RECORN (MALAYSIA) SDN. BHD.

Independent Auditor's Report

TO THE MEMBER OF RECRON (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
(Company No. 781769 K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Recron (Malaysia) Sdn. Bhd. on pages 5 to 36 which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of 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 notes, as set out on Notes 1 to 27.

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 the Malaysian Private Entities 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 of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Private Entities 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 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 have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditor's report of its subsidiary of which we have not acted as auditors, which is indicated in Note 13 to the financial statements.

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

(d) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

1. As stated in Note 3 to the financial statements, the Group adopted Malaysian Private Entities Reporting Standards on 1 January 2015 with a transition date of 1 January 2014. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2014 and 1 January 2014, and the statement of income, comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2015 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2015 do not contain misstatements that materially affect the financial position as of 31 December 2015 and financial performance and cash flows for the year then ended.
2. This report is made solely to the member 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LEE TUCK HENG
(No. 2092/09/16 (J))
Chartered Accountant

Kuala Lumpur

14 April 2016

Statement of Comprehensive Income
for the financial year ended 31 December 2015

			Group		Company
	Note	**2015 RM Million**	2014 RM Million	**2015 RM Million**	2014 RM Million
Revenue	**6**	**3,307.97**	3,644.11	**3,307.97**	3,644.11
Other income	**7**	**0.13**	0.60	**0.13**	0.60
Changes in inventories of finished goods and work-in-progress		**(92.19)**	(41.84)	**(92.19)**	(41.84)
Raw material consumed		**(2,403.87)**	(2,769.59)	**(2,403.87)**	(2,769.59)
Energy and fuel charges		**(280.55)**	(312.46)	**(280.55)**	(312.46)
Chemicals and packing materials consumed		**(192.92)**	(190.17)	**(192.92)**	(190.17)
Repairs and maintenance		**(63.34)**	(74.65)	**(63.34)**	(74.65)
Staff costs	**8**	**(194.85)**	(211.68)	**(194.85)**	(211.58)
Commission and transportation cost		**(113.24)**	(113.27)	**(113.24)**	(113.27)
Gain / (loss) on exchange differences (net)		**102.30**	29.62	**102.30**	29.62
Depreciation of property, plant and equipment	**12**	**(62.95)**	(95.42)	**(62.95)**	(95.42)
Other operating expenses		**(53.94)**	(54.25)	**(53.94)**	(54.31)
Loss from operations	**9**	**(47.45)**	(189.00)	**(47.45)**	(188.96)
Finance costs	**10**	**(28.17)**	(21.80)	**(28.17)**	(21.80)
Loss before taxation		**(75.62)**	(210.80)	**(75.62)**	(210.76)
Taxation	**11**	**40.02**	41.16	**40.02**	41.16
Net loss for the financial year		**(35.60)**	(169.64)	**(35.60)**	(169.60)

Statement of Comprehensive Income
for the Financial Year ended 31 December 2015 (Continued)

		Group		Company	
	Note	**2015 RM Million**	2014 RM Million	**2015 RM Million**	2014 RM Million
Other comprehensive income:					
Gains/(losses) recognised directly in equity					
Currency translation differences		139.48	39.01	139.48	39.01
Other comprehensive income for the financial year, net of tax		139.48	39.01	139.48	39.01
Total comprehensive income for the financial year		103.88	(130.63)	103.88	(130.59)
Net loss attributable to the owner of the parent		(35.60)	(169.64)	(35.60)	(169.60)
Total comprehensive income attributable to owner of the parent		103.88	(130.63)	103.88	(130.59)

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

Statement of Financial Position as at 31 December 2015

				Group			Company
	Note	**31.12.2015 RM Million**	31.12.2014 RM Million	1.1.2014 RM Million	**31.12.2015 RM Million**	31.12.2014 RM Million	1.1.2014 RM Million
NON CURRENT ASSETS							
Property, plant and equipment	**12**	**1,662.22**	1,396.03	1,389.86	**1,662.22**	1,396.03	1,389.86
Investment in a subsidiary	**13**	**-**	-	-	**0.33**	0.33	0.33
Deferred tax assets	**22**	**79.03**	39.01	-	**79.03**	39.01	-
		1,741.25	1,435.04	1,389.86	**1,741.58**	1,435.37	1,390.19
CURRENT ASSETS							
Inventories	**14**	**510.29**	534.11	546.95	**510.29**	534.11	546.95
Trade receivables	**15**	**143.95**	125.46	116.79	**143.95**	125.46	116.79
Deposits, prepayments and other receivables	**16**	**50.44**	12.97	77.29	**50.43**	12.97	77.25
Amount due to ultimate holding company	**20**	**63.59**	-	-	**63.59**	-	-
Cash and bank balances	**17**	**0.76**	0.80	0.50	**0.74**	0.78	0.49
		769.03	673.34	741.53	**769.00**	673.32	741.48
LESS: CURRENT LIABILITIES							
Trade payables	**18**	**381.08**	196.53	127.00	**381.08**	196.53	127.00
Other payables and accruals	**19**	**50.56**	49.29	40.42	**50.59**	49.33	40.47
Amount due to ultimate holding company	**20**	**-**	125.71	171.10	**-**	125.71	171.10
Amount due to a related company	**20**	**19.08**	229.34	129.62	**19.08**	229.34	129.62
Borrowings	**21**	**839.88**	629.28	565.54	**839.88**	629.28	565.54
		1,290.60	1,230.15	1,033.68	**1,290.63**	1,230.19	1,033.73
NET CURRENT LIABILITIES		**(521.57)**	(556.81)	(292.15)	**(521.63)**	(556.87)	(292.25)
NON-CURRENT LIABILITIES							
Borrowings	**21**	**-**	(192.23)	(278.93)	**-**	(192.23)	(278.93)
Deferred tax liabilities	**22**	**-**	-	(2.15)	**-**	-	(2.15)
		-	(192.23)	(281.08)	**-**	(192.23)	(281.08)
		1,219.68	686.00	816.63	**1,219,95**	686.27	816.86

