www.luxchem.com.my

6, Jalan SS21/58, Damansara Utama,
47400 Petaling Jaya, Selangor, Malaysia
T | 03 7728 2155
F | 03 7729 9782

LUXCHEM CORPORATION BERHAD (Company No. 224414-D)

ANNUAL REPORT 2015

LUXCHEM
LUXCHEM CORPORATION BERHAD
(Company No.: 224414-D)

THE TRUSTED NAME IN INDUSTRIAL CHEMICAL SUPPLIES

annual report 2015

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Dato' Haji Mokhtar Bin Haji Samad
Independent Non-Executive Chairman

Tang Ying See
Managing Director/Chief Executive Officer

Chin Song Mooi
Executive Director

Chen Moi Kew
Executive Director/Chief Financial Officer

Chan Wan Siew
Senior Independent Non-Executive Director

Au Chun Choong
Independent Non-Executive Director

COMPANY SECRETARIES

Wong Wai Foong *(MAICSA 7001358)*
Chen Moi Kew *(MIA 6359)*
Ng Harn Shin *(MIA 22427)*

AUDIT COMMITTEE

Au Chun Choong
Chairman

Dato' Haji Mokhtar Bin Haji Samad
Member

Chan Wan Siew
Member

NOMINATION COMMITTEE

Chan Wan Siew
Chairman

Dato' Haji Mokhtar Bin Haji Samad
Member

Au Chun Choong
Member

REMUNERATION COMMITTEE

Dato' Haji Mokhtar Bin Haji Samad
Chairman

Tang Ying See
Member

Au Chun Choong
Member

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suites
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No : (03) 2783 9299
Facsimile No : (03) 2783 9222

CORPORATE OFFICE

No. 6, Jalan SS21/58
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone No : (03) 7728 2155
Facsimile No : (03) 7729 9782
Website : http://www.luxchem.com.my

PRINCIPAL BANKERS

AmBank (M) Berhad (8515-D)
AmIslamic Bank Berhad (295576-U)
CIMB Bank Berhad (13491-P)
Citibank Berhad (297089-M)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
United Overseas Bank (Malaysia) Berhad (271809-K)

REGISTERED OFFICE

Unit 30-01, Level 30
Tower A, Vertical Business Suites
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No : (03) 2783 9191
Facsimile No : (03) 2783 9111

AUDITORS

Folks DFK & Co (AF 0502)
12th Floor, Wisma Tun Sambanthan
No. 2, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Telephone No : (03) 2273 2688
Facsimile No : (03) 2274 2688

STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia
Securities Berhad
Stock Name : LUXCHEM
Stock Code : 5143
Date of listing : 27 June 2008

Corporate Structure

LUXCHEM
LUXCHEM CORPORATION BERHAD
(Company No.: 224414-D)

100%
Luxchem Trading Sdn Bhd

100%
Luxchem Polymer Industries Sdn Bhd

100%
Luxchem Trading (S) Pte Ltd

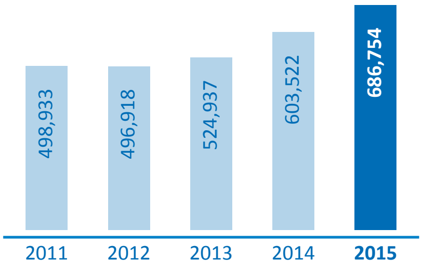
100%
Chemplex Composite Industries (M) Sdn Bhd

70%
PT Luxchem Indonesia

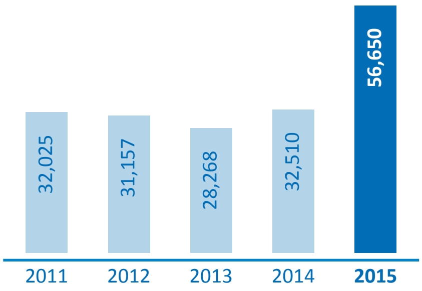
100%
Luxchem Vietnam Company Limited

Financial Highlights

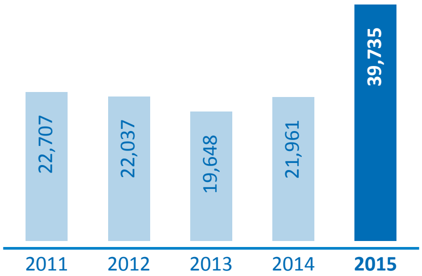
REVENUE (RM'000)



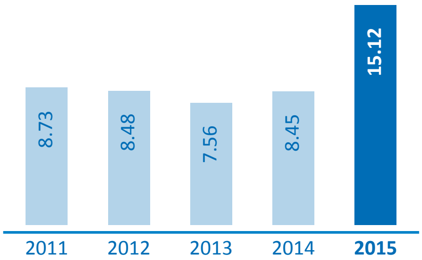
EBITDA (RM'000)



PROFIT ATTRIBUTABLE TO OWNER OF THE COMPANY (RM'000)



EARNING PER SHARE (SEN)



	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	498,933	496,918	524,937	603,522	**686,754**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	32,025	31,157	28,268	32,510	**56,650**
Profit Before Taxation ("PBT")	30,216	29,243	26,169	29,578	**54,397**
Profit Attributable to Owners of the Company	22,707	22,037	19,648	21,961	**39,735**
Earnings Per Share - Basic (sen)*	8.73	8.48	7.56	8.45	**15.12**
Earnings Per Share - Diluted (sen)*	-	-	-	-	**14.65**

* *FYE 2015 :*

Earning Per Share - Basic

Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue of 262,805,603 as at 31 December 2015.

Earning Per Share - Diluted

Computed based on Profit Attributable to Owners of the Company and divided by the adjusted weighted average number of shares in issue of 271,198,843 as at 31 December 2015.

* *FYE 2014 :*

Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year of 260,000,000.

* *FYE 2011 to FYE 2013:*

The weighted average number of ordinary shares in issue during the financial year 2010, 2011, 2012 and 2013 have been adjusted from 130,000,000 to 260,000,000 to take into effect of the bonus issue of shares exercise undertaken by the Company during the current financial year ended 31 December 2014

Directors' Profile

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Independent Non-Executive Chairman

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 68, was appointed as an Independent Non-Executive Director of the Company on 15 May 2008.

He is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He is the Non-Executive Chairman of Kossan Rubber Industries Berhad, Executive Chairman of the Malay Contractor Consortium Malaysia, a Director of the Malay Contractor Consortium Wilayah Persekutuan and the Executive Chairman of Minat Megah Sdn. Bhd., a company principally involved in construction.

He is also the President of the Malay Contractors Association Malaysia, the Vice President of the Entrepreneur Development Agency Wilayah Persekutuan, a Board Director of Construction Industry Development Board Malaysia (CIDB), a member of the Advisory Committee of Dewan Perniagaan Melayu Kuala Lumpur and a committee member of the Ministry of Domestic Trade and Consumer Affairs, Wilayah Persekutuan.

He does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended all the five (5) Board meetings of the Company held during the financial year ended 31 December 2015.

TANG YING SEE
Managing Director / Chief Executive Officer

Tang Ying See, a Malaysian aged 64, is the Managing Director / Chief Executive Officer of the Company. He is one of the First Directors appointed to the Board of the Company on 4 September 1991.

He is currently a member of the Remuneration Committee.

As the founder of the Company, he has been instrumental in our development, growth and success. He brings with him approximately 37 years of experience in the industrial chemicals industry and is mainly responsible for the overall strategic business direction of the Group.

He obtained a Bachelor of Science Degree majoring in Physics from Nanyang University, Singapore in 1975 and has been a member of the Malaysian Institute of Management since 1990. Upon graduation, he joined a chemical trading company as a Sales Representative and was promoted to Senior Manager in 1983.

In 1984, he left and established Lux Trading, a sole proprietorship, which business was taken over by Luxchem Trading Sdn Bhd in 1987. He currently holds several directorships in a number of private limited companies but does not hold any other directorships in other listed entities.

He is the husband of Chin Song Mooi. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended all the five (5) Board meetings of the Company held during the financial year ended 31 December 2015.

Directors' Profile
cont'd

CHIN SONG MOOI
Executive Director

Chin Song Mooi, a Malaysian aged 64, is an Executive Director of the Company. She is one of the First Directors appointed to the Board of the Company on 4 September 1991.

She graduated in 1976 with a Bachelor of Commerce Degree in Accountancy from Nanyang University, Singapore. Her career began upon her graduation in 1976 when she joined Khoo, Junus & Co., an accounting firm located in Kuala Lumpur as an Auditor. In 1978, she left and joined Universal Cable (M) Bhd as an Accountant in the Johor Bahru branch. In 1979, she left and joined Syarikat Pembinaan Beng Teck Sdn Bhd, a building and construction company, as an Accountant.

In 1988, she left to take up the position as Director of Finance and Administration with Luxchem Trading Sdn Bhd. She is mainly responsible for overseeing all aspects of finance and administration functions of the Group. She currently holds several directorships in a number of private limited companies but does not hold any other directorships in other listed entities.

She is the wife of Tang Ying See. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past ten (10) years.

She attended all the five (5) Board meetings held during the financial year ended 31 December 2015.

CHEN MOI KEW
Executive Director / Chief Financial Officer

Chen Moi Kew, a Malaysian aged 53, was appointed as an Executive Director / Chief Financial Officer of the Company on 2 January 2008.

She obtained her Bachelor of Accounting Degree with First-Class Honours from the University of Malaya, Kuala Lumpur in 1987. She has been a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants since 1990 and a Member of the Financial Planning Association of Malaysia since 2003.

She began her career in 1987 when she joined Arthur Andersen & Co as an Audit Staff Assistant. In 1991, she left and joined United Malayan Banking Corporation Berhad as an Assistant Manager. In 1993, she left and took up the position as Deputy Manager in Southern Bank Berhad. In 1996, she left and was appointed Financial Controller at the Weld Centre (M) Sdn Bhd.

She left in 1997 to join Luxchem Trading Sdn Bhd. She is currently mainly responsible for overseeing the accounting and finance functions as well as formulating financial strategies for the Group.

She does not have any family relationship with any Director or substantial shareholder of the Company, nor does she have any conflict of interest with the Group. She does not hold any other directorships in other listed entities and has not been convicted of any offences within the past ten (10) years.

She attended all the five (5) Board meetings held during the financial year ended 31 December 2015.

Directors' Profile
cont'd

PAUL CHAN WAN SIEW
Senior Independent Non-Executive Director

Paul Chan Wan Siew, a Malaysian aged 65, was appointed as an Independent Non-Executive Director of the Company on 15 May 2008.

He is currently a member of the Audit Committee, the Chairman of the Nomination Committee and a Senior Independent Director.

He is also an Independent Non-Executive Director of Prestariang Berhad.

He is a Chartered Accountant, Certified Financial Planner®, Chartered Financial Consultant (US), a Fellow Member of the Association of Chartered Certified Accountants (UK), CPA Australia, Chartered Secretaries (UK). He is the President of Business Transitions Asia Sdn Bhd, offering business and financial advisory services, serving the business-owners community and selected market segments. He has been in public accounting, corporate and financial advisory practice for almost four decades.

Paul is the President and Founding Board Member of MACD (Malaysian Alliance of Corporate Directors), Vice President II of FPLC (Federations of Public Listed Companies) and an Executive Committee Member of GNDI (Global Network of Director Institutes.) He is an NACD Governance Fellow and NACD Board Leadership Fellow of the National Association of Corporate Directors, USA. He had previously served in the Council of MIA (Malaysian Institute of Accountants) and as Chairman of its Disciplinary Committee, as the President of MAICSA (Malaysian Institute of Chartered Secretaries and Administrators), the President of ACCA Malaysia (Association of Chartered Certified Accountants), a Founding Board Member and Vice President of Financial Planning Association of Malaysia (FPAM), and a Global Advisory Council Member of Financial Planning Association, USA.

He does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended all the five (5) Board meetings held during the financial year ended 31 December 2015.

AU CHUN CHOONG
Independent Non-Executive Director

Au Chun Choong, a Malaysian aged 64, was appointed as an Independent Non-Executive Director of the Company on 15 May 2008.

He is currently the Chairman of the Audit Committee, a member of the Remuneration Committee and Nomination Committee.

He obtained his Diploma in Commerce from Tunku Abdul Rahman College in 1976. He is a Fellow of the Association of Chartered Certified Accountants since 1985, and a member of the Malaysian Institute of Accountants since 1980.

He has vast experience in tax and finance in public accounting firms. He was attached to the Inland Revenue Department in Perak for several years. He left public service in 1980 and joined several public accounting firms as tax manager and financial consultant.

He is an Independent Non-Executive Director of Willowglen MSC Berhad, is an integrated provider of customized Supervisory Control and Data Acquisition (SCADA) systems.

He does not have any family relationship with any Director or substantial shareholder of the Company, nor does he has any conflict of interest with the Group. He has not been convicted of any offences within the past ten (10) years.

He attended all the five (5) Board meetings held during the financial year ended 31 December 2015.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Luxchem Corporation Berhad ("LCB") for the financial year ended ("FYE") 31 December 2015.

FINANCIAL PERFORMANCE

For FYE 31 December 2015, we achieved revenue of RM686.75 million, a 13.79% increase compared to FYE 31 December 2014. Profit After Tax increased by RM17.77 million to RM39.60 million or 81.40% in FYE 2015.

BALANCE SHEET

Our financial position remains strong. As at 31 December 2015, our cash stood at RM113.25 million.

Compared to 31 December 2014, there is an increase of RM39.09 million.

During FYE 2015, there was proceed from shares issued pursuant to share options exercised. The company had also increased in banking facilities utilisation to pay trade creditors.

LOOKING AHEAD

We continue to increase our product mix to maintain our competitive level.

DIVIDENDS

To reward shareholders' loyalty, LCB has paid an interim dividend of 2 sen per share on 30 September 2015. In view of the satisfactory performance during FYE 2015, the directors are recommending a single tier final dividend of 4.5 sen per share for the financial year ended 31 December 2015. If approved by shareholders, the total dividend for the year would be 6.5 sen per share. This would amount to RM17.26 million representing 43.59% of our Profit After Tax. The movements in the issued and paid-up share capital of the company arising from the new issue of shares subsequent to 31 December 2015 will lead to increase in total dividend payment amount.

The rate of the proposed single tier final dividend is higher by 0.5 sen when compared with the rate of single tier final dividend declared for the previous corresponding period in the previous financial year ended 31 December 2014.

The higher dividend rate for the financial year is due to higher profit in the financial year ended 31 December 2015. This is to reward to its shareholders.

