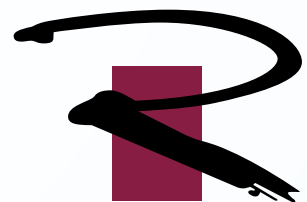


Annual  
Report  
**2014**



**RALCO**  
**RALCO CORPORATION BERHAD**  
(Company No. 333101-V)

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 20th 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, 17th day of June 2015 at 10.00 a.m for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS

- |  |   |
|--|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.  | <b>[Please refer to Explanatory Note (i)]</b> |
| 2. To approve the payment of Directors' fees amounting to RM165,667 for the financial year ended 31 December 2014.   | <b>RESOLUTION 1</b>                           |
| 3. To re-elect Mr. Heng Chee Wei, who retires by rotation pursuant to Article 64 of the Company's Articles of Association.   | <b>RESOLUTION 2</b>                           |
| 4. To re-elect Mr. Law Doung Chin, who retires by rotation pursuant to Article 64 of the Company's Articles of Association.  | <b>RESOLUTION 3</b>                           |
| 5. To re-elect Mr. Cheong Tuck Kong, who retires by rotation pursuant to Article 69 of the Company's Articles of Association.  | <b>RESOLUTION 4</b>                           |
| 6. To re-appoint Messrs. RSM Robert Teo, Kuan & Co. (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. | <b>RESOLUTION 5</b>                           |

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

- |  |                     |
|--|---------------------|
| 7. <b>Ordinary Resolution</b><br><b>Authority to issue shares pursuant to Section 132D of the Companies Act, 1965</b>  | <b>RESOLUTION 6</b> |
| <p>"<b>THAT</b> subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."</p> |                     |
| 8. To transact any other ordinary business of the Company for which due notice shall have been given.  |                     |

### BY ORDER OF THE BOARD

**CHIA SIEW CHIN (MIA 2184)**  
**SOO SHIOW FANG (MAICSA 7044946)**  
Company Secretaries

Kuala Lumpur  
26 May 2015

# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

## NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.
2. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 10 June 2015.

## EXPLANATORY NOTE ON ORDINARY AND SPECIAL BUSINESS:

### (i) Item 1 of the Agenda

#### **Audited Financial Statements for the financial year ended 31 December 2014**

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

### (ii) Ordinary Resolution 6

#### **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 6, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

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

## CORPORATE INFORMATION



### BOARD OF DIRECTORS

**Datuk Lim Si Cheng***Chairman, Independent Non-Executive Director***Tan Heng Ta***Managing Director***Heng Chee Wei***Chief Executive Officer***Cheong Tuck Kong***Independent Non-Executive Director***Mark Ho Hing Kheong***Independent Non-Executive Director***Law Doung Chin***Independent Non-Executive Director*

### COMPANY SECRETARIES

Chia Siew Chin (MIA 2184)  
Soo Shiow Fang (MAICSA 7044946)

### REGISTERED OFFICE

10th Floor Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

Tel : 603-2382 4288  
Fax : 603-2026 1451

### PRINCIPAL PLACE OF BUSINESS

Lot 1476, Nilai Industrial Estate  
71800 Nilai  
Negeri Sembilan Darul Khusus

Tel : 606-797 1999  
Fax : 606-797 1333

### REGISTRAR

System & Securities Sdn. Bhd.  
Plaza 138, Suite 18.03  
18th Floor, 138 Jalan Ampang  
50450 Kuala Lumpur

Tel : 03-2161 5466  
Fax : 03-2163 6968  
email : [systems@ssassociates.com.my](mailto:systems@ssassociates.com.my)

### AUDITORS

Messrs. RSM Robert Teo, Kuan & Co. (AF 0768)  
Penthouse (5th Floor), Wisma RKT, Block A  
No. 2, Jalan Raja Abdullah  
Off Jalan Sultan Ismail  
50300 Kuala Lumpur

Tel : 03-2610 2888  
Fax : 03-2698 6600  
email : [audit@rsmi.com.my](mailto:audit@rsmi.com.my)

### PRINCIPAL BANKERS

CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
United Overseas Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

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

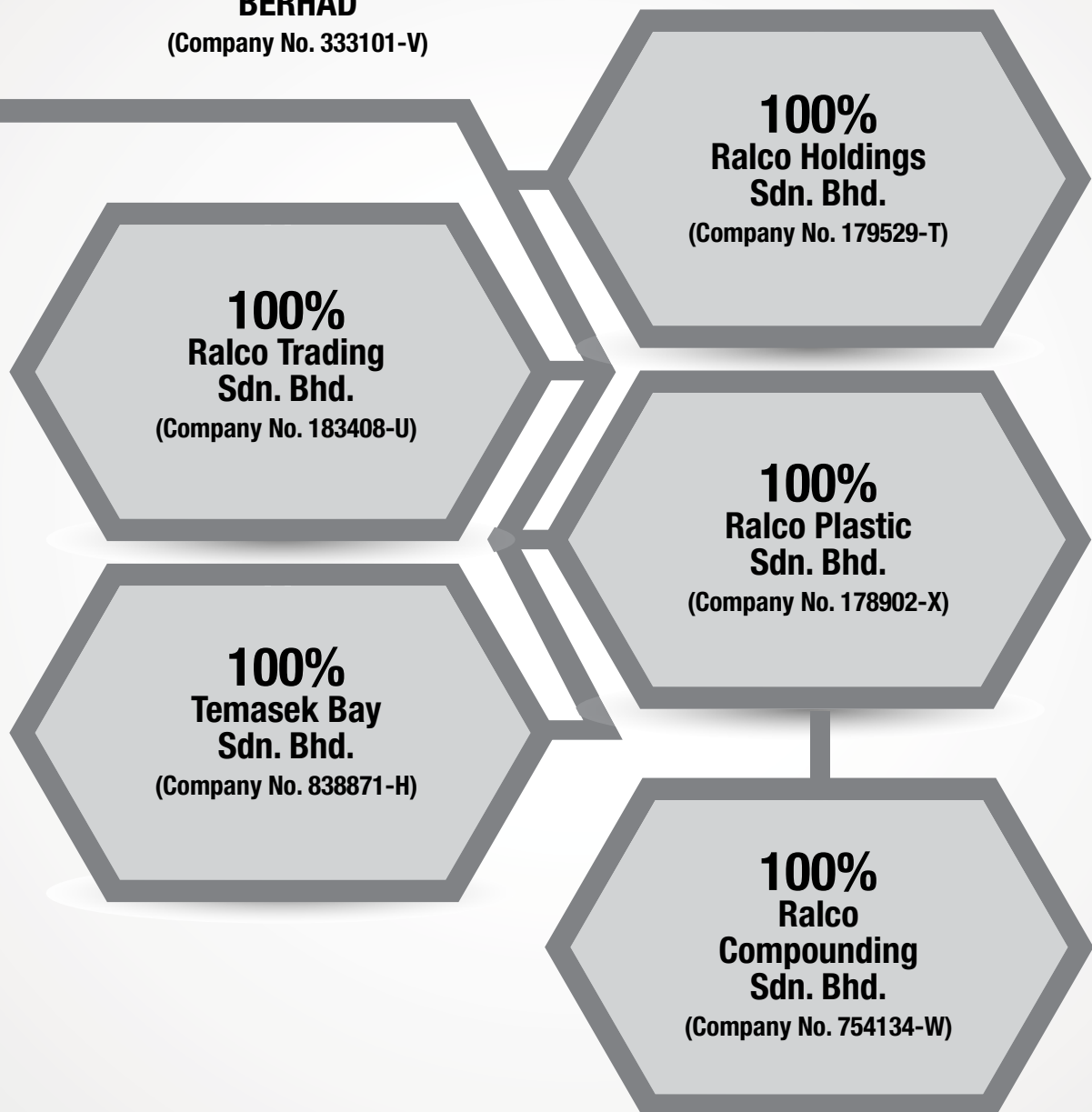
## CORPORATE STRUCTURE



**RALCO**

**RALCO  
CORPORATION  
BERHAD**

(Company No. 333101-V)





## PROFILE OF DIRECTORS

### DATUK LIM SI CHENG, PJN., PIS

*Chairman, Senior Independent Non-Executive Director  
Aged 65, 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 with effect from 29 September 2014.

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

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

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

### TAN HENG TA

*Managing Director  
Aged 47, Malaysian*

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

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

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

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

### HENG CHEE WEI, A.M.P.

*Chief Executive Director  
Aged 44, Malaysian*

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

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

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

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.



## PROFILE OF DIRECTORS

(cont'd)

### CHEONG TUCK KONG

*Independent Non-Executive Director  
Aged 42, Malaysian*

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

Mr. Cheong is a member of the Malaysian Institute of Accountants. He holds a Bachelor's Degree from University of Southern Queensland, Australia. He is currently the Head of Finance, Supply Chain and Information System at Kao Malaysia. Prior to that, he was the Head of Financial Planning and Analysis at Avon Cosmetics overseeing Malaysia, Thailand and Vietnam operations and also as the Management Consultant with Deloitte Consulting SEA Sdn. Bhd.

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

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

### MARK HO HING KHEONG

*Independent Non-Executive Director  
Aged 47, Malaysian*

Mr. Mark Ho Hing Kheong was appointed to the Board on 29 March 2011. He is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. Mark Ho is a member of the Middle Temple Inns of Court and admitted as Barrister-at-Law of England and Wales in 1992. In 1993, he completed his pupillage at Messrs Skrine and was called to the Malaysian Bar in December of the same year. He was also called to the Singapore Bar in 1998. He has 20 years of experience in a broad range of legal matters although his strengths lie in Corporate & Commercial matters. He has been practicing as an advocate and solicitor in the firm of Messrs Chellam Wong since 1997 and is currently the Managing Partner. He has been appointed as Counsel by numerous legal firms on numerous legal matters. On 4 August 2010, he was admitted as a Notary Public. He does not hold any directorship in any other public listed company.

Mr. Mark Ho Hing Kheong has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has never been convicted of any offences.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

### LAW DOUNG CHIN

*Independent Non-Executive Director  
Aged 44, Malaysian*

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

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

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

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.



# CORPORATE GOVERNANCE STATEMENT



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

The Board is pleased to present below how the Group has applied the principles of corporate governance and the extent of compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). These principles and best practices have been applied consistently throughout the financial year ended 31 December 2014 except where otherwise stated herein.