Statement of Financial Position as at 31 December 2015 (Continued)

				Group			Company
	Note	**31.12.2015 RM Million**	31.12.2014 RM Million	1.1.2014 RM Million	**31.12.2015 RM Million**	31.12.2014 RM Million	1.1.2014 RM Million
CAPITAL AND RESERVES							
Share capital	**23**	**113.19**	113.19	113.19	**113.19**	113.19	113.19
Share application monies	**23**	**429.80**	-	-	**429.80**	-	-
Foreign currency translation reserve		**178.49**	39.01	-	**178.49**	39.01	-
Retained earnings		**498.20**	533.80	703.44	**498.47**	534.07	703.67
Total equity		**1,219.68**	686.00	816.63	**1,219.95**	686.27	816.86

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

Consolidated Statement of Changes in Equity for the Financial Year ended 31 December 2015

	Note	Issued and fully paid ordinary shares of RM 1 each		Attributable to owners of the parent			
		Number of shares Million	Nominal value RM Million	Share application monies RM Million	Currency translation reserve RM Million	Retained earnings RM Million	Total RM Million
At 1 January 2015		113.19	113.19	-	39.01	533.80	686.00
Net loss for the financial year		-	-	-	-	(35.60)	(35.60)
Currency translation differences		-	-	-	139.48	-	139.48
Total comprehensive income for the financial year		-	-	-	139.48	(35.60)	103.88
Shares to be allotted		-	-	429.80	-	-	429.80
At 31 December 2015		113.19	113.19	429.80	178.49	498.20	1,219.68
At 1 January 2014	3	113.19	113.19	-	-	703.44	816.63
Net loss for the financial year		-	-	-	-	(169.64)	(169.64)
Currency translation difference		-	-	-	39.01	-	39.01
Total comprehensive income for the financial year		-	-	-	39.01	(169.64)	(130.63)
At 31 December 2014		113.19	113.19	-	39.01	533.80	686.00

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

Consolidated Statement of Changes in Equity for the Financial Year ended 31 December 2015 (Continued)

		Issued and fully paid ordinary shares of RM 1 each		Attributable to owners of the parent			
	Note	Number of shares Million	Nominal value RM Million	Share application monies RM Million	Currency translation reserve RM Million	Retained earnings RM Million	Total RM Million
At 1 January 2015		113.19	113.19	-	39.01	534.06	686.26
Net loss for the financial year		-	-	-	-	(35.60)	(35.60)
Currency translation difference		-	-	-	139.48	-	139.48
Total comprehensive income for the financial year	-	-	-	139.48	(35.60)	103.88	
Shares to be allotted		-	-	429.80	-	-	429.80
At 31 December 2015		113.19	113.19	429.80	178.49	498.47	1,219.95
At 1 January 2014	3	113.19	113.19	-	-	703.67	816.86
Net loss for the financial year	-	-	-	-	(169.60)	(169.60)	
Currency translation difference	-	-	-	39.01	-	39.01	
Total comprehensive income for the financial year		-	-	-	39.01	(169.60)	(130.59)
At 31 December 2014		113.19	113.19	-	39.01	534.07	686.27