CORPORATE SOCIAL RESPONSIBILITY

The Group is mindful of its contribution to society and will continue to contribute to charitable organisations.

APPRECIATION

On behalf of the Board, I would like to thank our employees, shareholders, business associates and stakeholders for their continued support and confidence in Luxchem Corporation Berhad.

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Independent Non-Executive Chairman

Statement on Corporate Governance

The Board of Directors of Luxchem Corporation Berhad ("the Board") recognises the importance of corporate governance and is committed to practice it throughout the Group to protect and enhance shareholders' value and the financial performance of the Group. The Board is pleased to report the manner in which the Company has applied the principles of the corporate governance and the extent of its compliance with the best practices set out in the Malaysian Code on Corporate Governance 2012 ("the Code") during its financial year ended 31 December 2015.

PRINCIPLE 1:

Clear Roles and Responsibilities

The statutory duties, powers and functions of the Board are governed by the Articles of Association of the Company, the Companies Act 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and other regulatory guidelines and requirements that are in force. The Board representing the shareholders, ensures proper management of the Group by:

i. Ensuring that the Group's goals are clearly established;

ii. Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;

iii. Ensuring that the Group has appropriate business risk management process, including adequate control environment, systems of internal control and risk management ;

iv. Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing issues and findings arising from these committees' deliberations and reports; and

v. Ensuring that the statutory accounts of the Company and Group are fairly stated and conform to the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements.

The Board recognises the importance for reviewing and adopting a strategic plan and overseeing the conduct of the business in order to ensure that the business is being properly managed. The periodic performance of the Group is reviewed by the Board based on the quarterly financial results and operational information and explanations provided by the Management.

A Schedule of Matters reserved for collective decision of the Board is defined. This Schedule of Matters is attached together with the Board Charter of the Company and could be found in "Corporate Governance" section in the Company's website.

Notice of meeting is circulated at least five (5) days before the Board and Board Committees meeting. Urgent matters falling outside these timing requirements are allowed subject to the Chairman's approval.

Board discussions is open and constructive, recognising that differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote.

Statement on Corporate Governance
cont'd

PRINCIPLE 1: *cont'd*

Access to Independent Professional Advice

For the purpose of this section, independent professional advice shall include advice sought from legal experts, accountants or other professional advisor and consultants. Independent professional advice shall exclude advice concerning personal interests of the directors such as with respect to their contracts or disputes with the Group, unless these are matters affecting the Board as a whole.

When external advices are necessary, Director would provide proper notice to the Company Secretary of the intention to seek independent advice and the name(s) of the professional advisors that he or she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. In the event that one or more Directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus.

Fees for the independent professional advice will be payable by the Company but approval of the Chairman will be required before engagement of professional advice.

For avoidance of doubt, the above restriction shall not apply to Executive Directors in furtherance their executive responsibilities and within the Board's delegated powers.

The Company Secretary

All Board Members have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretary or Secretaries shall be the prerogative of the Board as a whole. The Company Secretary appointed should be suitably qualified and competent in order to support the Board in carrying out its role and responsibilities. The Company has appointed three qualified Company Secretaries for the Company and its subsidiaries.

The Company Secretary is responsible for ensuring that Board procedures are followed, the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with the maintenance of the Board are performed effectively.

In addition, the Company Secretary ensures minutes are duly entered into the books for all resolutions and proceedings of all meetings of the Board and Board Committees. These minutes of meetings record the decisions taken and the views of individual Board Members. Such minutes are confirmed by the Board and respective Board Committees and signed by Chairman of the meeting.

Access to Management and Information

The supply, timeliness and quality of the information affect the effectiveness of the Board to overseeing the conduct of the business and to evaluate the management performance. Board Members have full and unrestricted access to all information pertaining to the Group's business and affairs, including amongst others, major financial, operational and corporate matters as well as activities and performance of the Company to enable them to discharge their duties.

When accessing to management, Board Members ensure that such access would not distract the business operation of the Group and if such contact is in writing, be copied to the Chairman and Managing Director ("MD")/Chief Executive Officer ("CEO").

The Board also encourages the management to, from time to time, involve its managers in Board meetings who can provide additional insight into the agenda being discussed or be given the exposure at the board.

Statement on Corporate Governance
cont'd

PRINCIPLE 1: *cont'd*

Position of the MD/CEO

The Board integrates governance and management functions through MD/CEO. All Board authority conferred on management is delegated to the MD/CEO. The Board reviews the division of governance and execution responsibilities in order to balance of power of the Board and the Management.

Only decisions of the Board acting as a body are binding on MD/CEO. Decisions or instructions of individual Board Members or Board Committees are not binding except in the instances where specific authorisation is given by the Board.

A clear division of responsibility between the Chairman and the MD/CEO exists to ensure a balance power and authority. Formal position descriptions for the Chairman and MD/CEO outlining their respective roles and responsibilities are set out in the Board Charter.

In the event of the absence of MD/ CEO, the responsibilities and authorities of the MD/ CEO shall apply to such other person appointed by the Board unless the Board or a Board Committee decides otherwise that certain responsibilities and authorities are not to apply or are to apply with modification. The Board and Board Committees may also put in place additional rules and guidelines pertaining to this person's role.

The Board has defined and formalised its board charter and the same is published in the Company's website. The Board would review the board charter whenever necessary and make necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.

Profiles of Board Members remain substantially unchanged and these are published on pages 5 to 7 of this Annual Report. They are also published in the Company's corporate website for shareholders' reference.

The Board is provided with appropriate and timely information to enable it to discharge its duties effectively. The Management is invited to attend the Board and Board Committee meetings and to provide explanations to the Board on the operation matters of the Group. In addition, the Board is also briefed progressively by the Company Secretary, External Auditors and the Internal Auditors on new or changes in corporate regulatory requirements.

Monthly management meetings are called and used by the Executive Directors as a mean of communication and feedback channel which facilitate whistleblowing. Going forward, apart from reviewing, monitoring and deciding on the business development, changes and actions to ensure businesses are under control, at these meetings, the Executive Directors would also seek feedbacks and comments from heads of department on any symptoms of irregularities and fraud.

Sustainability

Based on the business, industry, and regulatory environment in which the Group's businesses operate in, the Board considers and requires its business units comply with statutory regulations on safety and health and promote appropriate environmentally friendly practices in the Group.

As part of our commitment to environmental protection, we have implemented Environmental Management System ISO14001 since 2009 in our manufacturing operation. This framework provides the Management with a systematic approach to identify, control and monitor segment of operations that have the potential impact to the environment.

The Group has no immediate plan to implement a diversity policy as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender and age. However, we are committed to diversity and have had an equal employment opportunity policy in promoting diversity in our Group. There are no barriers in employment or development in the Group because of an individual's gender, race, religion and age. As we believe that employees with diverse cultural backgrounds bring unique experiences and perceptions to the work team and benefit of the Group by strengthening productivity and responsiveness to changing conditions.

The Group's workforce statistics in terms of age, ethnic, gender and nationality as at 31 December 2015 are disclosed under "Additional Compliance Information" as stated in page 27 of this Annual Report.

Statement on Corporate Governance
cont'd

PRINCIPLE 2:

Strengthening Board Composition

The Board ensures that its composition and size reflects the responsibilities and the representatives of the interests of shareholders and promotes common purpose, participation, harmony, sense of responsibility of the Board Members and effectiveness.

The Board has six (6) directors. Half or three (3) of the Board Members are Independent Non-Executive Directors. Out of three (3) Executive Directors, two (2) of them are female directors. The appointment of Madam Chin Song Mooi and Madam Chen Moi Kew to the Board is evidence that the Board has implemented diversity principle even there is no gender diversity established for the Board for the time being. The Board membership is dependent on each candidate's skills, experience, core competencies and other qualities.

At least two directors or one third of the Board, whichever is higher, shall be independent directors. If the number of directors is not a multiple of three, then the number nearest one third shall be used. The definition of independent director follows that of Paragraph 1.01 of MMLR.

The Nomination Committee is responsible for overseeing and reviewing, on an annual basis, the skills, experience and characteristics required of the board members in considering the needs of the Group and its business. In order to ensure that the selection and evaluation of board members are done objectively, the Nomination Committee members are solely made up of Independent Directors and the Committee is chaired by the Senior Independent Director.

In addition, the Nomination Committee is responsible for reviewing and making recommendation of appointments to the Board based on size of the Board, the mix of skills and experience and other qualities director should bring to the Board. New nomination is assessed and recommended to the whole Board for appointment.

The Board delegates the screening and evaluation process of candidates for nomination to the Board and directors to be nominated for re-election, to the Nomination Committee. Upon selection and appointment of its members, a formal invitation to join the Company as a board member would be extended by the Chairman.

The Nomination Committee is responsible for assessing the performance of the existing directors and evaluating and recommending suitable candidates for Board appointment.

The Nomination Committee is empowered to review annually the effectiveness, contribution and performance of the Board, Board Committees and Board members and the independence of its Independent Directors. The objective of this review is to ensure that the Board's size, structure and composition meet the needs and expectations of the Company and the MMLR as well as the mix of skills, gender diversity, character, experience, integrity, competence and time to effectively discharge roles and responsibilities of the Board Members. As part of this review, the Nomination Committee's Chairman would also keep under review its Board Members' participations in board meetings, committee meetings, policies development and representation of the Company or Group in public events.

The Board evaluation questionnaires comprise Board Assessment, Board Committee Assessment an Individual Self Assessment and Assessment of Independence of the Independent Directors on an annual basis. These questionnaires are sent to Directors for their self-assessment and for them to provide their feedback, views and suggestions for improvement. The results of these self-assessments questionnaires were compiled by the Company Secretary and tabled to the Nomination Committee and Board for review and deliberation on 27 February 2016.

During the financial year, the Nomination Committee conducted one (1) meeting. At the meeting, the Nomination Committee reviewed the re-election of directors who are subject to retirement by rotation at the Annual General Meeting, and deliberate the result of the performance appraisal of the Board, Board Committee and Individual Director.

Statement on Corporate Governance
cont'd

PRINCIPLE 2: *cont'd*

Strengthening Board Composition *cont'd*

Before recommending candidates to be appointed by the Board, the Nomination Committee would apply the following criteria in screening and evaluating new candidates:

a. Number of Directorship
b. Association and Involvement in Politic
c. Professionalism and Integrity
d. Professional and Relevant Industrial Experience
e. Academic Qualification
f. Time Commitment
g. Expected Contributions/time commitment for its members and protocols for accepting new directorships.

Save for the above criteria as mentioned (a) to (g), the existing directors are also appraised annually based on performance criteria which include integrity, availability, meeting preparation and attendance, board participation, business planning contribution, public relation and teamwork.

The detailed terms of reference of the Nomination Committee as attached with the board charter is published on the corporate website (www.luxchem.com.my) for shareholders' reference.

Directors' Remunerations

The Board determines the level of remuneration of its Board Members after considering the recommendations of the Remuneration Committee.

All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in committees and the board, their attendance and/or special skills and expertise they bring to the Board.

The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive
RM50,000 and below	-	3
RM150,000 – RM200,000	1	-
RM550,000 – RM600,000	1	-
RM1,100,000 – RM1,150,000	1	-

Statement on Corporate Governance
cont'd

PRINCIPLE 2: *cont'd*

Directors' Remunerations *cont'd*

The aggregate remuneration paid or payable to all Directors of the Company are further categorised into the following components:

	Fees (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit-in-kind (RM)	EPF and SOCSO (RM)	Total (RM)
Executive Directors	10,000*	1,072,100	582,016	19,500	202,008	1,885,624
Non-Executive Directors	84,000**	7,500	-	-	5,040	96,540

* *Fees for Executive Directors are paid by subsidiary company*
** *Subject to the approval by shareholders at the Annual General Meeting ("AGM").*

The above remuneration excludes Directors' entitlement in Employees' Share Option Scheme ("ESOS"). Further details of ESOS are reported on page 30 to 32.

PRINCIPLE 3:

Enforcement of Independence

Independence is important for ensuring objectivity and fairness in board's decision making. The roles and responsibilities of the Chairman and MD/CEO continue to be separated and the Chairman of the Board is an independent director.

The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, maintaining dialogue with MD/ CEO on operational matters and consulting the Board over matter that gives him cause of concern.

The Chairman will act as a facilitator at meetings of the Board to ensure that appropriate discussion takes place, relevant opinion among Board Members are forthcoming and the Board's discussions produce logical and constructive outcomes.

Shareholders are encouraged to express their concerns to and seek clarification from the Chairman and MD/ CEO. Alternatively, they could also direct their concerns to Mr. Chan Wan Siew who is the Senior Independent Director, by emailing to PWChan@luxchem.com.my.

Provision of Business or Professional Services by Board Members

To avoid conflict of interest be it actual or perceived, Board Members should not, generally provide business or professional services of an ongoing nature to the Group.

Notwithstanding the general rule, the Company and/or Group is at liberty to:

- for the purpose of a special assignment, engage the services of any Board Member having special expertise in the particular field; or
- engage the services of a firm or company of which the Board Member is a partner, director or major shareholder so long as the terms of engagement are competitive, clearly recorded and all regulatory and legal requirements of the engagement are properly observed.

Statement on Corporate Governance
cont'd

PRINCIPLE 3: *cont'd*

Provision of Business or Professional Services by Board Members *cont'd*

In order to uphold independence of Independent Directors, the Board has adopted the following recommendation of the Code:

i. Subject to Board's justification and shareholders' approval, tenure of Independent Directors should not exceeed a cumulative nine (9) years; and

ii. Board to undertake an annual assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgement to the Board's deliberation and the regulatory definition of independent directors.

Presently, there is no Independent Director of the Company whose tenure has exceeded a cumulative term of nine (9) years as the Company was listed in 2008.

PRINCIPLE 4:

Foster Commitment

The fundamental of directors' commitment is devotion of time and continuous improvement of knowledge and skillsets.

During the financial year, five (5) Board meetings were held and attendance of the Directors was at below:-

Name/Designation	Attendance
Dato' Haji Mokhtar Bin Haji Samad *Independent Non-Executive Chairman*	5/5
Mr. Tang Ying See *Managing Director/Chief Executive Officer*	5/5
Madam Chin Song Mooi *Executive Director*	5/5
Madam Chen Moi Kew *Executive Director/Chief Financial Officer*	5/5
Mr. Au Chun Choong *Independent Non-Executive Director*	5/5
Mr. Chan Wan Siew *Senior Independent Non-Executive Director*	5/5

Effective 1st June 2013, the maximum directorships of a director in Malaysian public listed companies is reduced from 10 to 5 under the MMLR. In order to further strenghten the directors' commitment, internally, the Board sets the maximum executive directorship of each Board Member in public listed companies shall not be more than two (2).