## 1. BOARD OF DIRECTORS

### **The Board and its Roles and Responsibilities**

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

The Board retains full and effective control of the Group. The Board is bestowed with the duties and responsibilities to ensure the interests of the shareholders are protected. The Board’s roles and responsibilities are clearly set out in the Board Charter, which is available on the Group’s website [www.ralcocorp.com.my](http://www.ralcocorp.com.my).

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

The Board had established and adopted a Code of Conduct to formalise ethical standards and a corporate culture, which engenders ethical conduct that permeates throughout the Company, during the year 2014. The summary of the Code of Conduct is available on the Group’s website [www.ralcocorp.com.my](http://www.ralcocorp.com.my).

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

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

### **Board Composition and Balance**

The Board comprises six (6) Directors, which includes one (1) Chairman who is Independent Non-Executive Director, one (1) Managing Director, one (1) Chief Executive Officer and (3) Independent Non-Executive Directors. The current Board composition complies with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Company is led by an experienced Board with a broad range of skills, knowledge and expertise to effectively facilitate the discharge of the Board’s stewardship.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## 1. BOARD OF DIRECTORS (CONT'D)

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

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

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

### Board Meetings

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

During the financial year ended 31 December 2014, a total of five (5) Board meetings were held. The following is the record of attendance of the Directors during their tenure:-

Name of Directors	Designation	Number of Meetings Attended
Datuk Lim Si Cheng	Chairman and Senior Independent Non-Executive Director	5/5
Tan Heng Ta	Managing Director	5/5
Heng Chee Wei	Chief Executive Officer	5/5
Cheong Tuck Kong (Appointed w.e.f 29 September 2014)	Independent Non-Executive Director (INED)	0/1
Law Doung Chin	INED	5/5
Mark Ho Hing Kheong	INED	3/5
Goh Kim Chon (Resigned w.e.f 20 August 2014)	Executive Director	3/5

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

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

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## 1. BOARD OF DIRECTORS (CONT'D)

### Supply of Information

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

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

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

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

### Appointment to the Board / Assessment

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

The Board has adopted a formal self-assessment of performance to evaluate the effectiveness of the Board and individual Directors as well as the Chief Financial Officer as recommended by the Nomination Committee in the financial year 2014.

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 (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

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

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

### Re-election of Directors

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

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## 1. BOARD OF DIRECTORS (CONT'D)

### Continuing Education of Directors

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

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

No.	Continuing Education Programme Attended	Month Attended
1.	Datuk Lim Si Cheng <ul style="list-style-type: none"> <li>IA(D)W21 – Pengurusan Kewangan Koperasi</li> <li>Building Ethical Culture &amp; Strengthening Accountability Framework</li> <li>Audit Committee Institute Breakfast Roundtable Titled The Impact of Cyber Security at Board Levels.</li> </ul>	8 October 2014 & 9 October 2014 3 November 2014 11 November 2014
2.	Mr. Heng Chee Wei <ul style="list-style-type: none"> <li>FTSE4Good Bursa Malaysia Public Listed Companies Briefing</li> </ul>	19 August 2014
3.	Mr. Cheong Tuck Kong <ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>	19 November 2014 & 20 November 2014
4.	Mr Tan Heng Ta <ul style="list-style-type: none"> <li>Peace of Mind for Goods and Services Tax-Registration and Compliance</li> </ul>	10 July 2014
5.	Mr Law Doung Chin <ul style="list-style-type: none"> <li>Peace of Mind for Goods and Services Tax-Registration and Compliance</li> </ul>	10 July 2014
6.	Mr Mark Ho Hing Kheong <ul style="list-style-type: none"> <li>Introduction to Goods and Services Tax</li> </ul>	11 December 2014

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

## 2. BOARD COMMITTEES

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

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## 3. DIRECTORS' REMUNERATION

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

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

Details of Directors' remuneration for the financial year ended 31 December 2014, in aggregation and analysed into bands of RM50,000 are as follows:-

	<b>Salaries and other emoluments (RM)</b>	<b>Fees (RM)</b>	<b>EPF (RM)</b>	<b>Total (RM)</b>
Executive Directors	504,000	74,667	72,000	650,667
Non-Executive Directors	–	91,000	–	91,000

<b>Range of Remuneration (RM)</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Independent Non-Executive</b>
RM50,000 – RM100,000	–	4
RM150,001 – RM200,000	2	–
RM200,001 – RM250,000	1	–

Successive bands between RM50,001 and RM150,000 are not shown as they are not applicable.

## 4. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board believes in clear communication and acknowledges the importance of timely and equal dissemination of relevant information to its shareholders. The annual reports and the quarterly announcements are means employed to report on the business activities and financial performance of the Group to all its shareholders. Datuk Lim Si Cheng was appointed as the Senior Independent Non-Executive Director in replace of Mr. Heng Chee Wei, who had re-designated as the Chief Executive Officer on 25 February 2015. The Senior Independent Non-Executive Director is primarily responsible to communicate with the shareholders.

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

The Group also maintains a website at [www.ralcocorp.com.my](http://www.ralcocorp.com.my) that allows all shareholders and investors to gain access to the information of the Group.

# CORPORATE GOVERNANCE STATEMENT

(cont'd)

## 5. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Company's financial statements were prepared in accordance with the requirements and provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board aims to present a balanced and clear assessment of the Group's position and prospect to the Company's shareholders through the annual financial statements and quarterly announcements. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group. The Statement explaining the Director's responsibility for preparing the financial statements is set out in page 13 of this Annual Report.

### Directors' Responsibility Statement

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

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

In the preparation of the financial statements for financial year ended 31 December 2014, the Directors are satisfied that the Company has adopted appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgements and estimates. The Directors also confirm that all applicable approved accounting standards have been complied with.

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

### Internal Control

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on pages 18 to 20 of this Annual Report. The Board has collectively approved this statement.

### Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the Audit Committee is further described in the Audit Committee Report on pages 15 to 17 of this Annual Report.

## 6. CORPORATE RESPONSIBILITY

The Group fulfils its corporate responsibility on helping to enhance the conditions of the society, environment as well as creating awareness of this cultural belief and responsibility. During the financial year, the Group also showed its concern for the well being of society by reaching out to the under-privileged group by providing job opportunity to the disabled personnel. The Group also contribute to the Colourful Dreams Art Exhibition by giving donation for the funding of Persatuan Kebajikan Generasi Gemilang (PKGG). The Group also continues to emphasise on a high priority of having a safe and healthy workplace for all its employees and promoting occupational safety and health activities in its business activities.

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





## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of Proceeds and Corporate Proposal

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

### 2. Share Buy-Back

During the financial year ended 31 December 2014, the Company did not purchase nor make any resale or cancellation of its treasury shares.

### 3. Options, Warrants or Convertible Securities

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

### 4. Depository Receipt Programme

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

### 5. Imposition of Sanctions and/or Penalties

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

### 6. Non-Audit Fees

There was no non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2014.

### 7. Variation in Results

There were no material variations between audited and unaudited results for the financial year ended 31 December 2014.

### 8. Profit Forecast And Profit Guarantee

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

### 9. Material Contracts

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

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

The Company did not seek for Shareholders' mandate to enter into recurrent related party transactions ("RRPT") of revenue or trading nature at the Annual General Meeting in year 2014 and will monitor closely the transaction value of RRPT, if any, as per paragraph 10.09 of the Main Market Listing Requirement.

# AUDIT COMMITTEE REPORT

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

## 1. COMPOSITION

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

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

Name of Members	Designation
Cheong Tuck Kong (Appointed w.e.f 29 September 2014)	Chairman - Independent Non-Executive Director
Law Doung Chin	Member - Independent Non-Executive Director
Mark Ho Hing Kheong	Member - Independent Non-Executive Director

Mr. Heng Chee Wei resigned as a Chairman of the Audit Committee ipso facto following his re-designation from Independent Non-Executive Director to Executive Director/Chief Executive Officer of the Company on 1 July 2014.

Mr. Cheong Tuck Kong was appointed as the Chairman of the Audit Committee on 29 September 2014. Mr. Cheong is a member of the member of the Malaysian Institute of Accounts. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements.

## 2. SUMMARY OF TERMS OF REFERENCE

### (a) Membership

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

### (b) Meetings and Minutes

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

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

### (c) Rights and Authority

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

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

# AUDIT COMMITTEE REPORT

(cont'd)

## 2. SUMMARY OF TERMS OF REFERENCE (CONT'D)

### (d) Functions

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

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

## 3. SUMMARY OF ATTENDANCE AND ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, four (4) Audit Committee meetings were held. The details of the attendance of the meetings are as follows:

Name of Members	Designation	Number of Meetings Attended
Cheong Tuck Kong (Appointed w.e.f 29 September 2014)	Chairman - Independent Non-Executive Director	0/1
Law Doung Chin	Member - Independent Non-Executive Director	4/4
Mark Ho Hing Kheong	Member - Independent Non-Executive Director	3/4
Heng Chee Wei (Resigned w.e.f 1 July 2014)	Chairman - Independent Non-Executive Director	3/3

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

### (a) Financial Results

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

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

## AUDIT COMMITTEE REPORT (cont'd)

### 3. SUMMARY OF ATTENDANCE AND ACTIVITIES DURING THE FINANCIAL YEAR (CONT'D)

#### (b) Internal Audit

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

#### (c) External Auditors

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

#### (d) Related Party Transactions

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

### 4. INTERNAL AUDIT

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

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

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

The fee (inclusive of service tax) paid to a professional firm in respect of the internal audit function for the financial year ended 31 December 2014 was RM26,010.00



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets. The Board of Directors of the Company (“the Board”) affirms its commitment to maintaining a sound system of internal control in the Company.

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board is pleased to present the following Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies”. This Statement outlines the key elements of risk management and internal control systems within the Group for the current financial year.

## 1. 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 reviewing the adequacy and integrity of the Group’s system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

This statement had been reviewed by the external auditors in compliance with Paragraph 15.23 of the Listing Requirements. Their review was performed in accordance with the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants. 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.

The Board affirms its overall responsibility for the Group’s system of internal control and for reviewing the adequacy and integrity of those systems whilst the role of management is to implement the policies on risk and control set by the Board.

This process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. However the Board recognizes that such system only provides reasonable and not absolute assurance against material misstatement or loss.