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

Statement of Cash Flows for the Financial Year ended 31 December 2015

	Note	Group 2015 RM Million	Group 2014 RM Million	Company 2015 RM Million	Company 2014 RM Million
OPERATING ACTIVITIES					
Net loss for the financial year		**(35.60)**	(169.64)	**(35.60)**	(169.60)
Adjustments for:					
Depreciation of property, plant and equipment	**12**	**62.95**	95.42	**62.95**	95.42
Finance costs	**10**	**28.17**	21.80	**28.17**	21.80
Gain / (Loss) on disposal of property, plant and equipment	**7**	**(0.02)**	(0.31)	**(0.02)**	(0.31)
Taxation	**11**	**(40.02)**	(41.16)	**(40.02)**	(41.16)
Net unrealised exchange losses	**9**	**(32.17)**	(26.15)	**(32.17)**	(26.15)
		(16.69)	(120.04)	**(16.69)**	(120.00)
Changes in working capital:					
Inventories		**23.82**	12.84	**23.82**	12.84
Trade and other receivables		**(57.30)**	(8.69)	**(57.30)**	(8.69)
Trade and other payables		**185.92**	78.52	**185.92**	78.47
Intercompany balances		**(399.55)**	54.33	**(399.55)**	54.33
Net cash flow from operating activities		**(263. 80)**	16.96	**(263.80)**	16.95
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(15.29)**	(16.77)	**(15.29)**	(16.77)
Proceeds from sale of property, plant and equipment		**0.02**	63.61	**0.02**	63.61
Net cash flow from investing activities		**(15.27)**	46.84	**(15.27)**	46.84

Statement of Cash Flows for the Financial Year ended 31 December 2015 (Continued)

	Note	Group 2015 RM Million	Group 2014 RM Million	Company 2015 RM Million	Company 2014 RM Million
FINANCING ACTIVITIES					
Share application monies received	**23**	**429.80**	-	429.80	-
Interest paid		**(27.12)**	(20.71)	(27.12)	(20.71)
Repayment of long term borrowings		**(117.60)**	(97.71)	(117.60)	(97.71)
Proceeds from/(Repayment of) short term borrowings		**123.40**	(40.46)	123.40	(40.46)
Net cash flow from financing activities		**408.48**	(158.88)	408.48	(158.88)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**129.41**	(95.08)	129.41	(95.09)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**(319.55)**	(222.05)	(319.57)	(222.06)
EFFECT OF CURRENCY TRANSLATION		**(85.43)**	(2.42)	(85.43)	(2.42)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		**(275.57)**	(319.55)	(275.59)	(319.57)
Cash and cash equivalents comprised the following:					
Cash and bank balances	**17**	**0.76**	0.80	0.74	0.78
Bank overdrafts	**21**	**(276.33)**	(320.35)	(276.33)	(320.35)
		(275.57)	(319.55)	(275.59)	(319.57)

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

Notes to the Financial Statements — 31 December 2015

1 GENERAL INFORMATION

The principal activities of the Company are the manufacture of polyester resin, fibre, yarn and fabric; undertaking of fabrics' bleaching, dyeing, printing and finishing, providing engineering services; and sale and marketing activities on behalf of its ultimate holding company.

The principal activities of its subsidiary are shown in Note 13 to the financial statements.

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

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business of the Company is as follows:

Suite 7.01 – 7.03
Level 7, Wisma Goldhill,
67, Jalan Raja Chulan,
50200 Kuala Lumpur

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies in Note 5.

The financial statements comply with the Malaysian Private Entities Reporting Standards ("MPERS") and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MPERS and the provisions of the Companies Act, 1965 require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on Directors' best knowledge of current events and actions, actual results could differ from those estimates.

The Group and the Company incurred a loss after taxation of RM 35.60 million and RM 35.60 million respectively for the financial year ended 31 December 2015 (2014: Group RM 169.64 million and Company RM 169.60 million). As at the same date, the Group and Company had net current liabilities of RM 521.57 million and RM 521.63 million respectively (2014: Group RM 556.81 million and Company RM 556.87 million). The ultimate holding company continues to provide necessary support to enable the Group and the Company to meet their liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. In view of this continuing financial support, the Directors have prepared the financial statements on a going concern basis.

3 TRANSITION TO MPERS

The Group's and Company's financial statements for the year ended 31 December 2015 are their first annual financial statements prepared under accounting policies that comply with the MPERS. The transition date is 1 January 2014. The Group and Company prepared their opening MPERS statement of financial position at that date. In preparing these financial statements in accordance with MPERS, the Group has applied all the mandatory exceptions and an optional exemption from full retrospective application of MPERS. Upon adoption of MPERS, the Company has adopted US$ as its functional currency.

(a) Exemption from full retrospective application

In accordance with the exemptions in MPERS 35 "Transitions to the MPERS", the Group elected to measure certain plant & machinery at fair value as at transition date as their deemed cost as at that date. Whilst the individual plant & machinery has been adjusted to their fair value, the aggregate fair value of plant & machinery approximate the aggregate carrying amount reported under PERS at transition date. As such, there is no significant adjustments made to the total carrying amount reported under PERS.

(b) Reconciliation

Reconciliation of equity

The following reconciliations show the effect on the Group's and Company's equity of the transition from the PERS to MPERS at 1 January 2014 and 31 December 2014, and the Group's and Company's profit for the year ended 31 December 2014.