Any Board Member, while holding office, is at liberty to accept other board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Group and that it would not detrimentally affect his or her performance as a board member of the Company. Before accepting an offer of appointment of other directorships, the Board members must notify the Chairman of the Board. The notification should include an indication of time that he/ she will be spent on the new appointment of directorship in other companies.

Statement on Corporate Governance
cont'd

PRINCIPLE 4: *cont'd*

Foster Commitment *cont'd*

The Board recognises the need and importance of continuous education for its Board Members. Attending relevant corporate trainings and seminars would enable them to discharge their duties effectively. The Nomination Committee would also assess the training needs of the Board from time to time. The Nomination Committee would recommend to the Board, appropriate training and education programmes including orientating new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group. Board Members are expected to keep themselves abreast of changes and trends in the business and in the Group's business environment and markets and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

The Company Secretary will diect the email invitation on the seminar, breakfast talk, briefing and etc from the various professional bodies from time to time therefore the Company will able to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharging their duties and responsibilities as Directors.

During the year, the Directors have participated in various relevant training programmes to enhance their skills and knowledge and to keep abreast with the relevant change in laws, regulations and business environment. Additionally, the Directors continue to broaden their industry and professional knowledge through their association with the business and corporate stakeholders of the Group and participation in the events conducted by these stakeholders.

The details of trainings/seminars/conference attended by Directors during the financial year are as below:

Director	Training/Seminar/Conference Attended
Dato' Haji Mokhtar	Planning for a Better Future Through Sustainable Infrastructure Seminar on Ensuring Climate Resilience of Building and Infrastructure - Towards Sustainable Infrastructure Seminar on Contractor Transformation Khazanah Megatrends Forum 2015 The 2015 International CEO Forum in Construction Industry The 4th Construction Industry Research Achievement International Conference Symposium on "Kontractor dan Usahawan Binaan Bumiputra 2015"
Tang Ying See	Composite China Exhibition 2015
Chin Song Mooi	11th Tricor Tax & Corporate Seminar
Chen Moi Kew	Walking the Ethical Tightrope Q&A Session with Director Customs, GST Division, Royal Malaysian Customs Department RMB and China's Global Future 11th Tricor Tax & Corporate Seminar
Au Chun Choong	Corporate Finance Activities in an Investment Bank Personal Data Protection Act 2010 and SMSA 2007 in the Capital Market

Statement on Corporate Governance
cont'd

PRINCIPLE 4: *cont'd*

Foster Commitment *cont'd*

The details of trainings/seminars/conference attended by Directors during the financial year are as below: *cont'd*

Director	Training/Seminar/Conference Attended
Chan Wan Siew	FIDE (Financial Institutes Directors' Education) Financial Services in Turbulent Times
	GNDI (Global Network of Director Institutes) Global Cyber Summit 2015
	AICD (Australian Institute of Company Directors) 2015 conference
	Impact of New Accounting Standard on Insurances Companies
	Asian World Summit (AWS) – 7th Annual Corporate Governance Summit
	ASLI Human Resources 2015 Summit
	TIOD (Thai Institute of Directors) Annual Conference
	FIDE CG Breakfast Series – Board Response to Rising Shareholders' Engagements
	MAICSA Annual Conference 2015
	World Capital Markets Symposium 2015 The Future of Auditor Reporting
	NACD (National Association of Corporate Directors, USA) Global Board Leaders' Summit
	MIA (Malaysian Institute of Accountants) Annual National Conference 2015
	UNESCAP (UN Economic & Social Comm. for Asia & Pacific) – Asia Pacific Business Forum
	ASLI 20th Malaysian Capital Market Summit
	The Boardroom Agenda Conference

PRINCIPLE 5:

Uphold of Integrity in Financial Reporting

The Audit Committee is responsible to ensure the Group's financial statements comply with applicable financial reporting standards. The Audit Committee has obtained written assurance from:

i. External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and

ii. Chief Financial Officer confirming that all relevant approved accounting standards and policies have been adopted, applied and followed in the financial statement with reasonable and prudent judgments and estimates.

The Audit Committee is advised by the External Auditors of any amendments to the financial reporting standards from time to time. The Audit Committee also assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The Audit Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements for announcement to the public within the stipulated time frame.

Statement on Corporate Governance
cont'd

PRINCIPLE 5: *cont'd*

Uphold of Integrity in Financial Reporting *cont'd*

The Audit Committee reviews and assesses the suitability, independence, performance and remuneration of the External Auditors before recommending them to the Board and shareholders for re-appointment in the AGM on an annual basis. The External Auditors provides written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit Committee would convene private session with the External Auditors and Internal Auditors without the presence of the Executive Directors and Management. During the financial year, the Audit Committee conducted one (1) private sessions with the External Auditors without the presence of the Executive Directors and Management.

The existing External Auditors, Messrs Folks DFK & Co., has been served as the Company's External Auditors since listing of the Company in 2008. Based on the above, the Board is satisfied with the performance and independence of Messrs Folks DFK & Co., hence, the Board agreed to recommend the re-appointment of Messrs Folks DFK & Co. as the Company's External Auditors for the shareholders' approval at AGM at the meeting held on 11 March 2016.

PRINCIPLE 6:

Risk Recognition and Management

The Board acknowledges that risk management is an integral part of effective management practice. Risk is inherent in all business activities, but it is not the Group's objective to eliminate risk totally. The underlying risk management principle of the Group is to balance the cost and benefit of managing and treating risks. There is an on-going process in place to identify, evaluate, and manage the key risk faced by the Group and the Board reviews the key risk highlighted on a regular basis to ensure the relevant action is taken to mitigate the risk of the Group.

The Board has established an internal audit function which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the Audit Committee directly and they are responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal controls process within the Group.

The Board is assisted by the Risk Management Committee to ensure the risk and control framework is embedded into the culture, processes and structures of the Group.

The Group has a formalised the Risk Management System Manual to manage the key risk areas of the Group. The Risk Management Committee would review and enhance the Risk Management System Manual wherever it is necessary. Management was keeping all risks under control. Further details of the Group's state of risk management and internal control systems are reported in the Statement on Risk Management and Internal Control on pages 24 to 25 of this Annual Report.

Statement on Corporate Governance
cont'd

PRINCIPLE 7:

Timely and High Quality Disclosure

Corporate disclosure and information are important for investors and shareholders. The Board is advised by the Management, Company Secretary, the External and Internal Auditors on the contents and timing of disclosure of the financial result and various announcements in accordance with the MMLR. The Management is invited to attend the Board and Audit Committee meetings and to provide explanations to the Board on the operations of the Group.

The Board continues to make use of its corporate website (www.luxchem.com.my) to communicate and disseminate information to shareholders and investors. The publication of those principal governance information such as board charter and board committees' terms of reference are included in its corporate website. Investor information, financial information and corporate announcements can be accessed on the website as well.

PRINCIPLE 8:

Exercise of Shareholders' Right

The Board will familiarise itself with issues shareholders' concerns and will conduct poll voting and electronic polling as and when is required at the Company's Annual or Extraordinary General Meetings.

The Board empowers MD/CEO to speak for the Group. Other Directors may, from time to time subject to the Board's decision, meet or otherwise communicate with various constituencies that are involved with the Group. Comments from the Board when appropriate shall come from the Chairman.

General meetings empower shareholder to exercise their rights. Shareholders are reminded that they have the right to demand a poll vote at general meetings. Also, effective 1st June 2013, poll voting is mandated for related party transactions that require shareholders' approval.

The Board recognises the rights of shareholders. In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least 21 days ahead of the date of general meeting and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Company.

Items of special business included in the notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution where appropriate.

Statement of Directors' Responsibility

In Respect of the Preparation of the Financial Statements

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2015, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and in compliance with the Companies Act, 1965.

The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Audit Committee Report

The Board of Directors of Luxchem Corporation Berhad ("the Board") is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

1. COMPOSITION OF AUDIT COMMITTEE

Au Chun Choong
Chairman
(Independent Non-Executive Director)

Chan Wan Siew
Member
(Senior Independent Non-Executive Director)

Dato' Haji Mokhtar Bin Haji Samad
Member
(Independent Non-Executive Chairman)

2. TERMS OF REFERENCE

The terms of reference of the Audit Committee remain unchanged. Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such information as contained in the Board Charter of the Company is published on the corporate website of the Company (www.luxchem.com.my) for shareholders' reference.

3. AUDIT COMMITTEE MEETING ATTENDANCE

During the financial year, the Audit Committee conducted five (5) meetings. The details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2015 are as follows:

Name of Member	Designation	Attendance
Mr Au Chun Choong	*Chairman* *(Independent Non-Executive Director)*	5/5
Mr Chan Wan Siew	*Member* *(Senior Independent Non-Executive Director)*	5/5
Dato' Haji Mokhtar Bin Haji Samad	*Member* *(Independent Non-Executive Chairman)*	5/5

4. ACTIVITIES OF THE AUDIT COMMITTEE

The principal activities undertaken by the Audit Committee during the financial period were as follows:-

a) Reviewed the unaudited quarterly financial results, cash flows and financial positions and recommended to the Board for consideration and approval for announcement to the public;

b) Reviewed the annual audited financial statement, Directors' and Auditors' Reports and other significant accounting issues together with the External Auditors;

c) Accessed the suitability and independence of the External Auditors;

d) Reviewed the external auditors' plan;

e) Reviewed the internal audit reports and audit status of the Group presented by the Internal Auditors;

Audit Committee Report
cont'd

4. ACTIVITIES OF THE AUDIT COMMITTEE *cont'd*

The principal activities undertaken by the Audit Committee during the financial period were as follows:- *cont'd*

f) Discussed with the Internal Auditors on their examinations and evaluation on the system of internal control of the Group;

g) Reviewed the Corporate Governance Statement, Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for consideration and approval;

h) Based on the Management's proposal, recommended the declaration of interim and final dividend to the Board for consideration and approval and subject to the shareholders' approval if necessary;

i) Accepted the risk management reporting from Management on quarterly basis;

j) Reviewed and verified the allocation of options pursuant to the Employees' Share Option Scheme ("ESOS") on quarterly basis;

k) Conducted one (1) private session with the External Auditors without the presence of executive directors and management; and

l) Reviewed incidents of recurrent related party transactions, if any and the reporting thereof.

5. INTERNAL AUDIT FUNCTION

The MMLR provide that a listed company must establish an internal audit function which is independent of the activities it audits and reports directly to the Audit Committee.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. Functionally, the Internal Auditors review and assess the Group's system of internal control and report to the Audit Committee directly. Before the commencement of audit reviews, an audit plan is presented to the Audit Committee for review and approval. This is to ensure that the audit direction is in line with the Audit Committee's expectations.

During the financial year, the Internal Auditors conducted internal control reviews on certain key operating functions and procedures & branches operation and recommended action plans for management improvement. The audit reports containing audit findings and recommendations together with Management's responses thereto were circulated to all Members of the Audit Committee. Areas of improvement identified were communicated to the Management for further action. All audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews are performed to ascertain the extent of Management's implementation of the recommended corrective action for improvements.

The fee incurred for the internal audit function in respect of the financial year ended 31 December 2015 was RM80,000 (2014:RM66,000).

Audit Committee Report
cont'd

6. STATEMENT ON SHARE ISSUANCE SCHEME BY AUDIT COMMITTEE

Paragraph 8.17(3) of MMLR requires a statement by the Audit Committee verifying the allocation of options under the ESOS as compliant with the disclosed criteria for allocation of options, at the end of each financial year.

The Company's ESOS was approved by the shareholders for a duration of five (5) years at its Extraordinary General Meeting held on 24 November 2014. The Board of Directors and the ESOS Committee may extend the ESOS for a further period of up to five (5) years upon expiry of the current validity period.

The Audit Committee has verified the allocation of 33,432,000 options granted of which 33,432,000 accepted by the eligible employees and Directors for the financial year ended 31 December 2015 and confirmed that the allocation of such options is complied with the By-Laws of the Company's ESOS.

Statement on Risk Management and Internal Control

The Malaysia Code on Corporate Governance specifies that the Board of Directors of public listed companies should establish a sound risk management framework and internal controls system to safeguard shareholders' investment and Group's assets. The Board of Directors of Luxchem Corporation Berhad ("the Board') is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2015. This Statement is prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and guided by the latest "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("the Guidelines") endorsed by Bursa Securities.

BOARD'S RESPONSIBILITIES

As the Group operates in a dynamic business environment, a sound risk management and internal control system must be in place to help the Group to achieve its business objectives. Therefore, the Board remains committed towards maintaining a sound system of risk management and internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks. The Board derives its comfort of the state of internal control and risk management of the Group from the following processes and information:

- Periodic review of financial information covering financial performance, quarterly financial results and key business indicators;
- Financial performance analysis against business objectives and targets;
- Audit Committee's review and consultation with the management on the integrity of the financial results, annual report and audited financial statements;
- Audit findings and reports on the review of the system of internal control from the Internal Auditors; and
- Management assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

RISK MANAGEMENT

The Board continues to ensure that the Group has an on-going process for identifying, evaluating and managing its principal risks.

The Board is assisted by the Risk Management Committee ("RMC") to review the effectiveness of risk management in the Group. RMC is driven by Managing Director and assisted by Heads of Department who are responsible for ensuring that key risks associated with the Group's business are identified, evaluated and that responses are developed on a timely manner to mitigate these risks. The Risk Management Report and Risk Register are presented to the Audit Committee and Board on quarterly basis.

In order to maintain corporate resiliency, Management continues to strengthen its risk management practices encapsulated in Risk Management System Manual from time to time.

Key Element of Internal Control

Apart from the above, the other fundamental elements of internal controls being practised by the Group are:

i. Organisation structure defining the management responsibilities and hierarchy structure of reporting lines and accountability;

ii. Limit of authority and approval facilitating delegation of authority and management succession;

iii. Performance reporting covering periodic reporting from the heads of management to the Executive Directors. This management reporting is intended to assure that business operations are progressed in accordance with the desirable objectives and targets;

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT *cont'd*

Key Element of Internal Control *cont'd*

Apart from the above, the other fundamental elements of internal controls being practised by the Group are: *cont'd*

iv. Monthly management and credit meetings with the Heads of Department. These meetings enable the Management to share, monitor and decide on the business development, changes and actions to ensure businesses are under control;

v. Provision of training and development to enhance the competitiveness and capability of the staff;

vi. ISO 9001:2008 Quality Management System in Luxchem Trading Sdn. Bhd. and ISO 9001:2008, ISO14001:2004 and OHSAS18001:2007 management systems in Luxchem Polymer Industries Sdn Bhd forming the basis of production, operational and management procedures; and

vii. The Group maintains open communication with all staff members, whereby employees are encouraged to report genuine concerns about unethical behaviour or malpractices to management and senior management appropriately.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guidelines, Management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies, implementing, maintaining sound systems of risk management and internal control and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could affect the Group's achievement of its objective and performance.