## 2. THE GROUP’S SYSTEM OF INTERNAL CONTROL

- **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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## 2. THE GROUP'S SYSTEM OF INTERNAL CONTROL (CONT'D)

- **Monitoring Mechanisms and Management Style**

Scheduled periodic meetings of the Board, Board Committees and management represent the main platform by which the Group's performance and conduct are monitored. The daily running of the business is entrusted to the Managing Director, senior managements and their respective management teams. Under the purview of the Managing Director, the heads of the respective departments of the Group are empowered with the responsibility of managing their respective operations.

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

- **Internal Audit Function**

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. The Group has outsourced its internal audit function to Messrs H Corp Management Sdn. Bhd., which reports to the Audit Committee.

An internal audit is carried out based on the internal audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The internal audit approach examined evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the adequacy and effectiveness of the internal control system and assessed the consequences of any potential risks and suggested improvements required.

During the financial year under review, no material issue or exceptions being found based on the sampling. Any weaknesses 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.

- **Statutory Audit Requirements**

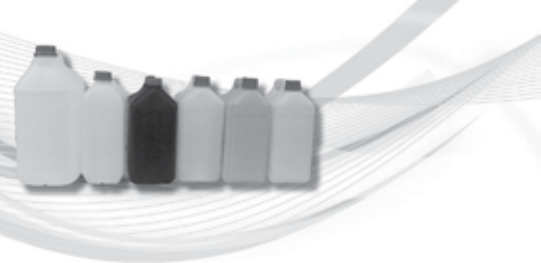
The International Standards on Auditing No. 240 (Revised): "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements" stipulates that the External Auditors, Messrs. RSM Robert Teo, Kuan & Co. is responsible to consider the risk of material misstatement in the financial statements of the Company due to fraud and error. Further, the Companies (Amendment) Act 2007 has the requirement for the auditors to report to the Companies Commission of Malaysia if they are of the opinion that serious offence involving fraud or dishonesty is being or has been committed. During the financial year under review, the Board and Management of the Company completed the fraud checklist/questionnaire issued by the External Auditors, and it was noted that no serious offence involving fraud or dishonesty was committed by employees during the financial year under review which requires disclosure in the Annual Report.

- **Other Key Elements of the Group's System of Internal**

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

- the responsibilities of the committees to the Board and management are clearly defined in the organisation structure to ensure the effective discharge of their roles and responsibilities towards the Group.
- the limits of authority of the Group has been defined and adopted accordingly.





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## 2. THE GROUP'S SYSTEM OF INTERNAL CONTROL (CONT'D)

- **Other Key Elements of the Group's System of Internal (cont'd)**

- policies and controls for the Group's operations including information systems controls have been defined and adopted. Procedures are 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 assess 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.

The system of internal control was generally satisfactorily and has not resulted in any material loss, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

## NOMINATION COMMITTEE

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

Members : Mark Ho Hing Kheong  
(Independent Non-Executive Director)  
Law Doung Chin  
(Independent Non-Executive Director)

Mr Heng Chee Wei resigned as the Chairman of the Nomination Committee ipso facto following his re-designation from Independent Non-Executive Director to Executive Director/Chief Executive Officer of the Company on 1 July 2014. Datuk Lim Si Cheng was appointed as the Chairman of the Nomination Committee on 29 September 2014.

Terms of Reference :

- review and assess the skills, expertise and/or experience strategic and fundamental to the effective functioning of the Board as a whole.
- review and assess the required mix of skills, experience and other qualities including core competencies, which non-executive directors could bring to the Board.
- review, assess and recommend the appointment of the suitability of any individual for appointment to the Board by taking into account his/her skill, expertise and/or experience as well as other commitments, resources, time and effectiveness of the Board as a whole on an ongoing basis.
- review and assess the contribution of all members of the Board and the effectiveness of the Board as a whole.
- review, assess and make recommendation of candidates to fill vacancies of the Board.
- review, assess and recommend to the Board for re-election of directors due to retirement by rotation.
- review and assess the size of the Board to determine the impact of its effectiveness.
- review, assess and make recommendation of directors to sit on various Board Committees and their performance and effectiveness.

Summary of Activities

- The Nomination Committee had appraised and evaluated the performance and effectiveness of the Board as a whole, Board Committees, individual directors as well as the Chief Financial Officer in the financial year 2014.
- The Nomination Committee had assessed the independence of the Independent Directors, and review the tenure of the Independent Director(s), who has served in that capacity for more than nine (9) years, as per the recommendation of the MCCG 2012 during the financial year.
- The Nomination Committee had reviewed and assessed the performance and capabilities of Mr. Heng Chee Wei and recommended him to be re-designated as an Executive Director/ Chief Executive Officer (“CEO”) in the Company.

Following the resignation of Mr. Goh Kim Chon and the re-designation of Mr. Heng Chee Wei as the CEO, the Nomination Committee, having reviewed and assessed the qualification, experience and capabilities of the Mr. Cheong Tuck Kong, recommended for his appointment to fill the vacancy as Independent Director.

## REMUNERATION COMMITTEE



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

Members : Mark Ho Hing Kheong  
(Independent Non-Executive Director)  
Law Doung Chin  
(Independent Non-Executive Director)

Mr. Heng Chee Wei resigned as the Chairman of the Remuneration Committee ipso facto following his re-designation from Independent Non-Executive Director to Executive Director/Chief Executive Officer of the Company on 1 July 2014. Datuk Lim Si Cheng was appointed as the Chairman of the Remuneration Committee on 29 September 2014.

Terms of Reference :

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

# GROUP FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
<b>INCOME STATEMENT</b>					
Gross Revenue	101,105	98,964	92,379	105,860	100,392
Profit/(Loss) Before Tax	468	969	(1,617)	1,531	2,237
Profit/(Loss) After Tax	413	395	(1,000)	1,516	1,184
<b>BALANCE SHEET</b>					
Property, Plant and Equipment	25,730	28,528	28,943	30,619	33,299
Prepaid lease repayment	3,135	3,160	3,185	3,210	3,235
Investment in quoted securities	–	–	–	–	110
Net Current Assets/(Liabilities)	12,090	11,677	11,175	11,635	1,946
<b>Total Assets Employed</b>	<b>40,955</b>	<b>43,365</b>	<b>43,302</b>	<b>45,464</b>	<b>38,590</b>
Shareholders' Fund	35,987	35,575	35,179	34,757	33,241
Minority Interest	–	–	–	–	–
Non-Current Liabilities	4,968	7,790	8,123	10,707	5,349
<b>Total Funds Employed</b>	<b>40,955</b>	<b>43,365</b>	<b>43,302</b>	<b>45,464</b>	<b>38,590</b>
<b>PER RM 1 ORDINARY SHARE</b>					
Earnings/(Loss) Per Share (sen)	0.98	0.94	(2.51)	3.85	2.40
Net Tangible Assets Per Share (RM)	0.86	0.85	0.88	0.88	0.84

## CHAIRMAN'S STATEMENT

*On behalf of the Board of Directors of Ralco Corporation Berhad, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2014.*

### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, Ralco group's turnover increased by 2.23% to RM101.11 million compared to RM98.96 million in previous year. Group profit before taxation was RM0.47 million in financial year ended 31 December 2014 as compared to the profit before taxation of RM0.97 million in financial year ended 2013. Net earnings per share improved to 0.98 sen from 0.94 sen in previous financial year. The growth in the Group's turnover was mainly attributable to the increase in the demand for Jerrycan and Pail product from domestic market as compared to the last financial year despite of the challenging economic environment and severe market competition. Risen raw material price in year 2014 had given us great challenges in monitoring the production cost toward achieving better result.

The stable and diversified customer base coupled with a good quality control system has attracted higher sales volume at premium prices. The Group believes that a continuous improvement in quality standard is the robust competitive edge against other competitors. Therefore, the Group has continuously strived to be a high quality supplier of plastic products.

### OUTLOOK AND PROSPECTS

The continuing instability of the economic environment, depreciation in Malaysian currency and fluctuation in crude oil price have had direct impact to our raw material price, we expect year 2015 to be a challenging year for the plastic manufacturing industry. To meet this challenge, our group needs to improve our operational efficiency substantially and conscientiously maintain high product quality.

The Group is looking into diversifying its products to penetrate into higher margin markets and to enlarge its customer base in order to achieve better growth and profitability. Besides this, the Management will continuously sharpen its focus to achieve cost advantage in the production and reduce unnecessary waste.

### CORPORATE SOCIAL RESPONSIBILITY

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

### APPRECIATION

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

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

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

**Datuk Lim Si Cheng, PJN., PIS**  
8 May 2015

# REPORTS AND FINANCIAL STATEMENTS

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<b>31</b>	Statements of Profit or Loss and Other Comprehensive Income	<b>81</b>	Statement by Directors
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		<b>82</b>	Independent Auditors' Report





## DIRECTORS' REPORT



The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

### PRINCIPAL ACTIVITIES

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

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

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

### RESULTS

	<b>GROUP RM</b>	<b>COMPANY RM</b>
Profit/(loss) for the financial year attributable to owners of the Company	412,576	(41,030)

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

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

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

### DIRECTORS

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

Datuk Lim Si Cheng  
Heng Chee Wei  
Tan Heng Ta  
Mark Ho Hing Kheong  
Law Doung Chin  
Cheong Tuck Kong  
Goh Kim Chon

(Appointed on 29.09.2014)  
(Resigned on 20.08.2014)

# DIRECTORS' REPORT

(cont'd)

## DIRECTORS' INTEREST IN SHARES

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 in Malaysia were as follows:

	Number of ordinary shares of RM 1 each			
	At 1.1.2014	Acquired	(Disposed)	At 31.12.2014
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Tan Heng Ta	7,736,800	–	–	7,736,800

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

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interests.

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

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

# DIRECTORS' REPORT

(cont'd)



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

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

- (b) The directors are not aware of any circumstances:
  - (i) which would require any write off for bad debts or the setting up of provision for doubtful debts in the financial statements of the Group and of the Company; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) In the opinion of the directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the financial results of the Group or of the Company for the current financial year.