Notes to the Financial Statements — 31 December 2015 (Continued)

	Group		Company	
	1.1.2014 (date of transition) RM Million	31.12.2014 RM Million	1.1.2014 (date of transition) RM Million	31.12.2014 RM Million
Equity as reported under PERS	816.63	620.91	816.86	621.17
Add/(Less): Transitioning adjustments:				
Change due to US$ being identified as functional currency	-	65.09	-	65.10
Equity on transition to MPERS	816.63	686.00	816.86	686.27

The capital reserve balance as at the transaction date of 1.1.2014 amounting to RM 635.35 Million recognised under PERS, which represents a gain on bargain purchase to be amortised in the profit or loss on a straight line basis over a period of 20 years, has been reclassified to retained earnings as the gain should have been recognised in the profit or loss in the year of acquisition under MPERS. The reclassification does not have an impact to total equity of the Group.

(b) Reconciliation (continued)

Reconciliation of profit or loss

	2014 RM Million
Net loss for the financial year under PERS	149.79
Add/(Less): Transition adjustments	
Change due to US$ being identified as functional currency	19.85
Net loss for the financial year under PERS on transition to MPERS	169.64

Previously, the Company recognised its transactions under the reporting currency of Ringgit Malaysia (“RM”). Upon adoption of MPERS, the Company has identified its functional currency as US dollars (“US$”), whilst the financial statements of the Group and Company continue to be presented in RM. As a result, the Group and Company’s net loss for the financial year 2014 and retained earnings as at 31 December 2014 have been restated, and the foreign currency translation reserve was recognised.

(c) 2015 Amendments to the MPERS (“the Amendments”)

The Group is required to apply the Amendments for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the full impact of the Amendments.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

(a) Carrying value of plant & machinery

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying value. This evaluation is subject to changes such as market performance and economic situation of the country of the Group’s key markets. The Group determines recoverable amount based on discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group’s test for impairment of assets.

(b) Useful lives and residual values of property, plant and equipment

The Group conducts a regular operational review of the estimated useful lives and residual values of property, plant and equipment to better reflect their useful lives and residual values. During the financial year, the Group has revised the

Notes to the Financial Statements — 31 December 2015 (Continued)

useful lives of certain of its plant & machinery and factory building to 30 years, and the effect of the revision has resulted in a reduction of the Group's depreciation expenses for the current financial year by US$ 13.29 million (approximately RM 51.92 million). The impact of the change in estimated useful lives for each of the next five years approximates that of the current financial year.

(c) Deferred tax assets

The recognition of deferred tax assets involves judgement regarding the financial performance of the particular entity in which the deferred tax asset has been recognised, as deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

5 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the financial year. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries would be changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at the date of disposal including the cumulative amount of any differences that relate to the subsidiary is recognised in the profit or loss.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortised as it has an infinite life. Leasehold land is amortised in equal installments over the remaining balance of the lease period since acquisition, ranging from 74 to 86 years. The straight line method is used to write off the cost of other assets over the term of their estimated useful lives as follows:

Factory Buildings	30 years
Other Buildings	25 years
Plant and machinery	30 years
Furniture and office equipment	5 years
Motor vehicles	5 years

Work-in-progress is not depreciated until the asset is fully completed and ready for its intended use. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Notes to the Financial Statements — 31 December 2015 (Continued)

Gains and loss on disposals are determined by comparing proceeds with carrying amount of the assets, and are recognised in the profit or loss.

Where an indication of impairment exists, the carrying value of the asset is assessed and written down immediately to its recoverable amount.

Expenditure on property, plant and equipment is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Company. Repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

(c) Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(c) Impairment of non-financial assets other than inventories (continued)

At each reporting date, the Group assesses whether there is any indication that goodwill may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. The allocation is made to those CGUs units or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(d) Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

(e) Receivables

Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

Notes to the Financial Statements — 31 December 2015 (Continued)

(g) Share capital

Ordinary shares are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets or liabilities with another entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(h) Dividend distribution

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and accrued as a liability in the financial year in which the obligation to pay is established.

(i) Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(j) Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is US$. The financial statements of the Group and Company are presented in RM in compliance with the Companies Act, 1965.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'gain / (loss) on exchange differences (net)'.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

(k) Operating leases

(i) Accounting for lessee

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Notes to the Financial Statements — 31 December 2015 (Continued)

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Group and of the Company.

(ii) Defined contribution plan

The Company contributes to the Employees Provident Fund, the national defined contribution plan and the Company's subsidiary contributes to the Social Contribution on Income. Once the contributions have been paid, the Group have no further payment obligations. The Group's contributions are charged to the profit or loss in the financial year to which they relate.

(m) Revenue recognition

Revenue comprises the invoiced value for the sale of goods, net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised upon delivery of products, and when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised using the effective interest method.

Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Engineering fee is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(n) Income taxes

Current tax expense is determined according to the tax rates and laws of each jurisdiction that have been enacted or substantively enacted by the reporting date, in which the Group operates and generate taxable income.

