company's Constitution	Ordinary Resolution 5		
7.	To re-appoint Messrs. RSM Malaysia as the Auditors	Ordinary Resolution 6		
Special Business				
8.	To approve the authority to issue and allot shares under Section 75 of the Companies Act, 2016	Ordinary Resolution 7		
9.	Continuing in Office as 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.*

Dated this ..... day of 2017

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

Signature of Shareholder/Common Seal

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.
2. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 6 June 2017.

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STAMP

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

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