### (III) AS AT THE DATE OF THIS REPORT

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

## AUDITORS

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

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

**TAN HENG TA**  
Director

**HENG CHEE WEI**  
Director

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
<b>NON-CURRENT ASSET</b>				
Property, plant and equipment	6	28,865,475	31,687,692	32,127,846
		28,865,475	31,687,692	32,127,846
<b>CURRENT ASSETS</b>				
Inventories	8	8,939,804	7,405,356	8,215,389
Trade receivables	9	20,166,107	20,963,503	21,551,010
Other receivables and deposits	10	1,082,633	847,006	1,214,352
Other assets	11	139,815	335,418	427,761
Tax recoverable		28,900	–	53,565
Fixed deposits with licensed banks	13	112,352	109,506	106,442
Cash and bank balances	14	4,357,907	2,541,525	4,208,190
		34,827,518	32,202,314	35,776,709
<b>TOTAL ASSETS</b>		63,692,993	63,890,006	67,904,555
<b>EQUITY</b>				
Share capital	15	41,981,000	41,981,000	41,981,000
Warrant reserve	16	406,828	406,828	406,828
Accumulated losses		(6,400,647)	(6,813,223)	(7,208,572)
<b>TOTAL EQUITY</b>		35,987,181	35,574,605	35,179,256
<b>NON-CURRENT LIABILITIES</b>				
Hire purchase liabilities	17	1,209,392	2,034,187	1,104,272
Deferred tax liabilities	18	1,601,000	1,601,000	1,243,251
Term loan	19	2,157,276	4,155,101	5,775,654
		4,967,668	7,790,288	8,123,177
<b>CURRENT LIABILITIES</b>				
Trade payables	20	10,781,539	8,002,752	13,731,981
Other payables and accruals	21	5,081,982	5,982,562	5,067,451
Tax liability		14,060	196,652	–
Hire purchase liabilities	17	912,847	1,197,594	1,067,334
Term loan	19	1,774,000	1,620,553	1,496,356
Bills payable	22	3,561,000	3,525,000	3,239,000
Receivable finance	23	612,716	–	–
		22,738,144	20,525,113	24,602,122
<b>TOTAL LIABILITIES</b>		27,705,812	28,315,401	32,725,299
<b>TOTAL EQUITY AND LIABILITIES</b>		63,692,993	63,890,006	67,904,555

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014 (cont'd)



	Note	2014 RM	COMPANY Restated 31.12.2013 RM	Restated 1.1.2013 RM
<b>NON-CURRENT ASSET</b>				
Property, plant and equipment	6	5	5	2,825
Investments in subsidiaries	7	32,271,670	32,271,670	32,271,670
		32,271,675	32,271,675	32,274,495
<b>CURRENT ASSETS</b>				
Other receivables and deposits	10	–	–	2,289
Other assets	11	–	–	8,786
Amount owing from subsidiaries	12	3,793,209	3,949,580	3,229,961
Cash and bank balances	14	92,641	44,643	564,164
		3,885,850	3,994,223	3,805,200
<b>TOTAL ASSETS</b>		36,157,525	36,265,898	36,079,695
<b>EQUITY</b>				
Share capital	15	41,981,000	41,981,000	41,981,000
Warrant reserve	16	406,828	406,828	406,828
Accumulated losses		(6,927,344)	(6,886,314)	(7,126,471)
<b>TOTAL EQUITY</b>		35,460,484	35,501,514	35,261,357
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	21	211,041	237,384	343,338
Amount owing to a subsidiary	12	475,000	475,000	475,000
Tax liability		11,000	52,000	–
		697,041	764,384	818,338
<b>TOTAL LIABILITIES</b>		697,041	764,384	818,338
<b>TOTAL EQUITY AND LIABILITIES</b>		36,157,525	36,265,898	36,079,695

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 2014

		GROUP		COMPANY	
		2014	Restated	2014	Restated
	Note	RM	2013	RM	2013
		RM	RM		RM
<b>REVENUE</b>	24	101,105,278	98,964,234	1,800,000	1,800,000
<b>COST OF SALES</b>		(91,695,248)	(88,574,292)	–	–
<b>GROSS PROFIT</b>		9,410,030	10,389,942	1,800,000	1,800,000
<b>OTHER INCOME</b>		582,148	466,742	–	–
<b>SELLING AND DISTRIBUTION COSTS</b>		(3,632,352)	(3,809,165)	–	–
<b>ADMINISTRATIVE EXPENSES</b>		(5,194,655)	(5,206,304)	(1,847,212)	(1,507,843)
<b>FINANCE COST</b>	25	(696,896)	(871,801)	–	–
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	26	468,275	969,414	(47,212)	292,157
<b>TAXATION</b>	27	(55,699)	(574,065)	6,182	(52,000)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		412,576	395,349	(41,030)	240,157
<b>OTHER COMPREHENSIVE INCOME</b>		–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		412,576	395,349	(41,030)	240,157

		GROUP	
		2014	2013
<b>Earnings per share (sen):</b>	28		
Basic		0.98	0.94
Diluted		–	–

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



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

GROUP	Share capital RM	Attributable to Owners of the Company			Total equity RM
		← Non-distributable → Treasury shares RM	Warrant reserve RM	Accumulated losses RM	
Balance as at 1.1.2013	41,981,000	–	406,828	(7,208,572)	35,179,256
Total comprehensive income for the financial year ended 31.12.2013	–	–	–	395,349	395,349
Balance as at 31.12.2013/ 1.1.2014	41,981,000	–	406,828	(6,813,223)	35,574,605
Total comprehensive income for the financial year ended 31.12.2014	–	–	–	412,576	412,576
Balance as at 31.12.2014	41,981,000	–	406,828	(6,400,647)	35,987,181
<b>COMPANY</b>					
Balance as at 1.1.2013	41,981,000	–	406,828	(7,126,471)	35,261,357
Total comprehensive income for the financial year ended 31.12.2013	–	–	–	240,157	240,157
Balance as at 31.12.2013/ 1.1.2014	41,981,000	–	406,828	(6,886,314)	35,501,514
Total comprehensive expense for the financial year ended 31.12.2014	–	–	–	(41,030)	(41,030)
Balance as at 31.12.2014	41,981,000	–	406,828	(6,927,344)	35,460,484

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 RM	Restated 2013 RM	2014 RM	Restated 2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	468,275	969,414	(47,212)	292,157
Adjustments for:				
Depreciation of property, plant and equipment	3,468,427	4,257,589	–	2,820
Impairment loss on trade receivables	–	65,521	–	–
Impairment loss on trade receivables no longer required	(50,000)	(10,000)	–	–
Interest expenses	696,896	871,801	–	–
Interest income	(2,846)	(3,064)	–	–
Inventories written down	–	88,740	–	–
Gain on disposal of property, plant and equipment	(4,687)	(17,996)	–	–
Property, plant and equipment written off	56	–	–	–
Reversal of inventories written down in previous financial year	(88,740)	(152,249)	–	–
Unrealised loss/(gain) on foreign exchange	2,201	(151,833)	–	–
<b>Operating profit/(loss) before working capital changes</b>	<b>4,489,582</b>	<b>5,917,923</b>	<b>(47,212)</b>	<b>294,977</b>
(Increase)/Decrease in inventories	(1,445,708)	873,542	–	–
Decrease in trade receivables	971,627	736,280	–	–
(Increase)/Decrease in other receivables and deposits	(235,627)	367,346	–	2,289
Decrease in other assets	195,603	92,343	–	8,786
Increase/(Decrease) in trade payables	2,652,355	(5,781,604)	–	–
(Decrease)/Increase in other payables and accruals	(900,580)	915,025	(26,343)	(105,954)
<b>Cash generated from/(used in) operations</b>	<b>5,727,252</b>	<b>3,120,855</b>	<b>(73,555)</b>	<b>200,098</b>
Tax refund	–	39,876	–	–
Interest received	2,846	3,064	–	–
Interest paid	(696,896)	(871,801)	–	–
Tax paid	(267,191)	(5,975)	(34,818)	–
<b>Net cash generated from/ (used in) operating activities</b>	<b>4,766,011</b>	<b>2,286,019</b>	<b>(108,373)</b>	<b>200,098</b>

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

	GROUP		COMPANY	
	2014 RM	Restated 2013 RM	2014 RM	Restated 2013 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment (a)	(554,179)	(1,421,082)	–	–
Proceeds from disposal of property, plant and equipment	97,900	18,000	–	–
Repayment from/(Advance to) a subsidiary	–	–	156,371	(719,619)
<b>Net cash (used in)/generated from investing activities</b>	<b>(456,279)</b>	<b>(1,403,082)</b>	<b>156,371</b>	<b>(719,619)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of receivable finance	612,716	–	–	–
Increase in bills payable	36,000	286,000	–	–
Repayment of term loan	(1,844,378)	(1,496,356)	–	–
Payment of hire purchase instalments	(1,294,842)	(1,336,182)	–	–
<b>Net cash used in financing activities</b>	<b>(2,490,504)</b>	<b>(2,546,538)</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,819,228</b>	<b>(1,663,601)</b>	<b>47,998</b>	<b>(519,521)</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>2,651,031</b>	<b>4,314,632</b>	<b>44,643</b>	<b>564,164</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD (b)</b>	<b>4,470,259</b>	<b>2,651,031</b>	<b>92,641</b>	<b>44,643</b>

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (cont'd)

## NOTES TO THE STATEMENTS OF CASH FLOWS

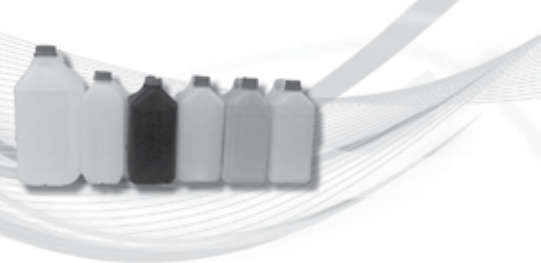
(a) Acquisition of property, plant and equipment during the financial year is financed by:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2014</b>	<b>Restated</b>	<b>2014</b>	<b>Restated</b>
	<b>RM</b>	<b>2013</b>	<b>RM</b>	<b>2013</b>
		<b>RM</b>		<b>RM</b>
Cash	554,179	1,421,082	–	–
Hire purchase	185,300	2,396,357	–	–
	739,479	3,817,439	–	–

(b) Cash and cash equivalents

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2014</b>	<b>Restated</b>	<b>2014</b>	<b>Restated</b>
	<b>RM</b>	<b>2013</b>	<b>RM</b>	<b>2013</b>
		<b>RM</b>		<b>RM</b>
Fixed deposits with licensed banks (Note 13)	112,352	109,506	–	–
Cash and bank balances (Note 14)	4,357,907	2,541,525	92,641	44,643
	4,470,259	2,651,031	92,641	44,643

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014

## 1. PRINCIPAL ACTIVITIES

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

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

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia except that Note 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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of consolidation (continued)

#### (i) Subsidiaries (continued)

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.