Deferred tax is recognised on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Tax benefit from investment tax allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised on the unutilised investment tax allowance, other than such tax arising in a business combination.

(o) Payables

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(p) Contingent liabilities

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation 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 or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

Notes to the Financial Statements — 31 December 2015 (Continued)

6 REVENUE

	Group and Company	
	2015	2014
	RM Million	RM Million
Sale of goods	**3,132.51**	3,491.55
Commission earned from ultimate holding company	**112.94**	100.18
Engineering fee	**62.52**	52.38
	3,307.97	3,644.11

7 OTHER INCOME

	Group and Company	
	2015	2014
	RM Million	RM Million
Gain on disposal of property, plant and equipment	**0.02**	0.38
Others	**0.11**	0.22
	0.13	0.60

8 STAFF COSTS

	Group		Company	
	2015	2014	**2015**	2014
	RM Million	RM Million	**RM Million**	RM Million
Wages, salaries and bonuses	**168.16**	183.81	**168.15**	183.71
Defined contribution plan	**9.71**	9.82	**9.71**	9.82
Allowances and other benefits	**16.99**	18.05	**16.99**	18.05
	194.86	211.68	**194.85**	211.58
Included in the staff costs is Directors' remuneration comprising:				
Salaries and bonus	**2.48**	2.13	**2.48**	2.13

The estimated monetary value of benefits-in-kind provided to the Directors of the Group and of the Company was approximately RM 0.20 Million and RM 0.20 Million (2014: RM 0.41 Million and RM 0.25 Million respectively).

9 LOSS FROM OPERATIONS

	Group and Company	
	2015	2014
	RM Million	RM Million
The following items have been Charged / (credited) in arriving at loss from operations:		
Auditors' remuneration	**0.20**	0.17
Rental of office	**1.47**	1.40
Loss on sale of property, plant and equipment	**-**	0.07
Inventory written down to net realisable value	**26.90**	21.35
Net exchange (gain)/losses		
– unrealised	**(32.17)**	(23.96)
– realised	**(70.13)**	(5.66)
	(102.30)	(29.62)

Notes to the Financial Statements — 31 December 2015 (Continued)

10 FINANCE COSTS

	Group and Company	
	2015	2014
	RM Million	RM Million
Interest expense on term loans	**5.30**	5.61
Interest expense on working capital loans / overdraft	**22.87**	16.19
	28.17	21.80

11 TAXATION

No provision for current income tax has been made as the Group and the Company have been granted full income tax exemption on the statutory income of up to 100 percent of qualifying capital expenditure for a period of ten years, commencing 9 November 2007.

	Group		Company	
	2015	2014	**2015**	2014
	RM Million	RM Million	**RM Million**	RM Million
Tax credit for the financial year:				
Deferred tax (Note 22)	**(40.02)**	(41.16)	**(40.02)**	(41.16)

The explanation of the relationship between income tax expense and loss before taxation is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	RM Million	RM Million	**RM Million**	RM Million
Loss before taxation	**(75.62)**	(210.80)	**(75.62)**	(210.76)
Tax calculated at the Malaysian tax rate of 25% (2014: 25%)	**(18.91)**	(52.70)	**(18.91)**	(52.69)
Tax effects of:				
– expenses not deductible for tax purposes	**3.19**	0.24	**3.19**	0.23
– income not subject to tax	-	(0.09)	-	(0.09)
– foreign exchange differences*	**(24.30)**	11.39	**(24.30)**	11.39
Tax credit	**(40.02)**	(41.16)	**(40.02)**	(41.16)

* For tax purposes, all transactions in RM are recorded in RM and transactions in currencies other than RM are translated to RM using the spot rate on date of transaction in determining taxable income/loss in deriving tax expense/credit. As a result, there is a difference between taxable income/loss and accounting profit/loss recognised using US$ as the functional currency due to foreign exchange differences.

Notes to the Financial Statements — 31 December 2015 (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