Before producing this Statement, the Board has received assurance from the Managing Director and Chief Financial Officer that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material respects

BOARD ASSURANCE AND LIMITATION

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

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the systems of internal control of the Group.

Additional Compliance Information

- **UTILISATION OF PROCEEDS**

  There were no proceeds raised from corporate proposals during the financial year.

- **SHARE BUY-BACKS**

  There was no share buy-back during the financial year ended 31 December 2015.

- **OPTIONS OR CONVERTIBLE SECURITIES**

  No options or convertible securities were issued by the Company during the financial year ended 31 December 2015.

  The details of options granted to eligible employees under the Company's Employee's Share Option Scheme ("ESOS") during the financial year ended 31 December 2015 are disclosed in the Directors' Report and Note 15(c) to the financial statements.

- **DEPOSITORY RECEIPT ("DR") PROGRAMME**

  The Company has not sponsored any DR programme for the financial year ended 31 December 2015.

- **SANCTIONS AND/OR PENALTIES**

  The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by any regulatory bodies during the financial year ended 31 December 2015.

- **NON-AUDIT FEES**

  The amount of non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2015 amounted to RM14,000.

- **VARIATION IN RESULTS**

  There was no variation by 10% or more between the results for the audited financial results for the financial year ended 31 December 2015 and unaudited quarterly results ended 31 December 2015 previously announced. The Company did not make any release on the profit estimates, forecasts or projections for the financial year ended 31 December 2015.

- **PROFIT GUARANTEES**

  No profit guarantee was given by the Company and/or its subsidiaries in respect of the financial year ended 31 December 2015.

- **MATERIAL CONTRACTS INVOLVING DIRECTORS' OR MAJOR SHAREHOLDERS' INTEREST**

  There were no material contracts entered into by the Company and its subsidiaries which involved directors' and major shareholders' interest subsisting as at the end of the financial year ended 31 December 2015.

- **RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OF TRADING NATURE ("RRPT")**

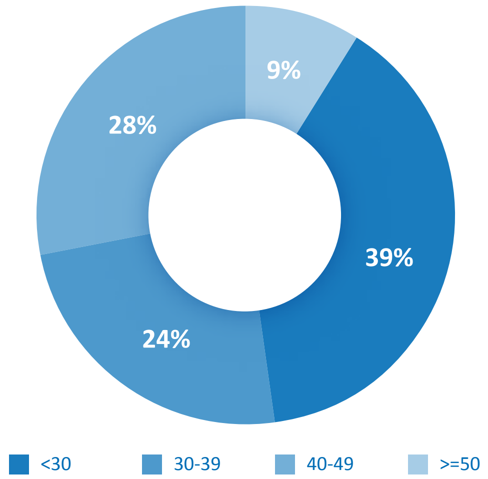
  The Company did not enter into any RRPT during financial year ended 31 December 2015.

Additional Compliance Information
cont'd

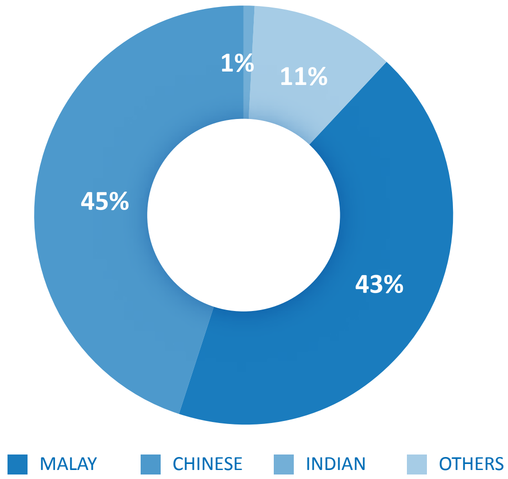
- **WORKFORCE DIVERSITY**

The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2015 are disclosed below:

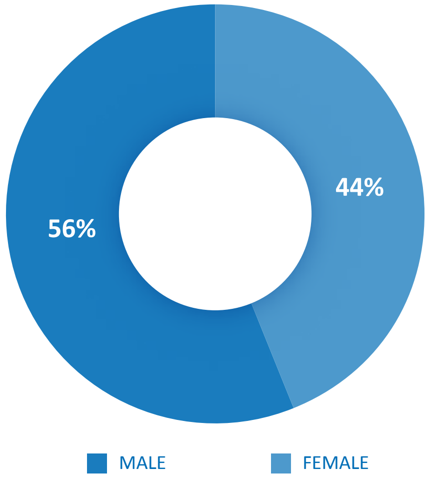
i) AGE GROUP



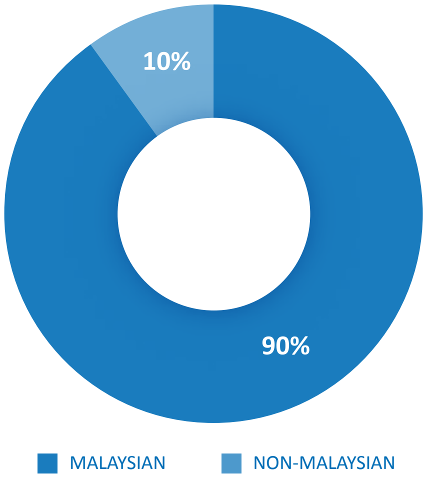
ii) ETHNICITY



iii) GENDER



iv) NATIONALITY



FINANCIAL STATEMENT

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7(a) to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and those of the subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	39,595,168	13,055,440
Profit/(Loss) for the year attributable to :-		
- Owners of the Company	39,735,148	13,055,440
- Non-controlling interests	(139,980)	-
	39,595,168	13,055,440

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves or provisions accounts during the financial year other than those disclosed in the financial statements.

DIVIDENDS

Dividends paid, declared or proposed since the end of the Company's previous financial year were as follows:-

(a) In respect of the financial year ended 31 December 2014, a single tier final dividend of 3 sen per ordinary share amounting to RM7,903,680 was declared on 29 May 2015 and paid on 30 June 2015 and of which RM7,800,000 has been dealt with in the Directors' Report for that financial year.

The additional dividend of RM103,680 is in respect of new ordinary shares issued by virtue of the exercise of the Company's Employees' Share Options subsequent to that financial year but before the book closure date for dividend entitlement.

(b) In respect of the financial year ended 31 December 2015, a single tier interim dividend of 2 sen per ordinary share amounting to RM5,293,020 was declared by the Board of Directors of the Company on 30 July 2015 and paid on 30 September 2015.

(c) The Directors recommend a single tier final dividend in respect of the current financial year ended 31 December 2015 of 4.5 sen per ordinary share amounting to RM11,962,539. The financial statements for the current financial year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2016.

SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from RM130,000,000 to RM132,537,200 through the issue of 5,074,400 new ordinary shares of RM0.50 each for cash pursuant to the Company's Employees' Share Option Scheme.

The movements in the issued and paid-up share capital of the Company arising from the new issue of shares are disclosed in Note 15(b) to the financial statements.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS" or "the Scheme") is governed by the By-Laws which were approved by the shareholders on 24 November 2014. This ESOS was implemented on 1 December 2014 and will expire on 30 November 2019 ("the Option Period"). The movements of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the financial year are as follows:-

		Number of options over ordinary shares of RM0.50 each				
Grant date	Exercise price	As at 01.01.2015	Granted	Exercised	Forfeited	As at 31.12.2015
22.01.2015	RM0.71	-	31,986,000	(4,939,400)	(1,384,000)	**25,662,600**
22.06.2015	RM1.02	-	1,446,000	(135,000)	(60,000)	**1,251,000**

The salient features of the ESOS as contained in the By-Laws are as follows:-

(a) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The aggregate number of ESOS Options to be offered under the Scheme shall not in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the duration the Scheme and shall be offered to eligible directors and employees of the Group ("Eligible Persons").

Each Option shall be exercisable into one (1) new share, fully issued and paid-up. At the commencement of the Scheme, the total number of shares available for offer was 39,000,000 ordinary shares of RM0.50 each.

(b) Eligible Persons must be a Malaysian citizen and he is employed (1) full time by and on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group or (2) under an employment contract for a fixed duration and has been in the employment of the Group for a period of at least one (1) year of continuous service prior to and up to the date of offer.

(c) There are no performance targets to be achieved by the Grantee before the ESOS Options can be exercised, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.

(d) Not more than ten percent (10%) of the new ESOS Options available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).

Directors' Report
cont'd

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

(e) The Company shall ensure that allocation of ESOS Options pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of ESOS Options as set out in the By-Laws. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.

(f) An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1.00 for the grant of the ESOS Options (regardless of the number of shares comprised therein).

(g) A Grantee shall be allowed to exercise the ESOS Options granted to him during the Scheme whilst he is in the employment of the Group and within the Option Period. Upon acceptance of the Offer, the Grantee may during the Option Period and unless otherwise provided in these By-Laws, exercise the Options in the following manner:-

Maximum percentage of Options exercisable in each year commencing from the Acceptance Date

Year 1	Year 2	Year 3	Year 4	Year 5
20%	20%	20%	20%	20%

Eligible Persons who become eligible after commencement of the Scheme may exercise the Options in equal percentage for each of the remaining years of the Scheme.

(h) The Exercise Price of each Share comprised in any ESOS Option shall be based on the higher of a price to be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten percent (10%) or the par value of the Shares.

(i) The new Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing issued and paid-up shares of the Company, save and except that the new Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new Shares.

(j) The new Shares to be allotted and issued to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding, a Grantee who is a non-executive Director must not sell, transfer or assign their Shares obtained through the exercise of their ESOS Options offered to them pursuant to the Scheme within one (1) year from the Date of Offer of such ESOS Options.

(k) An option granted under the ESOS shall cease with immediate effect where the Grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of retirement before attaining the normal retirement age with the consent of the ESOS Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the ESOS Committee in writing. In addition, the Options shall immediately become void and of no effect upon the bankruptcy of the Grantee.

A Grantee will be allowed to continue to hold and to exercise any unexercised Options held by him upon retirement on or after attaining normal retirement age for a period of one (1) year after the last day of his employment provided that the Options are exercised within the Option Period.

(l) An option does not confer on the Grantee any right to participate in any share issue of any other company.

Directors' Report
cont'd

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

The Company has been granted a conditional exemption by the Companies Commission of Malaysia from the disclosure requirements pursuant to Section 169(11) of the Companies Act,1965 to that of only disclosing options granted to employees to take up 850,000 or more ordinary shares under the ESOS.

The employees granted with 850,000 or more options under the ESOS during the financial year were as follows:-

Names	Grant date	Exercise price	Number of options over ordinary shares of RM0.50 each
Tang Ying See	22.01.2015	RM0.71	2,000,000
Chin Song Mooi	22.01.2015	RM0.71	1,250,000
Chen Moi Kew	22.01.2015	RM0.71	2,000,000
Tew Kar Wai @ Teoh Kar Wai	22.01.2015	RM0.71	1,500,000
Fan Kock Keong	22.01.2015	RM0.71	1,500,000
Ng Chai Teik	22.01.2015	RM0.71	1,000,000
Ng Chai Teik	22.06.2015	RM1.02	200,000
Ho Peng Hui	22.01.2015	RM0.71	900,000
Pang Tee King	22.01.2015	RM0.71	900,000
Lee Shu Yau	22.01.2015	RM0.71	850,000
Wong Kee Ann	22.01.2015	RM0.71	850,000
Lau Sok Ching	22.01.2015	RM0.71	850,000

The options granted shall expire on 30 November 2019.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Chemplex Resources Sdn Bhd, a company incorporated in Malaysia as the Company's immediate and ultimate holding company.

DIRECTORS

The names of the Directors in office since the date of the last Directors' Report on 31 March 2015 and at the date of this report are as follows:-

Dato' Haji Mokhtar Bin Haji Samad
Tang Ying See
Chin Song Mooi
Chen Moi Kew
Chan Wan Siew
Au Chun Choong

In accordance with Article 77 of the Company's Articles of Association, Chin Song Mooi and Chen Moi Kew retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Directors' Report
cont'd

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares and options to subscribe for ordinary shares under ESOS in the Company and interests in shares of the holding company during the financial year were as follows :-

Shareholdings in the Company

	Number of ordinary shares of RM0.50 each			
	As at	During the financial year		As at
	01.01.2015	Acquired	Disposed	31.12.2015
Tang Ying See				
- Direct	600,000	400,000	-	**1,000,000**
- Indirect*	142,161,600	793,900	-	**142,955,500**
Chin Song Mooi				
- Direct	600,000	663,900	-	**1,263,900**
- Indirect**	142,161,600	530,000	-	**142,691,600**
Au Chun Choong				
- Direct	1,094,200	100,000	-	**1,194,200**
Dato' Haji Mokhtar Bin Haji Samad				
- Direct	220,000	-	-	**220,000**
Chen Moi Kew				
- Direct	400,000	100,000	(5,000)	**495,000**
Chan Wan Siew				
- Direct	50,000	-	-	**50,000**

* *Deemed interested by virtue of his substantial shareholdings in Chemplex Resources Sdn Bhd, his spouse, Chin Song Mooi's shareholding and his son, Tang Chii Shyan's shareholding in the Company.*

** *Deemed interested by virtue of her substantial shareholdings in Chemplex Resources Sdn Bhd, her spouse, Tang Ying See's shareholding and her son, Tang Chii Shyan's shareholding in the Company.*

Directors' Report
cont'd

DIRECTORS' INTERESTS *cont'd*

Interest in options over ordinary shares of the Company

	Exercise price	Number of options over ordinary shares of RM0.50 each As at 01.01.2015	During the financial year Granted	During the financial year Exercised	As at 31.12.2015
Tang Ying See	RM0.71	-	2,000,000	(400,000)	**1,600,000**
Chin Song Mooi	RM0.71	-	1,250,000	(250,000)	**1,000,000**
Au Chun Choong	RM0.71	-	500,000	(100,000)	**400,000**
Dato' Haji Mokhtar Bin Haji Samad	RM0.71	-	500,000	-	**500,000**
Chen Moi Kew	RM0.71	-	2,000,000	(100,000)	**1,900,000**
Chan Wan Siew	RM0.71	-	500,000	-	**500,000**

Shareholdings in holding company, Chemplex Resources Sdn Bhd

	Number of ordinary shares of RM1.00 each As at 01.01.2015	During the financial year Acquired	During the financial year Disposed	As at 31.12.2015
Tang Ying See - Direct	782	-	-	**782**
Chin Song Mooi - Direct	218	-	-	**218**

By virtue of their interests in shares in the holding company, Tang Ying See and Chin Song Mooi are also deemed to be interested in shares in the Company and its subsidiaries to the extent of interests held by the holding company and for which there were no movements in their interests in the shares held during the financial year.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interests, direct or indirect, in shares and debentures of the Company and its subsidiaries.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or his nominees or with a firm of which he is a member or with a company in which he has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business.