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

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

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

#### (ii) Business combinations

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

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of consolidation (continued)

#### (ii) Business combinations (continued)

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

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

### (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.

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

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Building	2%
Factory building on leasehold land	over the lease term
Furniture and fittings	10%
Leasehold land	over the lease term
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.

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

### (d) Leased assets

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

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

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

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

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

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

Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (g) Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula. Cost comprises the landed costs of goods purchased and in the case of work-in-progress and finished goods, comprise 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 selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets

#### (A) Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. When the financial asset is recognised initially, it is measured at fair value which is normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs incurred on the acquisition of financial assets classified at fair value through profit or loss are expensed immediately. The Group and the Company recognise 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 delivery by the Group and the Company.

#### (B) Subsequent measurement

Subsequent measurement of financial assets depends on the classification of the financial assets on initial recognition and the purpose for which the financial assets were acquired. The Group and the Company classify the financial assets in one of the following four categories:

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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

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

For the years ended on 31 December 2014 and 2013, 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.

##### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets that are for sale immediately or in the near term are not classified in this category.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method except that short term duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant minus any reduction for impairment or uncollectibility. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets (continued)

#### (B) Subsequent measurement (continued)

##### (ii) Loans and receivables (continued)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current. Typically, trade and other receivables (except prepayments and non-refundable deposits) and cash and cash equivalents are classified in this category.

##### (iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

For the years that ended on 31 December 2014 and 2013, the Group and the Company did not carry any financial asset classified in this category.

##### (iv) Available-for-sale ("AFS") financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale on initial recognition or are not classified in any of the three preceding 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, 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.

#### (C) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets (other than those at fair value through profit or loss) is impaired.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets (continued)

#### (C) Impairment of financial assets (continued)

##### (i) Available-for-sale financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost are considerations to determine whether there is objective evidence that the securities are impaired. The determination of what is significant or prolonged involves the exercise of significant judgement. Where such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall be not reversed through profit or loss.

##### (ii) Trade and other receivables and other financial assets carried at amortised cost

An impairment loss is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, a breach of contract or adverse changes in the payment status of the debtor are considerations to determine whether there is any objective evidence that the trade receivable is impaired. To the extent possible, impairment is determined individually for each item. In cases where that process is not possible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluation is 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.

The amount of impairment loss recognised 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'selling and distribution costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

##### (iii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets (continued)

#### (D) Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based on derecognised test prescribed by MFRS 139. The 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 Group’s and the Company’s continuing involvement depends on accurate analysis which is performed on specific transaction basis.

### (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.

### (j) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (A) Initial recognition and measurement

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. On initial recognition the financial liability is recognised at fair value. The fair value is normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the issue of the financial liability. Transaction costs incurred on the issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial Liabilities (continued)

#### (B) Subsequent measurement

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories is as follows:

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

For the years that ended on 31 December 2014 and 2013, the Group and the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

##### (ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transactions costs, and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### (C) Derecognition of financial liabilities

A financial liability is derecognised only when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (k) Provisions

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) 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.

### (m) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### (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 are 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.

### (o) 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.

### (p) Operating segments

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) 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) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discounts and sales-based taxes (e.g. value added tax) and is recognised in the profit or loss when significant risks and rewards of ownership have been transferred to the customers.

#### (ii) Management fees

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

#### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

#### (iv) Dividend income

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

### (r) Foreign Currency

#### (i) Functional currency

The separate financial statements of each entity in the Group are measured using the functional currency, which is the currency of primary economic environment in which the entity operates.

#### (ii) Foreign currency transactions and translations

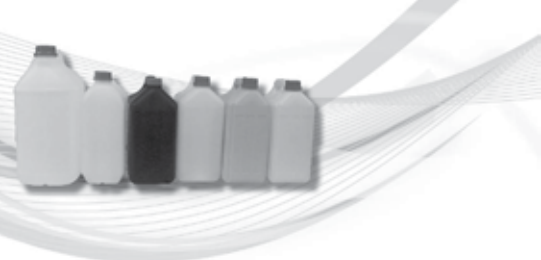
A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date, foreign currency monetary items are translated using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Foreign Currency (continued)

#### (iii) Foreign operations

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations shall be recognised in profit or loss in the financial statements of the Company or the individual financial statements of the foreign operation as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation is treated as assets and liabilities of the foreign operation and is translated at the exchange rate at the reporting date.

### (s) Employee 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 the statement of profit or loss and other comprehensive income 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.

### (t) Borrowing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Finance costs comprise interest paid and payable on borrowings. The interest component of hire purchase payments is charged to the profit or loss over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

### (u) Income Tax

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Income Tax (continued)

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.

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group intends to retain the funds to finance organic growth locally. As far as joint arrangements and associates are concerned, the Group is not in a position to determine their dividend policies. As a result, all significant deferred tax liabilities for all such taxable temporary differences are recognised.

### (v) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded the nominal value and proceeds in excess of the nominal value of shares, if any, are accounted for or share premium. Both ordinary shares and share premium are classified as equity.

Share issuance expenses are charged to profit or loss.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### (w) 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Earnings per ordinary share (continued)

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.

### (x) Fair value measurement

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

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

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

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

## 4. ADOPTION OF MFRSS, AMENDMENTS TO MFRSS AND INTERPRETATIONS

### 4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

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

- Amendments to MFRS 10 *Consolidated Financial Statements – Investment Entities*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities – Investment Entities*
- Amendments to MFRS 127 *Separate Financial Statements – Investment Entities*
- Amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21 *Leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

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

### 4.2 New/Revised MFRSSs, Amendments to MFRSSs 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:

#### **MFRSSs, Amendments to MFRSSs and Interpretations effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Annual improvements to MFRSSs 2010-2012 Cycle
- Annual improvements to MFRSSs 2011-2013 Cycle

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

- MFRS 14 *Regulatory Deferral Accounts*
- 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 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*
- 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 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Annual improvements to MFRSSs 2012-2014 Cycle

#### **MFRSSs, Amendments to MFRSSs and Interpretations effective for annual periods beginning on or after 1 January 2017**

- MFRS 15 *Revenue from Contracts with Customers*

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

- MFRS 9 *Financial Instruments* (2014)

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.

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:

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

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

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

#### **MFRS 15 Revenue from Contracts with Customers**

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

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

#### **MFRS 9 Financial Instruments**

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

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

## 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) 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.

### (b) 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. Management discretion will be exercised in the absence of 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).

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (c) 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.

### (d) 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).

### (e) 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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (f) 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.

## 6. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:-

GROUP 2014	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
<b>Cost</b>							
As at 1.1.2014	22,254,800	91,273,938	1,947,545	2,030,769	923,007	574,425	119,004,484
Addition	20,501	415,766	14,036	84,941	-	204,235	739,479
Disposal	-	(84,800)	-	-	-	(95,445)	(180,245)
Written off	-	(2,481,268)	-	-	-	-	(2,481,268)
As at 31.12.2014	22,275,301	89,123,636	1,961,581	2,115,710	923,007	683,215	117,082,450
<b>Accumulated depreciation</b>							
As at 1.1.2014	6,767,332	75,845,503	1,919,358	1,664,031	902,679	217,889	87,316,792
Charge for the financial year	497,182	2,702,453	9,553	129,169	20,296	109,774	3,468,427
Disposal	-	(72,715)	-	-	-	(14,317)	(87,032)
Written off	-	(2,481,212)	-	-	-	-	(2,481,212)
As at 31.12.2014	7,264,514	75,994,029	1,928,911	1,793,200	922,975	313,346	88,216,975
<b>Net carrying amount</b>							
As at 31.12.2014	15,010,787	13,129,607	32,670	322,510	32	369,869	28,865,475

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP 2013	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
<b>Cost</b>							
As at 1.1.2013	22,215,200	87,991,851	1,937,242	1,760,876	923,007	474,178	115,302,354
Addition	39,600	3,282,087	10,303	269,893	–	215,556	3,817,439
Disposal	–	–	–	–	–	(115,309)	(115,309)
As at 31.12.2013	22,254,800	91,273,938	1,947,545	2,030,769	923,007	574,425	119,004,484
<b>Accumulated depreciation</b>							
As at 1.1.2013	6,213,871	72,369,412	1,911,006	1,547,356	854,066	278,797	83,174,508
Charge for the financial year	553,461	3,476,091	8,352	116,675	48,613	54,397	4,257,589
Disposal	–	–	–	–	–	(115,305)	(115,305)
As at 31.12.2013	6,767,332	75,845,503	1,919,358	1,664,031	902,679	217,889	87,316,792
<b>Net carrying amount</b>							
As at 31.12.2013	15,487,468	15,428,435	28,187	366,738	20,328	356,536	31,687,692

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>COMPANY 2013</b>	<b>Furniture and fittings RM</b>	<b>Office equipment RM</b>	<b>Total RM</b>
Cost			
As at 1.1.2013	261,733	13,669	275,402
As at 31.12.2013	261,733	13,669	275,402
<b>Accumulated depreciation</b>			
As at 1.1.2013	261,730	10,847	272,577
Charge for the financial year	–	2,820	2,820
As at 31.12.2013	261,730	13,667	275,397
<b>Net carrying amount</b>			
As at 31.12.2013	3	2	5

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

	<b>2014 RM</b>	<b>GROUP 2013 RM</b>
Freehold land and buildings	207,274	214,240
Factory buildings on leasehold land	11,668,957	12,113,616
Leasehold land	3,134,556	3,159,612
	15,010,787	15,487,468

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

	<b>2014 RM</b>	<b>GROUP 2013 RM</b>
Buildings	842,028	863,899
Plant and machinery	5	5
Leasehold land	1,213,800	1,213,800
	2,055,833	2,077,704

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Plant and machinery	3,147,781	4,753,469
Motor vehicles	334,824	311,207
	<b>3,482,605</b>	<b>5,064,676</b>