(in RM Million)	Freehold land	Leasehold land	Buildings	Plant & machinery	Furniture & office equipment	Motor vehicles	Capital work-in progress	Total
Group and Company Cost								
As at 01.01.2014	3.31	103.01	385.58	1,382.48	11.17	7.13	5.91	1,898.59
Additions	-	-	-	3.54	0.60	0.41	12.22	16.77
Reclassification	-	-	-	11.45	0.03	-	(11.48)	-
Disposals	-	-	-	(0.31)	(0.04)	(0.15)	-	(0.50)
Foreign exchange differences	-	6.92	25.08	90.89	0.79	0.46	0.43	124.57
As at 31.12.2014/ 01.01.2015	3.31	109.93	410.66	1,488.05	12.55	7.85	7.08	2,039.43
Additions	-	-	0.01	11.78	1.00	0.24	2.27	15.29
Disposals	-	-	-	-	(0.01)	(0.02)	-	(0.03)
Foreign exchange differences	-	25.82	93.65	340.74	2.95	1.81	1.80	466.78
As at 31.12.2015	3.31	135.75	504.32	1,840.57	16.49	9.88	11.15	2,521.47
Less: Accumulated depreciation								
As at 01.01.2014	-	7.82	92.62	393.63	9.32	5.34	-	508.73
Charge for the year	-	1.29	15.43	77.32	0.75	0.63	-	95.42
Disposals	-	-	-	(0.11)	(0.03)	(0.14)	-	(0.28)
Foreign exchange differences	-	0.60	7.06	30.83	0.67	0.37	-	39.53
As at 31.12.2014/ 01.01.2015	-	9.71	115.11	501.67	10.71	6.20	-	643.40
Charge for the year	-	1.54	15.47	44.24	0.93	0.77	-	62.95
Disposals	-	-	-	-	(0.01)	(0.02)	-	(0.03)
Foreign exchange differences	-	2.36	27.77	118.79	2.53	1.48	-	152.93
As at 31.12.2015	-	13.61	158.35	664.70	14.16	8.43	-	859.25
Net book value As at 31.12.2015	3.31	122.14	345.97	1,175.87	2.33	1.45	11.15	1,662.22
As at 31.12.2014	3.31	100.22	299.55	986.38	1.84	1.65	7.08	1,396.03
As at 01.01.2014	3.31	95.19	292.96	988.85	1.85	1.79	5.91	1,389.86

As at 31 December 2015, the net book value of property, plant and equipment of the Group and of the Company pledged as security for working capital loan (Note 21) is RM 214.22 million (Gross value: RM 325.33 million) [31.12.2014: Net book value RM 180.42 million (Gross value RM 263.58 million), 01.01.2014: Net book value RM 176.12 million (Gross value RM 242.31 million)].

Notes to the Financial Statements — 31 December 2015 (Continued)

13 INVESTMENT IN A SUBSIDIARY

	Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Unquoted shares, at cost	0.33	0.33	0.33

Details of the subsidiary are as follows:

Name	Country of incorporation	Group's effective interest 31.12.2015 %	31.12.2014 %	1.1.2014 %	Principal activities
Reliance Do Brasil Industria E Comercio De Produtos Texteis, Quimicos,Petroquimicos E Derivados LTDA ("Reliance Brazil LLC")*	Brazil	100	100	100	(a) Promotion and consultancy services in relation to sales of of textiles and related products (b) Investment in other companies

* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

14 INVENTORIES

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Raw materials *	**125.83**	147.39	135.45
Stores, chemicals and packing materials *	**83.75**	59.39	62.22
Work in progress	**38.07**	34.31	42.81
Finished goods	**262.64**	293.02	306.47
	510.29	534.11	546.95

* Includes RM 40.20 million (31.12.2014: RM72.55 million; 01.01.2014: RM 36.41 million) in respect of materials in transit.

Inventories and trade receivables of the Group and of the Company are pledged to a financial institution as security for trade and other credit facilities up to a maximum aggregate amount of USD 25.00 million (RM 107.30 million) [31.12.2014: USD 25.00 million (RM 87.38 million)] [01.01.2014: USD 25.00 million (RM 82.04 million)].

15 TRADE RECEIVABLES

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Trade receivables	**143.95**	125.46	116.79
Trade receivables are denominated in the following currencies:			
– US Dollar	**143.95**	125.31	116.77
– Others	**-**	0.15	0.02
	143.95	125.46	116.79

Credit terms of trade receivables ranged from 0 to 90 days (31.12.2014: 0 to 90 days; 01.01.2014: 0 to 90 days), backed by letters of credit or bank guarantees.

A certain portion of the trade receivables is pledged to a financial institution as security for trade and other credit facilities, as disclosed in Note 14 to the financial statements.

Notes to the Financial Statements — 31 December 2015 (Continued)

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group			Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Deposits	**2.85**	1.49	1.46	2.85	1.49	1.46
Prepayments	**10.53**	10.19	10.80	10.53	10.19	10.80
Receivables from sale of land	**-**	-	63.09	-	-	63.09
Other receivables	**37.06**	1.29	1.94	37.05	1.29	1.90
	50.44	12.97	77.29	50.43	12.97	77.25

Deposits and other receivables are denominated in Ringgit Malaysia.

17 CASH AND BANK BALANCES

	Group			Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Cash and bank balances	**0.76**	0.80	0.50	0.74	0.78	0.49

Bank balances are deposits held at call with banks.

Cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
– US Dollar	**0.57**	0.53	0.18	0.57	0.53	0.18
– Ringgit Malaysia	**0.17**	0.25	0.31	0.17	0.25	0.31
– Others	**0.02**	0.02	0.01	-	-	-
	0.76	0.80	0.50	0.74	0.78	0.49

Notes to the Financial Statements — 31 December 2015 (Continued)

18 TRADE PAYABLES

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Trade payables	**324.30**	177.18	103.06
Trade accruals	**56.78**	19.35	23.94
	381.08	196.53	127.00

Credit terms of trade payables granted to the Group and the Company ranged from 0 to 60 days (31.12.2014: 0 to 60 days; 01.01.2014: 0 to 60 days).