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the Directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than any benefits which may be derived from the share options granted under the Company's ESOS as disclosed in the section of Directors' Interests above.

Directors' Report
cont'd

SUBSEQUENT EVENT

The event subsequent to the financial year end is disclosed in Note 33.

OTHER STATUTORY INFORMATION

(a) Before the financial statements 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:-

(i) which would render the amount written off for bad debts and the amount of allowance made for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;

(iii) which have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading or inappropriate; and

(iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the directors:-

(i) no contingent 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 and of the Company to meet their obligations when they fall due;

(ii) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) 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 affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report
cont'd

AUDITORS

The auditors, Messrs. Folks DFK & Co., have expressed their willingness to continue in office.

On behalf of the Board of Directors,

TANG YING SEE
Director

CHEN MOI KEW
Director

This report is made pursuant to the directors' resolution passed on 23 March 2016

Date : 23 March 2016

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 RM	2014 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**27,699,521**	26,174,222
Investment property	5	**116,979**	119,586
Intangible assets	6	**376,351**	268,456
Other investments	8	**1,160,021**	727,038
Deferred tax assets	9	**236,101**	174,035
		29,588,973	27,463,337
Current Assets			
Inventories	10	**51,207,773**	35,552,732
Trade and other receivables	11	**127,650,410**	115,717,291
Derivative financial assets	12	**-**	28,680
Tax recoverable		**1,206,810**	657,555
Deposits, cash and bank balances	14	**113,253,287**	74,157,347
		293,318,280	226,113,605
Total Assets		**322,907,253**	253,576,942

The notes set out on pages 47 to 110 form an integral part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2015
cont'd

	Note	2015 RM	2014 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**132,537,200**	130,000,000
Reserves	16	**58,748,630**	26,343,972
Total equity attributable to owners of the Company		**191,285,830**	156,343,972
Non-controlling interests	7(c)	**(294,780)**	(98,775)
Total Equity		**190,991,050**	156,245,197
Non-Current Liabilities			
Hire purchase payables	17	**177,229**	174,385
Retirement benefits	18	**222,043**	142,164
Deferred tax liabilities	9	**689,850**	691,290
		1,089,122	1,007,839
Current Liabilities			
Trade and other payables	19	**61,402,920**	39,596,193
Hire purchase payables	17	**62,306**	96,556
Derivative financial liabilities	12	**21,752**	-
Bank borrowings	20	**61,733,393**	54,945,162
Taxation		**7,606,710**	1,685,995
		130,827,081	96,323,906
Total Liabilities		**131,916,203**	97,331,745
Total Equity and Liabilities		**322,907,253**	253,576,942

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RM	2014 RM
Revenue - Sales of goods		**686,753,694**	603,522,490
Cost of sales		**(613,624,791)**	(558,537,462)
Gross profit		**73,128,903**	44,985,028
Other income		**8,797,963**	6,721,701
Selling and distribution costs		**(5,920,469)**	(5,344,471)
Administrative expenses		**(18,632,495)**	(12,254,933)
Other expenses		**(585,442)**	(1,802,844)
Operating profit		**56,788,460**	32,304,481
Finance costs	21	**(2,391,878)**	(2,726,788)
Profit before taxation	22	**54,396,582**	29,577,693
Taxation	23	**(14,801,414)**	(7,746,888)
Profit for the year		**39,595,168**	21,830,805
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax effects:			
Remeasurement of defined benefit obligations	9,18	**6,593**	(21,843)
Items that will be reclassified subsequently to profit or loss, net of tax effects:			
Exchange (loss)/gain on translation of foreign operations		**(169,126)**	1,377
Gain/(Loss) on changes in fair value of available-for-sale financial assets		**417,393**	(35,918)
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year		**15,750**	-
		264,017	(34,541)
Total other comprehensive income/(loss) for the year		**270,610**	(56,384)
Total comprehensive income for the year		**39,865,778**	21,774,421
Profit/(Loss) attributable to:			
Owners of the Company		**39,735,148**	21,960,891
Non-controlling interests		**(139,980)**	(130,086)
		39,595,168	21,830,805
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**40,061,783**	21,917,440
Non-controlling interests		**(196,005)**	(143,019)
		39,865,778	21,774,421
Earnings per share attributable to owners of the Company (sen)			
Basic, from profit for the year	24(a)	**15.12**	8.45
Diluted, from profit for the year	24(b)	**14.65**	N/A

The notes set out on pages 47 to 110 form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to Owners of the Company								
	Non - distributable					Distributable			
	Share capital RM	Share premium RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Share option reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total RM
2015									
Balance at 1 January 2015	**130,000,000**	**250,483**	**232,554**	**431,536**	**-**	**25,429,399**	**156,343,972**	**(98,775)**	**156,245,197**
Profit/(Loss) for the year	**-**	**-**	**-**	**-**	**-**	**39,735,148**	**39, 735,148**	**(139,980)**	**39,595,168**
Exchange loss on translation of foreign operations	**-**	**-**	**(111,124)**	**-**	**-**	**-**	**(111,124)**	**(58,002)**	**(169,126)**
Gain on changes in fair value of available-for-sale financial assets	**-**	**-**	**-**	**433,143**	**-**	**-**	**433,143**	**-**	**433,143**
Remeasurement of defined benefit obligations	**-**	**-**	**-**	**-**	**-**	**4,616**	**4,616**	**1,977**	**6,593**
Total comprehensive (loss)/ income for the year	**-**	**-**	**(111,124)**	**433,143**	**-**	**39,739,764**	**40,061,783**	**(196,005)**	**39,865,778**
Share options granted	**-**	**-**	**-**	**-**	**4,432,101**	**-**	**4,432,101**	**-**	**4,432,101**
Issue of shares pursuant to exercise of share options	**2,537,200**	**2,439,095**	**-**	**-**	**(1,331,621)**	**-**	**3,644,674**	**-**	**3,644,674**
Share options forfeited	**-**	**-**	**-**	**-**	**(5,196)**	**5,196**	**-**	**-**	**-**
Dividends paid (Note 25)	**-**	**-**	**-**	**-**	**-**	**(13,196,700)**	**(13,196,700)**	**-**	**(13,196,700)**
Balance at 31 December 2015	**132,537,200**	**2,689,578**	**121,430**	**864,679**	**3,095,284**	**51,977,659**	**191,285,830**	**(294,780)**	**190,991,050**

	Attributable to Owners of the Company							
	Non - distributable				Distributable			
	Share capital RM	Share premium RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total RM
2014								
Balance at 1 January 2014	65,000,000	9,743,483	224,797	467,454	69,390,798	144,826,532	44,244	144,870,776
Profit/(Loss) for the year	-	-	-	-	21,960,891	21,960,891	(130,086)	21,830,805
Exchange gain/(loss) on translation of foreign operations	-	-	7,757	-	-	7,757	(6,380)	1,377
Loss on changes in fair value of available-for-sale financial assets	-	-	-	(35,918)	-	(35,918)	-	(35,918)
Remeasurement of defined benefit obligations	-	-	-	-	(15,290)	(15,290)	(6,553)	(21,843)
Total comprehensive income/(loss) for the year	-	-	7,757	(35,918)	21,945,601	21,917,440	(143,019)	21,774,421
Bonus issue of shares (Note 15(b))	65,000,000	(9,493,000)	-	-	(55,507,000)	-	-	-
Dividends paid (Note 25)	-	-	-	-	(10,400,000)	(10,400,000)	-	(10,400,000)
Balance at 31 December 2014	130,000,000	250,483	232,554	431,536	25,429,399	156,343,972	(98,775)	156,245,197

The notes set out on pages 47 to 110 form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RM	2014 RM
Cash flows from operating activities		
Profit before taxation	**54,396,582**	29,577,693
Adjustments for:-		
Amortisation of intangible assets	**104,978**	87,463
Depreciation of property, plant and equipment	**1,566,704**	1,427,321
Amortisation of investment property	**2,607**	2,607
Defined benefit obligations	**70,049**	51,845
Dividend income	**(12,286)**	(124,288)
Loss on disposal of quoted investments	**16,325**	-
Net loss/(gain) on changes in fair value of forward exchange contracts	**50,432**	(9,965)
Net gain on disposal of property, plant and equipment	**-**	(183,996)
Impairment losses on trade receivables	**551,501**	1,580,282
Interest income	**(1,812,442)**	(1,312,216)
Interest expense	**2,391,878**	2,726,788
Inventories written off	**691,806**	-
Inventories written down	**527,369**	461,442
Property, plant and equipment written off	**3,362**	2,462
Unrealised (gain)/loss on foreign exchange	**(334,807)**	54,808
Reversal of impairment loss on trade receivables	**(938,743)**	(292,834)
Share options expense	**4,432,101**	-
Operating profit before working capital changes	**61,707,416**	34,049,412
Increase in inventories	**(16,683,991)**	(12,722)
Increase in trade and other receivables	**(10,919,331)**	(8,380,462)
Increase in trade and other payables	**21,462,596**	3,420,741
Cash generated from operations	**55,566,690**	29,076,969
Tax paid	**(9,380,237)**	(6,236,973)
Interest received	**1,812,442**	1,312,216
Interest paid	**(2,391,878)**	(2,726,788)
Retirement benefits paid	**(681)**	-
Net cash from operating activities	**45,606,336**	21,425,424

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
cont'd

	2015 RM	2014 RM
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 26)	**(3,051,361)**	(4,940,106)
Purchase of intangible assets	**(212,873)**	-
Investment in quoted shares	**(24,840)**	-
Proceeds from disposal of quoted investments	**8,675**	-
Proceeds from disposal of property, plant and equipment	**-**	202,000
Dividend received	**12,286**	124,288
Net cash used in investing activities	**(3,268,113)**	(4,613,818)
Cash flows from financing activities		
Proceeds from shares issued pursuant to share options exercised	**3,644,674**	-
Bankers' acceptances obtained, net of repayment	**6,194,633**	(18,562,507)
Hire purchase instalments paid	**(102,881)**	(178,467)
Dividend paid	**(13,196,700)**	(10,400,000)
Net cash used in financing activities	**(3,460,274)**	(29,140,974)
Net increase/(decrease) in cash and cash equivalents	**38,877,949**	(12,329,368)
Cash and cash equivalents at beginning of year	**74,157,347**	86,375,428
Foreign exchange difference	**217,991**	111,287
Cash and cash equivalents at end of year	**113,253,287**	74,157,347

Cash and cash equivalents at end of year comprised:-

	2015 RM	2014 RM
Deposits with financial institutions (Note 14)	**52,994,934**	42,363,483
Cash and bank balances (Note 14)	**60,258,353**	31,793,864
	113,253,287	74,157,347

Statement of Financial Position

For the year ended 31 December 2015

	Note	2015 RM	2014 RM
ASSETS			
Non-Current Assets			
Investments in subsidiaries	7	**130,667,533**	126,458,663
Current Assets			
Other receivables	11	**7,591**	2,000
Amount due by subsidiaries	13	**2,760,923**	1,704,973
Tax recoverable		**6,000**	50,000
Deposits, cash and bank balances	14	**7,072,985**	4,332,590
		9,847,499	6,089,563
Total Assets		**140,515,032**	132,548,226
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Company			
Share capital	15	**132,537,200**	130,000,000
Reserves	16	**7,766,252**	2,367,937
Total Equity		**140,303,452**	132,367,937
Current Liabilities			
Other payables and accruals	19	**211,580**	180,289
Total Liabilities		**211,580**	180,289
Total Equity and Liabilities		**140,515,032**	132,548,226

The notes set out on pages 47 to 110 form an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RM	2014 RM
Revenue - Dividend income		**13,600,000**	66,593,691
Other income		**193,485**	17,293
Administrative expenses		**(590,228)**	(382,082)
Other expenses		**(99,508)**	(247,847)
Profit before taxation	22	**13,103,749**	65,981,055
Taxation	23	**(48,309)**	(4,107)
Profit for the year		**13,055,440**	65,976,948
Other comprehensive income		**-**	-
Total comprehensive income for the year		**13,055,440**	65,976,948

The notes set out on pages 47 to 110 form an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2015

	Non - distributable			Distributable	
	Share capital	Share premium	Share option reserve	Retained profits	Total
	RM	RM	RM	RM	RM
2015					
Balance at 1 January 2015	130,000,000	250,483	-	2,117,454	132,367,937
Profit for the year	-	-	-	13,055,440	13,055,440
Total comprehensive income for the year	-	-	-	13,055,440	13,055,440
Share options granted	-	-	4,432,101	-	4,432,101
Issue of shares pursuant to exercise of Share options forfeited	2,537,200	2,439,095	(1,331,621)	-	3,644,674
Share options forfeited	-	-	(5,196)	5,196	-
Dividends paid (Note 25)	-	-	-	(13,196,700)	(13,196,700)
Balance at 31 December 2015	132,537,200	2,689,578	3,095,284	1,981,390	140,303,452

	Non - distributable		Distributable	
	Share capital	Share premium	Retained profits	Total
	RM	RM	RM	RM
2014				
Balance at 1 January 2014	65,000,000	9,743,483	2,047,506	76,790,989
Profit for the year	-	-	65,976,948	65,976,948
Total comprehensive income for the year	-	-	65,976,948	65,976,948
Bonus issue of shares (Note 15(b))	65,000,000	(9,493,000)	(55,507,000)	-
Dividends paid (Note 25)	-	-	(10,400,000)	(10,400,000)
Balance at 31 December 2014	130,000,000	250,483	2,117,454	132,367,937

The notes set out on pages 47 to 110 form an integral part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2015

	2015 RM	2014 RM
Cash flows from operating activities		
Profit before taxation	**13,103,749**	65,981,055
Adjustments for:-		
Interest income	**(193,393)**	(17,293)
Dividend income	**(13,600,000)**	(66,593,691)
Share options expense	**223,231**	-
Operating loss before working capital changes	**(466,413)**	(629,929)
(Increase)/Decrease in amount due by subsidiaries	**(1,055,950)**	3,716,769
Increase in other receivables	**(5,591)**	-
Increase in other payables and accruals	**31,291**	9,440
Cash (utilised in)/generated from operations	**(1,496,663)**	3,096,280
Interest received	**193,393**	17,293
Tax paid	**(4,309)**	(70,107)
Net cash (used in)/from operating activities	**(1,307,579)**	3,043,466
Cash flows from investing activities		
Dividend received	**13,600,000**	4,593,691
Cash flows from financing activities		
Proceeds from shares issued pursuant to share options exercised	**3,644,674**	-
Dividend paid	**(13,196,700)**	(10,400,000)
Net cash used in financing activities	**(9,552,026)**	(10,400,000)
Net increase/(decrease) in cash and cash equivalents	**2,740,395**	(2,762,843)
Cash and cash equivalents at beginning of year	**4,332,590**	7,095,433
Cash and cash equivalents at the end of year	**7,072,985**	4,332,590

The notes set out on pages 47 to 110 form an integral part of these financial statements

Notes to the Financial Statements

31 December 2015

1. GENERAL INFORMATION

Luxchem Corporation Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

Its registered office is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur and the principal place of business is located at No. 6, Jalan SS 21/58, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The immediate and ultimate holding company is Chemplex Resources Sdn Bhd, a company incorporated in Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7(a) to the financial statements.