## 7. INVESTMENT IN SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Unquoted shares, at cost	44,512,733	44,512,733
Less: Impairment of investment in a subsidiary	(12,241,063)	(12,241,063)
	<b>32,271,670</b>	<b>32,271,670</b>

The details of the subsidiaries are as follows:-

Name of company	Date and place of incorporation	Effective equity interests		Principal activities
		2014 %	2013 %	
Ralco Plastic Sdn. Bhd.	21.2.1989 Malaysia	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
Ralco Holdings Sdn. Bhd.	9.3.1989 Malaysia	100	100	Investment holding
Ralco Trading Sdn. Bhd.	21.6.1989 Malaysia	100	100	Trading of furniture
Ralco Compounding Sdn. Bhd.	23.11.2006 Malaysia	100	100	Inactive
Temasek Bay Sdn. Bhd.	17.11.2009 Malaysia	100	100	Palm oil packers, trading of palm oil products, manufacturers of or dealers in packaging materials and all related products

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 8. INVENTORIES

	2014 RM	GROUP 2013 RM
At cost:		
Raw materials	3,393,913	1,823,096
Finished goods	4,809,363	5,152,260
	8,203,276	6,975,356
At net realisable value:		
Raw materials	736,528	322,025
Finished goods	—	107,975
	8,939,804	7,405,356

## 9. TRADE RECEIVABLES

	2014 RM	GROUP 2013 RM
Trade receivables	20,367,799	21,215,195
Less: Impairment loss on trade receivables		
As at 1 January	(251,692)	(303,684)
Impairment loss during the financial year	—	(65,521)
Impairment loss no longer required	50,000	10,000
Bad debt written off	—	107,513
As at 31 December	(201,692)	(251,692)
	20,166,107	20,963,503

The currency exposure profile of trade receivables is as follows:

	2014 RM	GROUP 2013 RM
Ringgit Malaysia	17,675,822	17,382,348
Singapore Dollar	1,232,264	1,979,718
US Dollar	1,459,713	1,853,129
	20,367,799	21,215,195

Trade receivables are granted credit period of 30 to 90 days (2013: 30 to 90 days). For certain customers, the credit period may be extended at the discretion of the management.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 10. OTHER RECEIVABLES AND DEPOSITS

	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
Other receivables	550,338	287,957	352,064
Less: Impairment loss on other receivables			
As at 1 January	–	(145,829)	(145,829)
Bad debt written off	–	145,829	–
As at 31 December	–	–	(145,829)
Deposits	550,338 532,295	287,957 559,049	206,235 1,008,117
	1,082,633	847,006	1,214,352

Included in the deposit of the Group are amounts totalling RM133,884 (2013: RM40,105; 2012: RM473,869) representing deposits paid for the acquisition of property, plant and equipment. The capital commitment has been disclosed in Note 30.

	2014 RM	COMPANY Restated 31.12.2013 RM	Restated 1.1.2013 RM
Deposits	–	–	2,289

## 11. OTHER ASSETS

	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
Prepayments	139,815	335,418	427,761

	2014 RM	COMPANY Restated 31.12.2013 RM	Restated 1.1.2013 RM
Prepayments	–	–	8,786

## 12. AMOUNT OWING FROM/(TO) SUBSIDIARIES

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 13. FIXED DEPOSITS WITH LICENSED BANKS

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Fixed deposits with licensed banks	112,352	109,506

The fixed deposits with licensed banks have maturity period of 1 to 2 months (2013: 1 to 2 months). The effective interest rates of the fixed deposits with licensed banks are between 2.55% to 3.45% (2013: 2.55% to 3.20%) per annum.

## 14. CASH AND BANK BALANCES

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Ringgit Malaysia	3,394,516	1,503,200	92,641	44,643
Singapore Dollar	134,743	240,669	–	–
US Dollar	828,648	797,656	–	–
	4,357,907	2,541,525	92,641	44,643

## 15. SHARE CAPITAL

	<b>GROUP AND COMPANY</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
<b>Authorised</b>		
100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000
<b>Issued and fully paid</b>		
41,981,000 ordinary shares of RM1 each	41,981,000	41,981,000

## 16. WARRANT RESERVE

	<b>GROUP AND COMPANY</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Warrant reserve	406,828	406,828

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 16. WARRANT RESERVE (CONTINUED)

### Warrants 2009/2019

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

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

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

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

The salient terms of the Warrants are set out below:

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 17. HIRE PURCHASE LIABILITIES

	2014 RM	GROUP 2013 RM
Minimum hire purchase instalments:-		
- not later than one year	1,025,162	1,380,508
- later than one year and not later than five years	1,273,582	2,199,197
Unexpired term charges	2,298,744 (176,505)	3,579,705 (347,924)
Outstanding principal amount due	2,122,239	3,231,781
Outstanding principal amount due not later than one year	(912,847)	(1,197,594)
Outstanding principal amount due later than one year	1,209,392	2,034,187

The principal amount due later than one year is as follow:

	2014 RM	GROUP 2013 RM
Later than one year and not later than five years	1,209,392	2,034,187

The hire purchase liabilities bear effective interest rate ranging from 4.05% to 8.40% (2013: 4.05% to 8.40%) per annum.

## 18. DEFERRED TAX

### (a) Deferred tax liabilities

	2014 RM	GROUP 2013 RM
As at 1 January	1,601,000	1,243,251
Transfer from statement of profit or loss and other comprehensive income (Note 27)	–	357,749
As at 31 December	1,601,000	1,601,000

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

	2014 RM	GROUP 2013 RM
Excess of net book value over tax written down value of property, plant and equipment	2,525,100	2,711,100
Unabsorbed capital allowances	(761,000)	(991,000)
Unutilised tax losses	(162,600)	(162,600)
Other temporary differences	(500)	43,500
	1,601,000	1,601,000

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 18. DEFERRED TAX (CONTINUED)

### (b) Deferred tax assets

As at 31 December 2014, 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Other deductible temporary differences	–	94	–	94
Unabsorbed capital allowances	868	868	–	–
Unutilised tax losses	134,232	134,232	–	–
	135,100	135,194	–	94

As at 31 December 2014, the Group has unabsorbed tax losses and unabsorbed capital allowances of approximately RM536,000 and RM3,400 (2013: RM536,000 and RM3,400) respectively which are available to set-off against future chargeable income.

## 19. TERM LOAN

	GROUP	
	2014 RM	2013 RM
Term loan bear effective interest rate of 8.00% per annum, repayable by 72 equal monthly instalments of RM168,670 commencing April 2011	3,931,276	5,775,654
Less: Repayments due within 12 months	(1,774,000)	(1,620,553)
Repayments due after 12 months	2,157,276	4,155,101

The term loan is secured by a corporate guarantee of RM9,620,000 by the Company.

## 20. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
Ringgit Malaysia	9,480,117	7,241,984	8,616,216
US Dollar	1,301,422	760,768	5,115,765
	10,781,539	8,002,752	13,731,981

The normal credit periods granted by trade suppliers is 90 days (2013: 90 days).

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 21. OTHER PAYABLES AND ACCRUALS

	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
Other payables	3,592,420	4,306,374	3,184,442
Accruals	1,489,562	1,676,188	1,883,009
	5,081,982	5,982,562	5,067,451

The currency exposure profile of other payables is as follows:

	2014 RM	GROUP Restated 31.12.2013 RM	Restated 1.1.2013 RM
Ringgit Malaysia	3,512,342	4,305,210	3,184,442
Singapore Dollar	52,326	1,164	–
US Dollar	27,752	–	–
	3,592,420	4,306,374	3,184,442

	2014 RM	COMPANY Restated 31.12.2013 RM	Restated 1.1.2013 RM
Other payables	1,205	15,882	–
Accruals	209,836	221,502	343,338
	211,041	237,384	343,338

## 22. BILLS PAYABLE

	2014 RM	GROUP 2013 RM
<u>Unsecured</u>		
Bills payable	3,561,000	3,525,000

The bills payable bears effective interest rates ranging from 3.91% to 5.14% (2013: 3.64% to 4.67%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 23. RECEIVABLE FINANCE

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Receivable finance	612,716	–

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

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

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

## 24. REVENUE

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Sale of goods	101,105,278	98,964,234	–	–
Management fees	–	–	1,800,000	1,800,000
	101,105,278	98,964,234	1,800,000	1,800,000

## 25. FINANCE COST

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Interest on bills payable	152,150	144,300
Interest on receivable finance	7,301	–
Interest on bank term loan	348,332	527,684
Hire purchase term charges	189,113	199,817
	696,896	871,801

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 26. PROFIT/(LOSS) BEFORE TAXATION

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Auditors' remuneration				
- current year	104,700	82,700	29,000	23,000
- (over)/underprovision in prior year	(1,000)	160	1,000	-
Depreciation of property, plant and equipment	3,468,427	4,257,589	-	2,820
Directors' remuneration				
- fees	165,667	168,000	165,667	168,000
- other emoluments	577,343	511,783	577,343	511,783
Impairment loss on trade receivables	-	65,521	-	-
Interest expense (Note 25)	696,896	871,801	-	-
Inventories written down	-	88,740	-	-
Loss on foreign exchange				
- realised	-	107,105	-	-
- unrealised	2,201	-	-	-
Operating leases				
- rental of premises	658,950	704,073	-	7,137
Property, plant and equipment written off	56	-	-	-
And crediting:-				
Gain on disposal of property, plant and equipment	(4,687)	(17,996)	-	-
Gain on foreign exchange				
- realised	(125,767)	-	-	-
- unrealised	-	(151,833)	-	-
Impairment loss on trade receivables no longer required	(50,000)	(10,000)	-	-
Interest income received from:				
- fixed deposits	(2,846)	(3,064)	-	-
Rental income	(276,000)	(276,000)	-	-
Reversal of inventories written down in previous financial year	(88,740)	(152,249)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 27. TAXATION

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Current financial year				
- income tax expense	73,560	205,916	11,000	52,000
- deferred taxation (Note 18)	210,913	111,273	–	–
	284,473	317,189	11,000	52,000
(Over)/under provision in prior financial years				
- income tax expense	(17,861)	10,400	(17,182)	–
- deferred taxation (Note 18)	(210,913)	246,476	–	–
Total tax expense	55,699	574,065	(6,182)	52,000