Trade payables are denominated in the following currencies:

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
– Ringgit Malaysia	**92.40**	95.70	69.22
– Euro	**-**	-	1.35
– US Dollar	**288.40**	97.44	55.35
– Others	**0.28**	3.39	1.08
	381.08	196.53	127.00

19 OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Energy, commission and transportation payables	**16.04**	13.05	15.17	16.04	13.05	15.17
Staff cost payables	**29.94**	30.65	22.26	29.94	30.65	22.26
Other payables	**4.58**	5.59	2.99	4.61	5.63	3.04
	50.56	49.29	40.42	50.59	49.33	40.47

Credit terms of other payables granted to the Group and the Company ranged from 0 to 30 (31.12.2014: 0 to 30 days; 01.01.2014: 0 to 30 days).

Other payable & accruals of Company incudes RM 0.05 million (31.12.2014: RM 0.10 Million; 01.01.2014: RM 0.07 Million) payable to its subsidiary company.

Other payables and accruals are denominated in the following currencies:

	Group			Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
– Ringgit Malaysia	**42.21**	39.79	32.74	42.21	39.77	32.74
– US Dollar	**8.33**	9.46	7.66	8.38	9.56	7.73
– Others	**0.02**	0.04	0.02	-	-	-
	50.56	49.29	40.42	50.59	49.33	40.47

Notes to the Financial Statements — 31 December 2015 (Continued)

20 AMOUNTS DUE FROM / TO ULTIMATE HOLDING COMPANY AND RELATED COMPANY

The amounts due from / to ultimate holding company and a related company are denominated in US Dollars, unsecured, interest-free and repayable within 60 days. Amount due to ultimate holding company includes RM 0.11 million (31.12.2014: RM 66.91 million; 01.01.2014: RM 24.94 million) in respect of materials in transit.

21 BORROWINGS

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Current:			
Working capital loan			
– secured	**48.46**	104.05	121.32
Term loans – unsecured	**236.06**	104.85	98.44
Working capital loan			
– unsecured	**279.03**	100.04	123.23
Bank overdrafts			
– unsecured	**276.33**	320.35	222.55
	839.88	629.28	565.54
Non-current:			
Term loans – unsecured	**-**	192.23	278.93
	839.88	821.51	844.47

All the borrowings (unsecured) are backed by a corporate guarantee / comfort letter from the ultimate holding company, Reliance Industries Limited.

The working capital loan (secured) is secured by property, plant and equipment (Note 12).

Notes to the Financial Statements — 31 December 2015 (Continued)

21 BORROWINGS (Continued)

The maturity profile and exposure of borrowings of the Group and of the Company to interest rate risks are as follows:

	Effective interest rate at balance sheet date (per annum)	Currency exposure	Total carrying amount RM Million	Less than 1 year RM Million	1 year to 2 years RM Million	2 years to 5 years RM million
At 31 December 2015:						
Group and Company						
Secured						
Working capital loan	1.94%	USD	48.46	48.46	-	-
Unsecured						
Term loan 1.52%	USD	236.06	236.06	-	-	
Working capital loan	3.86%	RM	279.03	279.03	-	-
Bank overdraft	1.26%	USD	3.31	3.31	-	-
Bank overdraft	4.42%	RM	273.02	273.02	-	-
			839.88	839.88	-	-
At 31 December 2014:						
Group and Company						
Secured						
Working capital loan	1.80%	USD	104.04	104.04	-	-
Unsecured						
Term loan 1.25%	USD	297.08	104.85	192.23	-	
Working capital loan	4.10%	RM	100.04	100.04	-	-
Bank overdraft	1.22%	USD	88.23	88.23	-	-
Bank overdraft	4.57%	RM	232.12	232.12	-	-
			821.51	629.28	192.23	-
At 1 January 2014:						
Group and Company						
Secured						
Working capital loan	1.82%	USD	121.32	121.32	-	-
Unsecured						
Term loan 1.26%	USD	377.37	98.44	98.44	180.49	
Working capital loan	1.00%	USD	83.23	83.23	-	-
Working capital loan	3.79%	RM	40.00	40.00	-	-
Bank overdraft	1.30%	USD	80.47	80.47	-	-
Bank overdraft	4.21%	RM	142.08	142.08	-	-
			844.47	565.54	98.44	180.49

Notes to the Financial Statements — 31 December 2015 (Continued)

22 DEFERRED TAX ASSETS / (LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Deferred tax assets / (liabilities)	**79.03**	39.01	(2.15)