These financial statements comprise the consolidated financial statements and the financial statements of the Company and they are presented in Ringgit Malaysia (“RM”).

The financial statements were authorised for issue by the Board of Directors on 23 March 2016.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of a number of amendments to MFRSs as disclosed in Note 2.2 below.

2.2 Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) which are effective for accounting period beginning on or after 1 January 2015:-

Amendments to MFRS 119, Defined Benefit Plans : Employee Contributions
Amendments to MFRSs Classified as “Annual Improvements to MFRSs 2010 - 2012 Cycle”
Amendments to MFRSs Classified as “Annual Improvements to MFRSs 2011 - 2013 Cycle”

Amendments to MFRS 119, Defined Benefit Plans : Employee Contributions

The Amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Application of Amendments to MFRSs *cont'd*

If the amount of contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit i.e. either based on the plan's contribution formula or on a straight-line basis.

The adoption of the Amendments has no impact on the financial statements of the Group and of the Company.

2.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group and the Company have not early adopted the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective:-

Effective for annual periods beginning on or after 1 January 2016
MFRS 14, Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 - Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 - Agriculture : Bearer Plants
Amendments to MFRS 127 - Equity Method in Separate Financial Statements
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

Effective for annual periods beginning on or after 1 January 2018
MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers

Effective for a date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The main features of these new standards and amendments to standards are summarised below:-

(a) Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation

The Amendments provide additional guidance on how depreciation of property, plant and equipment and amortisation of intangible assets should be calculated.

MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective *cont'd*

(a) Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation *cont's*

The Amendments to MFRS 116 prohibit revenue-based depreciation on the basis that revenue does not reflect the way in which an item of property, plant and equipment is used or consumed. The Amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on revenue generated by an activity that includes the use of an intangible asset is inappropriate. The presumption can be overcome only in the limited circumstances (i) in which the intangible asset is expressed as a measure of revenue i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or (ii) when it can be demonstrated that revenue and the consumption of the economic benefits of intangible asset are highly correlated.

(b) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are:

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 New MFRSs and Amendments to MFRSs That Are In Issue But Not Yet Effective *cont'd*

(c) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:-

Step 1	Identify the contract(s) with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligationss in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

The initial application of MFRS 9 may have an impact on the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. The initial application of other new MFRSs and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group and of the Company.

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.4 Basis of Consolidation *cont'd*

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling 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 by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method except for combinations of entities or businesses under common control. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Subsidiaries arising from common control combinations are consolidated using the principles of merger accounting. The common control combinations are business combinations in which all the combining entities have common ultimate controlling parties prior to and immediately after such combinations. Under the principles of merger accounting, the assets and liabilities of the combining entities are consolidated using the existing book values from the controlling parties' perspective and the results of each of the combining entity are presented as if the combination had been effected throughout the current and previous comparative periods presented. On consolidation, the cost of investment is matched against the nominal value of ordinary shares acquired and any resulting credit difference (merger reserve) is classified under equity as a non distributable reserve and any resulting debit difference (merger deficit) is adjusted against suitable consolidated reserves.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.5 Business Combinations *cont'd*

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2.6 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.7 Foreign Currencies

2.7.1 Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.7.2 Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. 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 from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.7 Foreign Currencies *cont'd*

2.7.2 Foreign currency transactions and balances *cont'd*

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

2.7.3 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

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

(b) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiairies are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.13. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.9 Property, Plant and Equipment *cont'd*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised on a straight-line basis over the period of their respective lease terms ranging from 60 to 906 years. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Assets held under finance leases are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease terms. The estimated useful lives of the Group's property, plant and equipment are as follows:-

Buildings	50 years
Office renovation	10 to 50 years
Motor vehicles	5 years
Furniture and fittings	5 to 10 years
Office equipment	5 to 10 years
Plant and machinery	5 to 10 years
Electrical fittings	5 years

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.13.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.10 Investment Property

Investment properties are land and/or buildings which are held for rental yields or for capital appreciation or for both or land held for a currently undetermined future use. The investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy adopted for investment properties is similar to property assets under property, plant and equipment as disclosed under Note 2.9. Investment properties are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of the retirement or disposal.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.11 Intangible Assets - Computer Software

The costs of computer software licences that are acquired separately are capitalised as an intangible asset and are carried at costs less accumulated amortisation and any accumulated impairment losses. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight-line basis over the period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis.

2.12 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, financial assets and inventories) are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.13 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories, deferred tax assets and non-current assets or disposal groups held for sale) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill arising from a business combination allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. 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 of the time value of money and the risks specific to the asset.

Notes to the Financial Statements
31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.13 Impairment of Non-Financial Assets *cont'd*

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of trading goods is determined on the weighted average cost method except for certain items purchased under specific arrangements for which the specific identification method is used. For manufacturing division, cost of raw materials and finished goods is determined on first-in, first-out basis. Cost of finished goods consists of materials, direct labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

2.15 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to:-

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group commits itself to purchase or sell an asset; and

- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.15.1 Classsification and measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.15 Financial Assets *cont'd*

2.15.1 Classsification and measurement *cont'd*

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

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

(b) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

(c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans and other receivables are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.15 Financial Assets *cont'd*

2.15.1 Classsification and measurement *cont'd*

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

2.15.2 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate i.e. the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.15 Financial Assets *cont'd*

2.15.2 Impairment of financial assets cont'd

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal is recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset 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.

2.15.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.16 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2.15.1(c).

2.17 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.18 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

2.18.1 Classsification and measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Notes to the Financial Statements
31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.18 Financial Liabilities *cont'd*

2.18.1 Classsification and measurement cont'd

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if:-

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.18.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.19 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.20 Financial Guarantee Contracts

A financial guarantee contract 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are amortised in profit or loss using the 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 in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.21 Derivatives Financial Instruments

The Group enters into derivative financial instruments such as forward foreign currency contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset and derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

2.22 Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

2.22.1 Assets acquired under hire purchase and finance lease arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are recognised in profit or loss over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 2.9 above.

Notes to the Financial Statements
31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.22 Hire Purchase and Finance Lease Arrangements and Operating Leases *cont'd*

2.22.2 Operating lease

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the period of the relevant leases.

2.23 Employee Benefits

2.23.1 Short-term employee benefits

Wages, salaries and social sec urity contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2.23.2 Post-employment benefits

Defined contribution plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined on an annual basis by independent qualified actuaries using the Projected Unit Credit Method.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.23 Employee Benefits *cont'd*

2.23.3 Share-based Payments

The Group operates an equity-settled, share-based compensation plan under which the Group receives services from employees as consideration for share options over the Company's unissued ordinary shares granted to eligible employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting period of the share options granted with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. The fair value of the share options is measured at grant date and does not take into account of vesting conditions other than market vesting conditions, if any, upon which the options were granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in the profit or loss, and a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries with a corresponding credit to equity in the Company's financial statements

2.23.4 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2.24 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.24 Income Taxes *cont'd*

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.25 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

2.26 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of qualifying assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.27 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : 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); and

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.28 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group. The following specific recognition criteria must also be met before revenue is recognised:-

(a) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership to the buyer of the goods, net of discounts and returns. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the services at the end of the reporting period.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment has been established.

(e) Rental income

Rental income is recognised on an accrual basis over the period of tenancy.

Notes to the Financial Statements

31 December 2015
cont'd

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.29 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of any treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of any treasury shares held, for the effects of all dilutive potential ordinary shares.

2.30 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 relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Group Managing Director who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Significant judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Notes to the Financial Statements

31 December 2015
cont'd

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *cont'd*

(b) Key sources of estimation uncertainty *cont'd*

(i) Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

(ii) Impairment losses of trade receivables

The Group makes an allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables. The carrying amounts of receivables and the cumulative allowances for impairment losses are disclosed in Note 11.

(iii) Retirement benefits

The Group's retirement benefits for eligible employees were measured by an actuarial valuation using the Projected Unit Credit Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefits. All these assumptions are disclosed in Note 18.

(iv) Share-based payments

The fair value of the share options granted was measured by using the Trinomial Option Pricing Model. The valuation model requires the use of various assumptions and any changes in these assumption will impact the profit or loss of the Group. Details of the assumptions used are disclosed in Note 15(c) to the financial statements.

Notes to the Financial Statements

31 December 2015
cont'd

4. PROPERTY, PLANT AND EQUIPMENT

(a) The movements of property, plant and equipment during the financial year are as follows:-

Group

2015

	Freehold land	Long term leasehold land	Buildings	Office renovation	Furniture and fittings	Plant, equipment and motor vehicles	Capital work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
Balance at 1 January 2015	2,411,942	4,630,554	14,646,874	1,031,080	921,778	15,367,792	2,934,202	41,944,222
Additions	-	-	15,000	3,592	1,498	897,597	2,200,651	3,118,338
Write-off	-	-	-	-	(3,049)	(84,165)	-	(87,214)
Net exchange differences	-	-	-	2,805	(491)	(51,930)	-	(49,616)
Balance at 31 December 2015	2,411,942	4,630,554	14,661,874	1,037,477	919,736	16,129,294	5,134,853	44,925,730
Accumulated depreciation								
Balance at 1 January 2015	-	908,841	2,821,775	440,844	856,056	10,742,484	-	15,770,000
Charge for the year	-	51,243	292,944	219,561	12,139	990,817	-	1,566,704
Write-off	-	-	-	-	(2,905)	(80,947)	-	(83,852)
Net exchange differences	-	-	-	3,382	(144)	(29,881)	-	(26,643)
Balance at 31 December 2015	-	960,084	3,114,719	663,787	865,146	11,622,473	-	17,226,209
Net book value as at **31 December 2015**	2,411,942	3,670,470	11,547,155	373,690	54,590	4,506,821	5,134,853	27,699,521

Notes to the Financial Statements
31 December 2015
cont'd

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

(a) The movements of property, plant and equipment during the financial year are as follows:- *cont'd*

Group

2014

	Freehold land RM	Long term leasehold land RM	Buildings RM	Office renovation RM	Furniture and fittings RM	Plant, equipment and motor vehicles RM	Capital work in progress RM	Total RM
Cost								
Balance at 1 January 2014	2,411,942	4,630,554	11,770,299	992,117	921,560	12,637,314	3,889,468	37,253,254
Additions	-	-	-	25,541	-	2,230,363	2,934,202	5,190,106
Disposals	-	-	-	-	-	(506,075)	-	(506,075)
Write-off	-	-	-	-	-	(45,994)	-	(45,994)
Transfer	-	-	2,876,575	-	-	1,012,893	(3,889,468)	-
Net exchange differences	-	-	-	13,422	218	39,291	-	52,931
Balance at 31 December 2014	2,411,942	4,630,554	14,646,874	1,031,080	921,778	15,367,792	2,934,202	41,944,222
Accumulated depreciation								
Balance at 1 January 2014	-	857,674	2,576,824	123,308	842,225	10,453,730	-	14,853,761
Charge for the year	-	51,167	244,951	314,493	13,759	802,951	-	1,427,321
Disposals	-	-	-	-	-	(488,071)	-	(488,071)
Write-off	-	-	-	-	-	(43,532)	-	(43,532)
Net exchange differences	-	-	-	3,043	72	17,406	-	20,521
Balance at 31 December 2014	-	908,841	2,821,775	440,844	856,056	10,742,484	-	15,770,000
Net book value as at **31 December 2014**	2,411,942	3,721,713	11,825,099	590,236	65,722	4,625,308	2,934,202	26,174,222

(b) Property, plant and equipment include the following assets acquired under hire purchase arrangements:-

Group	Cost RM	Accumulated depreciation RM	Net book value RM	Current depreciation RM
2015				
Motor vehicles	**683,271**	**309,860**	**373,411**	**127,764**
2014				
Motor vehicles	734,438	245,720	488,718	120,111

Notes to the Financial Statements
31 December 2015
cont'd

5. INVESTMENT PROPERTY

	Group	
	2015	**2014**
	RM	**RM**
Cost		
Balance at 1 January	**130,000**	130,000
Addition/Disposal	**-**	-
Balance at 31 December	**130,000**	130,000
Accumulated amortisation		
Balance at 1 January	**10,414**	7,807
Amortisation for the year	**2,607**	2,607
Balance at 31 December	**13,021**	10,414
Net book value as at 31 December	**116,979**	119,586
Fair value as at 31 December	**217,000**	189,000

(a) Investment property comprised an apartment unit that is held for the purpose of earning rental income.

(b) The fair value of the investment property as at the end of the reporting period is estimated by the Directors by reference to the market evidence of transaction prices for a similar property. The fair value is within Level 2 of the fair value hierarchy (refer Note 2.27). No valuation by an independent valuer has been performed on the above property.

(c) The amounts of rental income and operating expenses recognised in the profit or loss during the financial year in relation to the investment property are as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Rental income	3,640	10,930
Direct operating expenses	2,288	3,561
Amortisation	2,607	2,607

Notes to the Financial Statements

31 December 2015
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6. INTANGIBLE ASSETS

Computer software acquired

	Group	
	2015	2014
	RM	RM
Cost		
Balance at 1 January	**865,740**	865,740
Additions	**212,873**	-
Balance at 31 December	**1,078,613**	865,740
Accumulated amortisation		
Balance at 1 January	**597,284**	509,821
Amortisation for the year	**104,978**	87,463
Balance at 31 December	**702,262**	597,284
Net carrying amount as at 31 December	**376,351**	268,456

The costs of computer software acquired, including all directly attributable costs of preparing the assets for their intended use, are amortised on the straight line basis to administrative expenses over the estimated useful life of 5 years (2014 : 5 years).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	RM	RM
Unquoted shares, at cost	**64,458,663**	64,458,663
Deemed capital contribution :		
- Cash contribution	**62,000,000**	62,000,000
- ESOS granted	**4,208,870**	-
	130,667,533	126,458,663

Capital contribution represents contributions by the Company that form part of its net investment in the subsidiaries and for which settlement is neither planned nor likely in the foreseeable future.