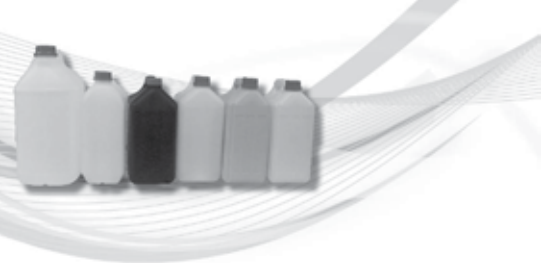
The numerical reconciliation between the taxation and the product of accounting results multiplied by the applicable tax rate is as follows:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(Loss) before taxation	468,275	969,414	(47,212)	292,157
Tax at the applicable tax rate of 25% (2013: 25%) for the Group and the Company	117,069	242,354	(11,803)	73,039
Tax effects in respect of:				
Depreciation of non-qualifying property, plant and equipment	16,890	12,169	–	–
Non-allowable expenses	140,237	113,081	22,898	29,376
Non-taxable income	(43)	–	–	–
Temporary differences not recognised during the financial year	9,634	610	–	610
Utilisation of unabsorbed tax losses previously not recognised	(95)	(51,025)	(95)	(51,025)
Permitted expenses not deductible under section 60F of the Income Tax Act 1967	781	–	–	–
	284,473	317,189	11,000	52,000



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 28. EARNINGS PER ORDINARY SHARE

### (a) Basic earnings per ordinary share

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

	2014	2013
Profit attributable to equity holders of the Company (RM)	412,576	395,349
Weighted average number of ordinary shares in issue	41,981,000	41,981,000
Basic earnings per ordinary share (in sen)	0.98	0.94

### (b) Diluted earnings per ordinary share

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

## 29. STAFF COSTS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Salaries, wages, allowances and bonuses	10,803,295	9,721,408	1,295,007	979,116
Defined contribution plan				
- EPF contributions	606,159	542,397	156,948	131,764
Social security costs				
- SOCSO contributions	68,801	60,183	7,562	6,698
Other staff related expenses	582,905	574,628	1,490	105
	12,061,160	10,898,616	1,461,007	1,117,683

## 30. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Contracted but not provided for:				
Acquisition of property, plant and equipment	460,362	60,158	—	—

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 31. 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Management fees charged to subsidiaries	–	–	1,800,000	1,800,000

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

- (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	
	2014 RM	2013 RM	2014 RM	2013 RM
Fees	165,667	168,000	165,667	168,000
Other emoluments	504,000	456,000	504,000	456,000
EPF and SOCSO contribution	73,343	55,783	73,343	55,783
Total compensation	743,010	679,783	743,010	679,783

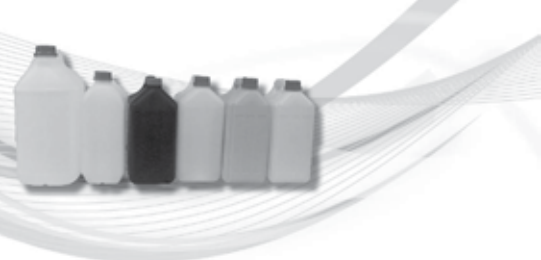
## 32. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Unsecured corporate guarantees given to banks for credit facilities granted to a subsidiary	–	–	44,270,000	34,270,000

A corporate guarantee of RM9,620,000 and RM10,000,000 (2013: RM9,620,000 and NIL) have been given by the Company to secure the term loan and receivable finance of a subsidiary as disclosed in Note 19 and 23 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 33. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

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

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

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Not later than one year	669,688	559,000
Later than one year and not later than five years	731,556	30,000
	<b>1,401,244</b>	<b>589,000</b>

## 34. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 34. OPERATING SEGMENTS (CONTINUED)

### 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.

<b>2014</b>	<b>Plastic products RM</b>	<b>Others RM</b>	<b>Eliminations RM</b>	<b>Group RM</b>
<b>Revenue</b>				
Sales to external customers	85,293,970	15,811,308	–	101,105,278
Inter-segment sales	13,774,559	1,850,400	(15,624,959)	–
Total revenue	99,068,529	17,661,708	(15,624,959)	101,105,278
<b>Results</b>				
Segment operating profit	1,356,475	(191,304)	–	1,165,171
Finance costs	(696,896)	–	–	(696,896)
Profit before taxation				468,275
Taxation				(55,699)
Net profit for the financial year				412,576
<b>Other information</b>				
Segment assets	61,812,515	8,095,555	(6,215,077)	63,692,993
Segment liabilities	30,668,912	3,251,977	(6,215,077)	27,705,812
Depreciation	3,288,483	179,944	–	3,468,427

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)



## 34. OPERATING SEGMENTS (CONTINUED)

<b>2013</b>	<b>Plastic</b>	<b>Others</b>	<b>Eliminations</b>	<b>Group</b>
<b>Revenue</b>	<b>products</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales to external customers	80,711,093	18,253,141	–	98,964,234
Inter-segment sales	15,673,049	1,850,400	(17,523,449)	–
<b>Total revenue</b>	<b>96,384,142</b>	<b>20,103,541</b>	<b>(17,523,449)</b>	<b>98,964,234</b>
<b>Results</b>				
Segment operating profit	1,257,182	584,033	–	1,841,215
Finance costs	(870,268)	(1,533)	–	(871,801)
Profit before taxation				969,414
Taxation				(574,065)
<b>Net profit for the financial year</b>				<b>395,349</b>
<b>Other information</b>				
Segment assets	61,891,562	8,712,419	(6,713,975)	63,890,006
Segment liabilities	31,307,304	3,722,072	(6,713,975)	28,315,401
Depreciation	4,058,332	199,257	–	4,257,589

### Major customers

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

	<b>2014</b>	<b>2013</b>	<b>Segment</b>
	<b>RM</b>	<b>RM</b>	
All common control companies of:			
- Customer A	21,069,710	10,724,214	Plastic Products
- Customer B	16,212,912	18,157,400	Plastic Products

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 35. FINANCIAL INSTRUMENTS

### (A) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- (I) Credit risk
- (II) Liquidity risk
- (III) Market risk

#### (I) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given.

#### (a) Receivables

The management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on customers requiring credit over a certain amount.

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

The exposure of credit risk for receivables as at the end of the reporting period by business segment was:

	GROUP	
	2014 RM	2013 RM
Plastic products	18,904,947	19,491,109
Others	1,462,852	1,724,086
	20,367,799	21,215,195

The aging analysis of trade receivables as at the end of the reporting period was:

	GROUP	
	2014 RM	2013 RM
Neither past due nor impaired	13,145,996	11,172,781
Past due, not impaired		
1-30 days	5,331,171	5,989,837
31-60 days	1,238,606	1,884,405
61-90 days	286,342	846,889
More than 90 days	163,992	1,069,591
Past due and impaired		
More than 90 days	201,692	251,692
	20,367,799	21,215,195



# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 35. FINANCIAL INSTRUMENTS (CONTINUED)

### (A) Financial risk management (continued)

#### (I) Credit risk (continued)

##### (a) Receivables (continued)

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7,020,111 (2013: RM9,790,722) that are past due at the reporting date but not impaired are unsecured in nature. The Group has subsequently collected RM6,815,396 (2013: RM9,495,406) 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.

##### Receivables that are past due and impaired

Movement in impairment loss is as follows:

	GROUP	
	2014 RM	2013 RM
As at 1 January	251,692	303,684
Charge for the financial year	–	65,521
Impairment losses on trade receivables no longer required	(50,000)	(10,000)
Bad debt on trade receivables written off	–	(107,513)
As at 31 December	201,692	251,692

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 35. FINANCIAL INSTRUMENTS (CONTINUED)

### (A) Financial risk management (continued)

#### (I) Credit risk (continued)

##### (b) 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 RM5,756,972 (2013: RM9,881,404) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.

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.

##### (c) Inter company balances

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

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

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

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

#### (II) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### (III) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 35. FINANCIAL INSTRUMENTS (CONTINUED)

### (A) Financial risk management (continued)

#### (III) Market risk (continued)

##### (i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group. The currencies giving rise to this risk are primarily Singapore Dollar (SGD) and U.S. Dollar (USD). The management monitors the foreign currency exposure on an on-going basis.

Whilst the Group's operating results are subject to the effect of change in exchange rate, the Group constantly monitors the net effect by having purchase and sale transactions in the same currency to minimise the exposure to foreign currency exchange risk. Hence, the directors are of the view that there is no material impact and hence no sensitivity analysis could be presented.

##### (ii) Interest rate risk

The Group borrows for its operations 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 earn 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 Group's profit after tax would have been RM51,000 (2013: RM63,000) 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.

### (B) Fair value of financial instruments

#### Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- the estimated loss exposure if the party guaranteed were to default.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 35. FINANCIAL INSTRUMENTS (CONTINUED)

### (C) 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 2014, the Group's strategy, which was unchanged from 2013, 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 2014 and 31 December 2013 were as follows:

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Total hire purchase liabilities (Note 17)	2,122,239	3,231,781
Total term loan (Note 19)	3,931,276	5,775,654
Total bills payable (Note 22)	3,561,000	3,525,000
Total receivable finance (Note 23)	612,716	–
Less: Fixed deposits with licensed banks	(112,352)	(109,506)
Cash and bank balances	(4,357,907)	(2,541,525)
<b>Net debt</b>	<b>5,756,972</b>	<b>9,881,404</b>

	<b>GROUP</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
<b>Total equity</b>	<b>35,987,181</b>	<b>35,574,605</b>
<b>Debt-to-equity ratio</b>	<b>0.160</b>	<b>0.278</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 36. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the presentation in the current financial year. The reclassification made is as follows:

	GROUP			
	31.12.2013		1.1.2013	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
<b>Statements of Financial Position</b>				
Other receivables, deposits and prepayments	–	1,182,424	–	1,642,113
Other receivables and deposits	847,006	–	1,214,352	–
Other assets	335,418	–	427,761	–
Trade payables	8,002,752	11,767,092	13,731,981	16,455,746
Other payables and accruals	5,982,562	2,218,222	5,067,451	2,343,686
<b>Statements of Profit or Loss and Other Comprehensive Income</b>				
Revenue	98,964,234	98,900,980	–	–
Selling and distribution costs	(3,809,165)	(3,745,911)	–	–
<b>Statements of Cash Flows</b>				
Decrease in other receivables, deposits and prepayments	–	459,689	–	–
Decrease in other receivables and deposits	367,346	–	–	–
Decrease in other assets	92,343	–	–	–
Decrease in trade payables	(5,781,604)	(4,741,029)	–	–
Increase/(Decrease) in other payables and accruals	915,025	(125,550)	–	–