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

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
At 1 January	**39.01**	(2.15)	(47.36)
Credited / (charged) to profit or loss (Note 11):			
– property, plant and equipment	**12.15**	30.59	21.82
– unutilised tax losses	**33.44**	18.92	22.28
– investment tax allowance	**-**	(12.16)	-
– others	**(5.57)**	3.80	1.11
	40.02	41.16	45.21
At 31 December	**79.03**	39.01	(2.15)
Deferred tax assets (before offsetting):			
Property, plant and equipment	**74.68**	65.33	57.75
Unutilised tax losses	**99.07**	65.63	46.71
Investment tax allowance	**145.87**	145.87	158.03
Others	**-**	5.52	1.45
	319.62	282.36	263.94
Offsetting	**(240.59)**	(243.35)	(263.94)
Deferred tax assets (after offsetting)	**79.03**	39.01	-
Deferred tax liabilities (before offsetting):			
Property, plant and equipment	**(239.95)**	(242.75)	(265.76)
Others	**(0.64)**	(0.60)	(0.33)
	(240.59)	(243.35)	(266.09)
Offsetting	**240.59**	243.35	263.94
Deferred tax liabilities (after offsetting)	**-**	-	(2.15)

The Company has been granted full income tax exemption on statutory income of up to 100 percent qualifying capital expenditure for a period of 10 years, commencing 9 November 2007. The Company recognises the tax impact from the Company's unutilised investment tax allowance as and when it is utilised, other than such tax arising in a business combination (i.e the acquisition of Hualon Corporation (M) Sdn. Bhd. by the Company) during the financial year ended 31 December 2008.

Notes to the Financial Statements — 31 December 2015 (Continued)

22 DEFERRED TAX ASSETS / (LIABILITIES) (Continued)

The Group will continue to recognise in profit or loss the tax credit arising from the Group's unutilised investment tax allowance as and when it is utilised. The amount of investment tax allowance (of which has no expiry date) for which no deferred tax assets is recognised is as follows:

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Investment tax allowance	**305.93**	294.15	279.33
Deferred tax assets not recognised	**73.42**	70.59	69.83

23 SHARE CAPITAL

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Authorised ordinary shares of RM1 each:			
At 1 January	**350**	350	50
Created during the financial year	**450**	-	300
At 31 December	**800**	350	350
Issued and fully paid ordinary shares of RM1 each:			
At 1 January	**113.19**	113.19	2.50
Issued during the financial year	-	-	110.69
	113.19	113.19	113.19
At 31 December	**113.19**	113.19	113.19

On 13 November 2015, the Company has increased its authorised share capital by RM 450 Million to RM 800 Million by the creation of an additional 450 Million ordinary shares of RM 1 each. The Company has received share application monies amounting to RM 429.80 Million in December 2015. Subsequently in January 2016, the authorised share capital of RM 800 Million was split into 200,000,000 ordinary shares of RM 1.00 each and 600,000,000 non-cumulative redeemable preference shares of RM 1.00 each. In January 2016, the Company had issued 429,800,000 non-cumulative redeemable preference shares amounting to RM 429.80 Million (equivalent to US$ 100 Million) to Reliance Industries (Middle East) DMCC, a wholly-owned subsidiary company of Reliance Industries Limited by utilising the share application monies.

Notes to the Financial Statements — 31 December 2015 (Continued)

24 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms, conditions and prices negotiated and agreed between the parties.

Related party	Relationship
Reliance Industries Limited	Ultimate holding company
Reliance Brazil LLC	Subsidiary
RP Chemicals (Malaysia) Sdn. Bhd.	Related company

	Group		Company	
	2015 RM Million	2014 RM Million	**2015 RM Million**	2014 RM Million
Commission earned from Reliance Industries Limited	112.94	100.18	112.94	100.18
Engineering fee earned from Reliance Industries Limited	62.52	52.38	62.52	52.38
Purchases of raw materials from Reliance Industries Limited	367.68	1,278.70	367.68	1,278.70
Corporate guarantee charges from Reliance Industries Limited	4.32	4.17	4.32	4.17
Market research services charged by Reliance Brazil LLC	-	-	0.05	0.50
Purchases of raw materials from RP Chemicals (Malaysia) Sdn. Bhd.	27.11	237.61	27.11	237.61
Manufacturing service charges charged by RP Chemicals (Malaysia) Sdn. Bhd.	411.99	346.06	411.99	346.06

The related party balances outstanding as at the end of the financial year arising from the above significant related party transactions are disclosed in the statements of financial position.

25 FAIR VALUES

The carrying amounts of financial assets and liabilities of the Group and of the Company approximated their fair values.

26 CAPITAL COMMITMENTS

	Group and Company		
	31.12.2015 RM Million	31.12.2014 RM Million	1.1.2014 RM Million
Approved and contracted for	**7.68**	9.45	1.79
Analysed as follows:			
Property, plant and equipment	**7.68**	9.45	1.79

27 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14 April 2016.