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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(a) Details of the subsidiaries

Details of the subsidiaries are as follows:-

Name of company	Principal activities	Country of incorporation	Effective interest in equity 2015 %	2014 %
Luxchem Trading Sdn Bhd	Importers, exporters and distributors of chemical, industrial and other preparations.	Malaysia	**100**	100
Luxchem Polymer Industries Sdn Bhd	Manufacturing and trading of unsaturated polyester resin and related products.	Malaysia	**100**	100
Luxchem Trading (S) Pte Ltd*	Importers, exporters and distributors of chemical, industrial and other preparations.	Republic of Singapore	**100**	100
Chemplex Composite Industries (M) Sdn Bhd	Importers, exporters and distributors of chemical, industrial and other preparations.	Malaysia	**100**	100
PT Luxchem Indonesia*	Distributor of chemicals and petrochemical products.	Indonesia	**70**	70

* *`Not audited by Folks DFK & Co.*

(b) Incorporation of a new subsidiary

The Company had obtained an Investment Certificate from the Department of Planning & Investment of Ho Chi Minh City on 8 October 2015 for the establishment of a limited liability enterprise known as Luxchem Vietnam Company Limited ("LVCL").

On 25 November 2015, LVCL obtained a Certificate of Company Registration from the Department of Planning & Investment of Ho Chi Minh City following which, LVCL will be able to commence its business operations. The intended principal activity of LVCL is that of distribution of industrial chemical.

The charter capital of LVCL is VND10,692,500 or equivalent to USD500,000 and which was fully paid by the Company subsequent to the year end on 4 January 2016.

No financial statements have been prepared by LVCL for consolidation with the Group's financial statements for the current year as the capital of the subsidiary was only paid up subsequent to the Group's year end date and other than its incorporation activities, the subsidiary did not enter into any transactions during the year.

Notes to the Financial Statements

31 December 2015
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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(c) Non-controlling interest in a subsidiary

The Company's non-wholly owned subsidiary is PT Luxchem Indonesia where 30% (2014 : 30%) equity interest and voting rights are held by non-controlling interest. The details of loss allocated to the non-controlling interest during the financial year and the accumulated non-controlling interest as at the end of the reporting period are as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Allocated to non-controlling interest :		
- Loss for the year	**(139,980)**	(130,086)
- Other comprehensive loss	**(56,025)**	(12,933)
	(196,005)	(143,019)
Accumulated non-controlling interest as at 31 December	**(294,780)**	(98,775)

Summarised financial information of PT Luxchem Indonesia is set out below. The summarised financial information is presented before inter-company eliminations.

Summarised assets and liabilities

	2015	**2014**
	RM	**RM**
Non-current assets	**637,445**	637,072
Current assets	**23,548,979**	13,453,204
	24,186,424	14,090,276
Non-current liabilities	**270,611**	142,164
Current liabilities	**24,898,412**	14,277,362
	25,169,023	14,419,526
Net liabilities	**(982,599)**	(329,250)

Summarised profit or loss and other comprehensive income

	2015	**2014**
	RM	**RM**
Revenue	**36,095,583**	24,482,962
Loss for the year	**(466,601)**	(433,620)
Other comprehensive loss	**(186,749)**	(43,110)
Total comprehensive loss for the year	**(653,350)**	(476,730)

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31 December 2015
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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(c) Non-controlling interest in a subsidiary *cont'd*

Summarised cash flows

	2015 RM	2014 RM
Net cash outflow to operating activities	**(5,925,335)**	(998,131)
Net cash outflow to investing activities	**(208,384)**	(84,536)
Net cash inflow from financing activities	**7,253,852**	2,976,091
Net increase in cash and cash equivalents	**1,120,133**	1,893,424

8. OTHER INVESTMENTS

	Group	
	2015 RM	2014 RM
Carrying amount of available-for-sale financial assets		
Shares in Malaysia:		
- Quoted	**1,050,021**	617,038
- Unquoted	**110,000**	110,000
	1,160,021	727,038
Representing investments measured:		
- At cost	**110,000**	110,000
- At fair value	**1,050,021**	617,038
	1,160,021	727,038

Market values of quoted investments as at the end of the reporting period are as follows:-

	Group	
	2015 RM	2014 RM
Quoted shares	**1,050,021**	617,038

Available-for-sale financial assets are initially recognised at their fair values plus directly attributable transaction cost. After initial recognition, the investments are measured at fair values except for investments in equity that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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9. DEFERRED TAX LIABILITIES/(ASSETS)

	Group 2015 RM	Group 2014 RM
Balance at 1 January	**517,255**	416,321
Recognised in profit or loss	**(44,370)**	117,161
Recognised in other comprehensive income (Note 18)	**2,198**	(7,283)
Effect of change in statutory tax rate	**-**	-
Effect of foreign exchange rate difference	**(21,334)**	(8,944)
Balance at 31 December	**453,749**	517,255

Presented after appropriate offsetting as follows:-

	Group 2015 RM	Group 2014 RM
Deferred tax assets	**(236,101)**	(174,035)
Deferred tax liabilities	**689,850**	691,290
	453,749	517,255

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:-

2015

	Group				
	As at 01.01.2015	Recognised in profit or loss	Recognised in other comprehensive income	Effect of changes in exchange rates	As at 31.12.2015
	RM	RM	RM	RM	RM
Deferred tax liabilities					
Excess of capital allowances over depreciation	**816,657**	**126,726**	**-**	**-**	**943,383**
Other taxable temporary differences	**150,117**	**(49,535)**	**-**	**-**	**100,582**
	966,774	**77,191**	**-**	**-**	**1,043,965**
Deferred tax assets					
Other deductible temporary differences	**(449,519)**	**(121,561)**	**2,198**	**(21,334)**	**(590,216)**

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31 December 2015
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9. DEFERRED TAX LIABILITIES/(ASSETS) *cont'd*

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:- *cont's*

2014

	Group				
	As at 01.01.2015 RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	Effect of changes in exchange rates RM	As at 31.12.2014 RM
Deferred tax liabilities					
Excess of capital allowances over depreciation	604,972	211,672	-	13	816,657
Other taxable temporary differences	84,627	65,490	-	-	150,117
	689,599	277,162	-	13	966,774
Deferred tax assets					
Other deductible temporary differences	(273,278)	(160,001)	(7,283)	(8,957)	(449,519)

10. INVENTORIES

	Group	
	2015 RM	2014 RM
Raw materials	**8,576,815**	7,703,200
Consumables	**154,988**	35,849
Finished goods	**42,475,970**	27,813,683
	51,207,773	35,552,732

Finished goods as at the end of the reporting period include items that are stated at net realisable value of RM369,980 (2014 : RMNIL).

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31 December 2015
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11. TRADE AND OTHER RECEIVABLES

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Trade receivables	**126,501,450**	111,434,809	**-**	-
Allowance for impairment losses (Note 11(b))	**(2,072,773)**	(2,957,872)	**-**	-
	124,428,677	108,476,937	**-**	-
Other receivables	**2,773,039**	6,935,815	**7,591**	2,000
Prepayments	**448,694**	304,539	**-**	-
	127,650,410	115,717,291	**7,591**	2,000

The Group's normal trade credit periods of trade receivables range from 0 to 120 days (2014 : 0 to 120 days). Other credit periods are assessed and approved on a case by case basis.

(a) Ageing analysis

The ageing analysis of trade receivables as at end of the reporting period is as follows:-

	Group Gross RM	Group Individual Impairment RM	Group Net RM
2015			
Not past due	88,770,428	-	88,770,428
0 to 30 days past due	24,842,939	-	24,842,939
31 to 120 days past due	10,373,985	(126,734)	10,247,251
More than 120 days past due	2,514,098	(1,946,039)	568,059
	126,501,450	(2,072,773)	124,428,677
2014			
Not past due	82,123,188	(52,500)	82,070,688
0 to 30 days past due	20,774,332	-	20,774,332
31 to 120 days past due	5,717,485	(360,081)	5,357,404
More than 120 days past due	2,819,804	(2,545,291)	274,513
	111,434,809	(2,957,872)	108,476,937

Trade receivables that are individually determined to be impaired comprised those customers who have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

Trade receivables that are not impaired are considered to be creditworthy and are able to settle their debts.

The Group does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Notes to the Financial Statements
31 December 2015
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11. TRADE AND OTHER RECEIVABLES *cont'd*

(b) Allowance for impairment losses

	Group	
	2015	**2014**
	RM	**RM**
Balance at 1 January	**2,957,872**	1,986,978
Additional impairment losses	**551,501**	1,580,282
Reversal of impairment losses	**(938,743)**	(292,834)
Bad debts written off	**(553,545)**	(340,738)
Effects of changes in exchange rates	**55,688**	24,184
Balance at 31 December	**2,072,773**	2,957,872

The above allowance for impairment losses is based on individual assessment.

(c) The carrying amounts of the Group's trade receivables are denominated in the following currencies:-

	Group	
	2015	**2014**
	RM	**RM**
Ringgit Malaysia	**92,091,850**	87,984,584
United States Dollar	**23,318,945**	18,199,032
Indonesian Rupiah	**8,927,733**	2,124,262
Singapore Dollar	**90,149**	167,323
Japanese Yen	**-**	1,736
	124,428,677	108,476,937

12. DERIVATIVES FINANCIAL (LIABILITIES)/ASSETS

	Group	
	2015	**2014**
	RM	**RM**
Non-hedging derivative		
Current		
Forward foreign currency contracts, at fair value		
- Notional amount : USD913,439 (2014 : USD1,181,623)	(21,752)	28,680

The Group enters into forward foreign currency contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies.

Forward foreign currency contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss.

Notes to the Financial Statements
31 December 2015
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13. AMOUNT DUE BY SUBSIDIARIES

The amount due by subsidiaries is unsecured, interest-free and is repayable on demand.

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Deposits with financial institutions	**52,994,934**	42,363,483	**4,378,925**	3,858,925
Cash and bank balances	**60,258,353**	31,793,864	**2,694,060**	473,665
	113,253,287	74,157,347	**7,072,985**	4,332,590

(a) The Group's and the Company's deposits, cash and bank balances are denominated in the following currencies:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	**67,905,032**	54,618,693	**7,072,985**	4,332,590
United States Dollar	**41,251,814**	18,409,273	**-**	-
Indonesian Rupiah	**3,450,941**	942,202	**-**	-
Singapore Dollar	**645,500**	187,179	**-**	-
	113,253,287	74,157,347	**7,072,985**	4,332,590

(b) The effective interest rates of the Group's and the Company's deposits with financial institutions as at the end of the reporting period ranged from 0.80% to 4.25% (2014 : from 0.80% to 3.80%) per annum.

15. SHARE CAPITAL

(a) Authorised shares of RM0.50 each

	Group and Company	
	2015	2014
Number of shares		
Balance at 1 January	**1,000,000,000**	200,000,000
Created during the year	**-**	800,000,000
Balance at 31 December	**1,000,000,000**	1,000,000,000
Nominal value (RM)		
Balance at 1 January	**500,000,000**	100,000,000
Created during the year	**-**	400,000,000
Balance at 31 December	**500,000,000**	500,000,000

Notes to the Financial Statements

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15. SHARE CAPITAL *cont'd*

(b) Issued and fully paid ordinary shares of RM0.50 each

	Group and Company	
	2015	2014
Number of shares		
Balance at 1 January	260,000,000	130,000,000
Issued during the year pursuant to:		
- exercise of share options (Note 15(c))	5,074,400	-
- bonus shares issue	-	130,000,000
Balance at 31 December	265,074,400	260,000,000
Nominal value (RM)		
Balance at 1 January	130,000,000	65,000,000
Issued during the year pursuant to:		
- exercise of share options (Note 15(c))	2,537,200	-
- bonus shares issue	-	65,000,000
Balance at 31 December	132,537,200	130,000,000

During the financial year, the Company issued 4,939,400 and 135,000 new ordinary shares of RM0.50 each for cash consideration at an issue price of RM0.71 and RM1.02 per ordinary share respectively, pursuant to the exercise of share options granted under the Company's Employees' Share Option Scheme as further described in Note 16(d).

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

In the previous financial year, the Company issued bonus shares of 130,000,000 new ordinary shares of RM0.50 each on the basis of one bonus share for every one existing share held by entitled shareholders of the Company. The bonus issue of shares was effected by way of capitalising the Company's share premium and retained profits amounting to RM9,493,000 and RM55,507,000 respectively.

(c) Employees' Share Option Scheme ("ESOS")

The ESOS is governed by the By-Laws which were approved by the shareholders on 24 November 2014. The ESOS was implemented on 1 December 2014 and will expire on 30 November 2019.

The salient features of the ESOS as contained in the By-Laws are as follows:-

(i) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The aggregate number of ESOS Options to be offered under the Scheme shall not in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the duration the Scheme and shall be offered to eligible directors and employees of the Group ("Eligible Persons").

Each Option shall be exercisable into one (1) new share, fully issued and paid-up. At the commencement of the Scheme, the total number of shares available for offer was 39,000,000 ordinary shares of RM0.50 each.

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15. SHARE CAPITAL *cont'd*

(c) Employees' Share Option Scheme ("ESOS") *cont'd*

(ii) Eligible Persons must be a Malaysian citizen and he is employed (1) full time by and on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group or (2) under an employment contract for a fixed duration and has been in the employment of the Group for a period of at least one (1) year of continuous service prior to and up to the date of offer.

(iii) There are no performance targets to be achieved by the Grantee before the ESOS Options can be exercised, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.

(iv) Not more than ten percent (10%) of the new ESOS Options available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).

(v) The Company shall ensure that allocation of ESOS Options pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of ESOS Options as set out in the By-Laws. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.

(vi) An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1.00 for the grant of the ESOS Options (regardless of the number of shares comprised therein).

(vii) A Grantee shall be allowed to exercise the ESOS Options granted to him during the Scheme whilst he is in the employment of the Group and within the Option Period. Upon acceptance of the Offer, the Grantee may during the Option Period and unless otherwise provided in these By-Laws, exercise the Options in the following manner:-

Maximum percentage of Options exercisable in each year commencing from the Acceptance Date				
Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
20%	20%	20%	20%	20%

Eligible Persons who become eligible after commencement of the Scheme may exercise the Options in equal percentage for each of the remaining years of the Scheme.