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (cont'd)

## 36. COMPARATIVE FIGURES (CONTINUED)

	COMPANY			
	31.12.2013		1.1.2013	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
<b>Statements of Financial Position</b>				
Other receivables, deposits and prepayments	-	-	-	11,075
Other receivables and deposits	-	-	2,289	-
Other assets	-	-	8,786	-
<b>Statements of Cash Flows</b>				
Decrease in other receivables, deposits and prepayments	-	11,075	-	-
Decrease in other receivables and deposits	2,289	-	-	-
Decrease in other assets	8,786	-	-	-

## 37. OTHER INFORMATION

- 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.
- The registered office of the Company is located at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.
- The principal place of business of the Company is located at Lot 1476, Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus.
- 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 22 April 2015.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2014 (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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total accumulated losses of the Group and Company				
- Realised	(4,684,494)	(5,241,394)	(6,927,344)	(6,886,314)
- Unrealised	(1,716,153)	(1,571,829)	–	–
	(6,400,647)	(6,813,223)	(6,927,344)	(6,886,314)

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

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





## STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of **RALCO CORPORATION BERHAD (333101-V)**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 29 to 79 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 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 80 to the financial statements has been complied in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**TAN HENG TA**  
Director

**HENG CHEE WEI**  
Director

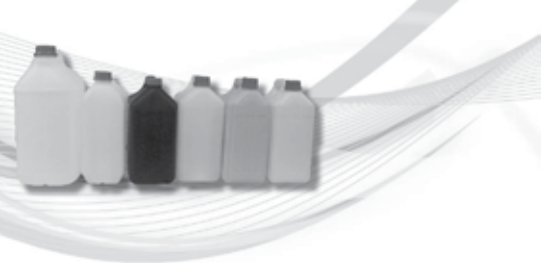
## STATUTORY DECLARATION

I, **CHAI HOON BOON**, being the officer primarily responsible for the financial management of **RALCO CORPORATION BERHAD (333101-V)** do solemnly and sincerely declare that the financial statements set out on pages 29 to 80 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHAI HOON BOON**

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

Before me



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF RALCO CORPORATION BERHAD

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ralco Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 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 a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 79.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its 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 purpose 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) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RALCO CORPORATION BERHAD (cont'd)

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 80 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

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

**RSM Robert Teo, Kuan & Co.**

AF: 0768

Chartered Accountants

Kuala Lumpur

22 April 2015

**Lou Hoe Yin**

3120/04/16(J)

Chartered Accountant

# LIST OF GROUP'S PROPERTIES

As at Year 2014

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)	8,994,660	17	10/6/1991
Lot 1478 Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan	Land and building (Factory)	Leasehold (20/08/2089)	5,168 sq meters (2,660 sq meters)	2,369,564	18	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	207,274	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)	2,564,246	17	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	672,760	15	11/2/2011

# ANALYSIS OF SHAREHOLDINGS

As at 23 April 2015

## SHARE CAPITAL

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

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued and paid-up capital
Less than 100	26	2.54	833	0.00
100 – 1,000	59	5.76	36,325	0.09
1,001 – 10,000	787	76.86	2,322,677	5.53
10,001 – 100,000	114	11.13	3,177,820	7.57
100,001 – less than 5% of issued shares	36	3.51	23,628,045	56.28
5% and above issued shares	2	0.20	12,815,300	30.53
Total	1,024	100.00	41,981,000	100.00

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS:

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

## DIRECTORS' INTEREST IN SHARES IN THE COMPANY AND RELATED CORPORATION

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

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

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

# ANALYSIS OF SHAREHOLDINGS

As at 23 April 2015 (cont'd)

## LIST OF 30 LARGEST SHAREHOLDERS

As at 23 April 2015

No.	Name of Registered Shareholders	Shareholdings	%
1.	HLB Nominees (Tempatan) Sdn Bhd <i>(pledged securities account for Tan Heng Ta)</i>	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.	Leong Lai Shen	2,011,500	4.79
6.	Leong Fee Foon	2,000,000	4.76
7.	Lee Thiam Lai	1,999,000	4.76
8.	Duclos Sdn. Bhd.	1,636,800	3.90
9.	Er Kim Lan	1,401,300	3.34
10.	Teng Li Ling	1,200,000	2.86
11.	Loke Mei Sang	1,077,300	2.57
12.	Tan Heng Ta	1,000,000	2.38
13.	Kenanga Nominees (Asing) Sdn. Bhd. <i>(RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388))</i>	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 <i>(pledged securities account for Pau Chiong Ung)</i>	506,000	1.21
17.	Chau Jee Choong	467,500	1.11
18.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. <i>(Exempt an for UOB Kay Hian Pte. Ltd. (A/C Clients))</i>	369,500	0.88
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 Tee See @ Tan See See	275,100	0.66
23.	Syarikat Rimba Timur (RT) Sdn Bhd	275,000	0.66
24.	RHB Nominees (Tempatan) Sdn. Bhd. <i>(pledged securities account for Loh Tung Sing)</i>	209,500	0.50
25.	Public Nominees (Tempatan) Sdn Bhd <i>(pledged securities account for Ting Hua Liong) (E-BTL)</i>	200,000	0.48
26.	Chai Fooi Heong	195,100	0.46
27.	Kenanga Nominees (Tempatan) Sdn Bhd <i>(pledged securities account for Wong Siong Seh)</i>	187,000	0.45
28.	Mak Ha @ Lum Hoi Heng	170,300	0.41
29.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
30.	Tan Kak Seng	129,500	0.31
Total		35,555,645	84.72

# WARRANT HOLDINGS STRUCTURE

As at 23 April 2015

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	51	11.97	2,043	0.01
100 – 1,000	76	17.84	56,388	0.28
1,001 – 10,000	162	38.03	618,696	3.04
10,001 – 100,000	94	22.07	3,666,844	18.03
100,001 – less than 5% of exercised warrants	39	9.15	8,870,080	43.61
5% of exercised warrants and above	4	0.94	7,126,904	35.03
Total	426	100.00	20,340,955	100.00

## DIRECTORS' WARRANTS HOLDINGS

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



# WARRANT HOLDINGS STRUCTURE

As at 23 April 2015 (cont'd)

## LIST OF 30 LARGEST WARRANTS HOLDERS

As at 23 April 2015

No.	Name Of Registered Holders	Warrants Holdings	%
1.	Datin Goh Phaik Lynn	2,106,800	10.36
2.	Tan Heng Ta	1,761,500	8.66
3.	RHB Nominees (Tempatan) Sdn Bhd (OSK Capital Sdn Bhd for Sui Diong Hoe)	1,674,904	8.23
4.	Lim Kwee Seng	1,583,700	7.79
5.	Huan Mee Kiew	763,900	3.76
6.	RHB Nominees (Tempatan) Sdn Bhd (pledged securities account for Aw Khoon Lee)	564,140	2.77
7.	RHB Nominees (Tempatan) Sdn Bhd (pledged securities account for Lee Ngee Moi)	499,780	2.46
8.	Kenanga Nominees (Asing) Sdn Bhd (RHB Securities Singapore Pte. Ltd. International Scientific (Private) Limited (5U-35388))	385,978	1.90
9.	Er Yow Tong	367,500	1.81
10.	Er Kim Lan	335,000	1.65
11.	Sui Diong Hoe	321,343	1.58
12.	Maybank Nominees (Tempatan) Sdn Bhd (Ng Cheng Tat)	285,877	1.41
13.	Harmony Chime Sdn Bhd	277,000	1.36
14.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Jenny Chan Yin Lai)	261,000	1.28
15.	Ter Ban @ Tuh Hung Suun	260,200	1.28
16.	Wong Ah Yong	260,000	1.28
17.	Low Saw Sian	258,500	1.27
18.	HLIB Nominees (Tempatan) Sdn Bhd (pledged securities account for Boon Kim Yu)(CCTS)	250,060	1.23
19.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Wong Ah Yong) (MY1278)	250,000	1.23
20.	Maybank Nominees (Tempatan) Sdn Bhd (Ang Chin Han)	250,000	1.23
21.	Goh Yoke Choo	201,100	1.00
22.	Ambank (M) Berhad (pledged securities account for Wong Ah Yong) (SMART)	200,000	0.98
23.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB for Ling Lee Wee (PB))	200,000	0.98
24.	Citigroup Nominees (Tempatan) Sdn Bhd (pledged securities account for Wong Ah Yong) (470281)	200,000	0.98
25.	Ngo Tek Phang	183,696	0.90
26.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (pledged securities account for Liang Tek Ling)	163,060	0.80
27.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Exempt an for UOB Kay Hian Pte. Ltd. (A/C Clients))	156,720	0.77
28.	Ching Gek Lee	150,000	0.74
29.	Tee Hock Seng	150,000	0.74
30.	Gek Lee Enterprise Sdn. Bhd.	146,000	0.72
Total		14,467,758	71.15

## 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 20th 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, 17th day of June 2015 at 10.00 a.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2014			
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2014	Ordinary Resolution 1		
3.	To re-elect Mr. Heng Chee Wei pursuant to Article 64 of the Company's Articles of Association	Ordinary Resolution 2		
4.	To re-elect Mr. Law Doung Chin pursuant to Article 64 of the Company's Articles of Association	Ordinary Resolution 3		
5.	To re-elect Mr. Cheong Tuck Kong pursuant to Article 69 of the Company's Articles of Association	Ordinary Resolution 4		
6.	To re-appoint Messrs. RSM Robert Teo, Kuan & Co. as the Auditors	Ordinary Resolution 5		
<b>Special Business</b>				
7.	To approve the authority to issue shares under Section 132D of the Companies Act, 1965	Ordinary Resolution 6		

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

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

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

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

\* Delete whichever is not applicable.

Dated this ..... day of ..... 2015

No. of share held

Signature of Shareholder/Common Seal

## NOTES:

- 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.
- 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.
- 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.
- 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.
- 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.
- Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 10 June 2015.

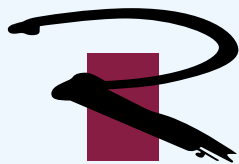


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AFFIX  
STAMP

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

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**RALCO**

**RALCO CORPORATION BERHAD**

(Company No. 333101-V)

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