(viii) The Exercise Price of each Share comprised in any ESOS Option shall be based on the higher of a price to be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten percent (10%) or the par value of the Shares.

(ix) The new Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing issued and paid-up shares of the Company, save and except that the new Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new Shares.

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15. SHARE CAPITAL *cont'd*

(c) Employees' Share Option Scheme ("ESOS") *cont'd*

(x) The Exercise Price of each Share comprised in any ESOS Option shall be based on the higher of a price to be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten percent (10%) or the par value of the Shares.

(xi) The new Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment and issuance, rank pari passu in all respects with the then existing issued and paid-up shares of the Company, save and except that the new Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new Shares.

(xii) The new Shares to be allotted and issued to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding, a Grantee who is a non-executive Director must not sell, transfer or assign their Shares obtained through the exercise of their ESOS Options offered to them pursuant to the Scheme within one (1) year from the Date of Offer of such ESOS Options.

(xiii) An option granted under the ESOS shall cease with immediate effect where the Grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of retirement before attaining the normal retirement age with the consent of the ESOS Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the ESOS Committee in writing. In addition, the Options shall immediately become void and of no effect upon the bankruptcy of the Grantee.

A Grantee will be allowed to continue to hold and to exercise any unexercised Options held by him upon retirement on or after attaining normal retirement age for a period of one (1) year after the last day of his employment provided that the Options are exercised within the Option Period.

(xiv) An option does not confer on the Grantee any right to participate in any share issue of any other company.

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15. SHARE CAPITAL *cont'd*

(c) Employees' Share Option Scheme ("ESOS") *cont'd*

(i) The movements in the number of options granted during the financial year over unissued ordinary shares and the weighted average exercise prices are as follows:-

2015

		← Number of options over unissued ordinary shares of RM0.50 each →					
Grant date	**Exercise price**	**Outstanding at beginning of year**	**Granted**	**Exercised**	**Forfeited**	**Outstanding at end of year**	**Exercisable at end of year**
22.01.2015	RM0.7100	-	31,986,000	(4,939,400)	(1,384,000)	25,662,600	1,445,800
22.06.2015	RM1.0200	-	1,446,000	(135,000)	(60,000)	1,251,000	142,200
		-	33,432,000	(5,074,400)	(1,444,000)	26,913,600	1,588,000
Weighted average exercise prices		N/A	RM0.7234	RM0.7182	RM0.7229	RM0.7244	RM0.7378

The weighted average remaining contractual life of the options outstanding at the end of the reporting period was 3.92 years (2014 : NIL).

(ii) During the financial year, the exercise of share options has resulted in the issuance of 5,074,400 (2014 : NIL) new ordinary shares of RM0.50 each at a weighted average exercise price per share of RM0.72 (2014 : NIL). The weighted average share price at the date of exercise was RM1.17 (2014 : NIL).

(iii) The fair values of the share options granted during the financial year were measured using the Trinomial Option Pricing model. The weighted average fair value of share options granted measured at the grant dates and the inputs to that model used to measure the fair value are as follows:-

	2015
Weighted average fair value of share options granted during the financial year	RM0.26
Weighted average share price at grant date	RM0.92
Weighted average exercise price of the options	RM0.72
Expected volatility of the share price	30.19%
Expected life of the options	4.84 years
Expected dividend on the shares	5.53%
Annual risk-free interest rate for the life of the options	3.77%

The expected volatility is a historical volatility calculated using daily closing market prices. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of the fair value.

No comparatives are provided as there were no share options granted in the previous financial year.

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16. RESERVES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Distributable				
Retained profits	**51,977,659**	25,429,399	**1,981,390**	2,117,454
Non-distributable				
Share premium (Note 16(a))	**2,689,578**	250,483	**2,689,578**	250,483
Exchange translation reserve (Note 16(b))	**121,430**	232,554	**-**	-
Fair value adjustment reserve (Note 16(c))	**864,679**	431,536	**-**	-
Share option reserve (Note 16(d))	**3,095,284**	-	**3,095,284**	-
	58,748,630	26,343,972	**7,766,252**	2,367,937

(a) Share premium

	Group and Company	
	2015	2014
	RM	RM
Balance at 1 January	**250,483**	9,743,483
Exercise of share options during the year	**2,439,095**	-
Bonus issue of shares during the year	**-**	(9,493,000)
Balance at 31 December	**2,689,578**	250,483

(b) Exchange translation reserve

	Group	
	2015	2014
	RM	RM
Balance at 1 January	**232,554**	224,797
Foreign currency translation (loss)/gain	**(111,124)**	7,757
Balance at 31 December	**121,430**	232,554

(c) Fair value adjustment reserve

	Group	
	2015	2014
	RM	RM
Balance at 1 January	**431,536**	467,454
Changes in fair value of available-for-sale financial assets	**433,143**	(35,918)
Balance at 31 December	**864,679**	431,536

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16. RESERVES *cont'd*

(d) Share option reserve

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Balance at 1 January	-	-	-	-
Share options granted during the year	4,432,101	-	4,432,101	-
Share options exercised	(1,331,621)	-	(1,331,621)	-
Share options forfeited	(5,196)	-	(5,196)	-
Balance at 31 December	3,095,284	-	3,095,284	-

17. HIRE PURCHASE PAYABLES

	Group	
	2015	2014
	RM	RM
Future minimum payments:-		
Within 1 year	**69,727**	109,612
Between 2 to 5 years	**190,152**	192,613
	259,879	302,225
Future finance charge on hire purchase	**(20,344)**	(31,284)
Present value	**239,535**	270,941
Payable within 1 year (included under current liabilities)	**(62,306)**	(96,556)
Payable between 2 to 5 years (included under non-current liabilities)	**177,229**	174,385

18. RETIREMENT BENEFITS

	Group	
	2015	2014
	RM	RM
Present value of unfunded defined benefit obligations	**222,043**	142,164

The Group recognises liabilities for employee benefits in respect of its subsidiary in Indonesia, PT Luxchem Indonesia in accordance with the Indonesian Labour Law No. 13 Year 2003 dated 25 March 2003 ("Labour Law"). Under this Labour Law, the employee benefits are payable upon attaining normal retirement age of 55 years old, death, total and permanent disability or resignation. The actuarial valuation was performed on 25 January 2016.

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18. RETIREMENT BENEFITS *cont'd*

The movements in the present value of employee benefits during the financial year are as follows:-

	Group	
	2015	2014
	RM	RM
Balance at 1 January	**142,164**	53,281
Recognised in profit or loss		
Current service costs	**57,538**	47,154
Interest on obligation	**12,511**	4,691
Past service costs	**-**	-
	70,049	51,845
Recognised in other comprehensive income		
Actuarial (gain)/loss arising from changes in financial assumptions (Tax effects - Note 9)	**(8,791)**	29,126
Benefits paid	**(681)**	-
Effects of changes in exchange rates	**19,302**	7,912
	9,830	37,038
Balance at 31 December	**222,043**	142,164

The amount recognised to the profit or loss has been included in administrative expenses.

The significant actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:-

	Group	
	2015	2014
	RM	RM
Discount rate	**9.00%**	8.50%
Future average salary increases	**9.00%**	9.00%

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cont'd

18. RETIREMENT BENEFITS *cont'd*

The sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions is shown below.

	Group Increase/(Decrease) in defined benefit obligations	
	2015 RM	2014 RM
Discount rate increases by 1%	**(20,865)**	(14,244)
Discount rate decreases by 1%	**24,075**	16,492
Future average salary growth increases by 1%	**22,942**	15,669
Future average salary growth decreases by 1%	**(20,342)**	(13,846)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables	**52,338,693**	33,661,317	**-**	-
Other payables and accruals	**9,064,227**	5,934,876	**211,580**	180,289
	61,402,920	39,596,193	**211,580**	180,289

The carrying amounts of the Group's trade payables are denominated in the following currencies:-

	Group	
	2015 RM	2014 RM
Ringgit Malaysia	**12,644,783**	9,316,530
United States Dollar	**36,961,495**	23,503,621
Indonesian Rupiah	**2,388,581**	841,166
Chinese Yuan Renminbi	**343,834**	-
	52,338,693	33,661,317

The normal credit periods of trade payables range from 0 to 90 days (2014 : 0 to 90 days).

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20. BANK BORROWINGS

	Group	
	2015	**2014**
	RM	**RM**
Bankers' acceptances - unsecured	**61,733,393**	54,945,162

The Group's bank borrowings are denominated in the following currencies:-

	Group	
	2015	**2014**
	RM	**RM**
Ringgit Malaysia	**46,714,975**	47,438,780
United States Dollar	**5,966,424**	7,506,382
Indonesian Rupiah	**9,051,994**	-
	61,733,393	54,945,162

The bankers' acceptances of the subsidiaries are guaranteed by the Company.

Bankers' acceptances outstanding as at year end are subject to interest between 2.53% to 4.77% (2014 : 3.02% to 5.22%) per annum.

21. FINANCE COSTS

	Group	
	2015	**2014**
	RM	**RM**
Hire purchase interest	**21,483**	13,992
Bankers' acceptance interest	**2,370,395**	2,712,796
	2,391,878	2,726,788

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22. PROFIT BEFORE TAXATION

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
This is stated after charging :-				
Amortisation of intangible assets	**104,978**	87,463	**-**	-
Auditors' remuneration :				
- Annual statutory audit				
Current year	**185,282**	177,888	**55,000**	45,000
Under provided in prior year	**-**	27,580	**-**	5,000
- Non-audit fees				
Current year	**36,850**	44,300	**11,700**	30,200
Over provided in prior year	**(4,800)**	-	**-**	-
Depreciation of property, plant and equipment	**1,566,704**	1,427,321	**-**	-
Amortisation of investment property	**2,607**	2,607	**-**	-
Defined benefit obligations	**70,049**	51,845	**-**	-
Share option expense				
- Directors' options	**1,451,003**	-	**223,231**	-
- Employees' options	**2,981,098**	-	**-**	-
Directors' Remuneration				
- Executive Directors of the Company				
Fees	**10,000**	10,000	**-**	-
Salaries and other remuneration	**1,856,124**	1,482,087	**-**	-
Benefits-in-kind	**19,500**	19,500	**-**	-
- Non-executive Directors of the Company				
Fees	**84,000**	75,000	**84,000**	75,000
Other remuneration	**12,540**	11,500	**12,540**	11,500
- Executive Directors of subsidiaries				
Fees	**20,000**	20,000	**-**	-
Salaries and other remuneration	**1,334,189**	1,157,211	**-**	-
Benefits-in-kind	**26,200**	21,957	**-**	-
Impairment losses on trade receivables	**551,501**	1,580,282	**-**	-
Property, plant and equipment written off	**3,362**	2,462	**-**	-
Rental of premises	**557,065**	507,809	**-**	-
Inventories written off	**691,806**	-	**-**	-
Inventories written down	**527,369**	461,442	**-**	-
Loss on foreign exchange:				
- realised	**556,425**	-	**-**	-
- unrealised	**143,009**	684,943	**-**	-
Loss on disposal of quoted investments	**16,325**	-	**-**	-
Royalty	**46,763**	15,530	**-**	-
Interest expense	**2,391,878**	2,726,788	**-**	-
Hire of lorries	**534,132**	518,546	**-**	-

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22. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
and crediting:-				
Dividend income:				
- quoted investment	**12,286**	14,288	**-**	-
- unquoted investment	**-**	110,000	**-**	-
- subsidiaries	**-**	-	**13,600,000**	66,593,691
Gain on foreign exchange:				
- realised	**4,948,219**	3,979,360	**-**	-
- unrealised	**477,816**	630,135	**-**	-
Net gain on disposal of property, plant and equipment	**-**	183,996	**-**	-
Net (loss)/gain on changes in fair value of forward exchange contracts	**(50,432)**	9,965	**-**	-
Interest income from deposits with financial institutions	**1,812,442**	1,312,216	**193,393**	17,293
Rental income	**3,640**	10,930	**-**	-
Reversal of impairment loss on trade receivables	**938,743**	292,834	**-**	-

23. TAXATION

Tax expense for the year comprised:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current year income tax:				
- Malaysian	**15,149,175**	7,539,000	**49,000**	5,000
- Foreign	**-**	-	**-**	-
Deferred tax (income)/expense resulting from the origination and reversal of temporary differences	**(75,491)**	133,904	**-**	-
	15,073,684	7,672,904	**49,000**	5,000
(Over)/Under provided in prior years:				
- Income tax	**(303,391)**	90,727	**(691)**	(893)
- Deferred tax	**31,121**	(16,743)	**-**	-
	14,801,414	7,746,888	**48,309**	4,107

(a) The general statutory income tax rate in Malaysia for the year under review is 25% (2014 : 25%) of taxable income. The statutory income tax rate will be reduced to 24% effective from the year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected this change.

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23. TAXATION *cont'd*

(b) The reconciliation of tax expense applicable to profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group and Company is as follows:-

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Profit before taxation	**54,396,582**	29,577,693	**13,103,749**	65,981,055
Tax expense at the rate of 25% (2014 : 25%)	**13,599,146**	7,394,423	**3,275,937**	16,495,264
Tax effects in respect of:-				
Differences in tax rates of foreign subsidiaries	**(829)**	(527)	**-**	-
Expenses not deductible for taxation purpose	**1,585,682**	402,723	**173,063**	158,159
Income not subject to tax	**(4,311)**	(60,575)	**(3,400,000)**	(16,648,423)
Double deduction of expenses	**(108,236)**	(56,298)	**-**	-
Difference in statutory tax rate	**2,232**	(8,811)	**-**	-
Deferred tax assets not recognised during the year	**-**	1,969	**-**	-
Taxation (over)/under provided in prior years:				
- Income tax	**(303,391)**	90,727	**(691)**	(893)
- Deferred tax	**31,121**	(16,743)	**-**	-
Total tax expense	**14,801,414**	7,746,888	**48,309**	4,107

(c) As at 31 December 2015, a foreign subsidiary has an estimated unabsorbed tax losses amounting to RM935,928 (2014 : RM637,618) that can be carried forward for five (5) years to offset against future taxable income.

24. EARNING PER SHARE

(a) Basic

The basic earnings per share is calculated based on the Group's profit for the financial year attributable to owners of the Company of RM39,735,148 (2014 : RM21,960,891) and on the weighted average number of shares in issue during the financial year of 262,805,603 (2014 : 260,000,000).

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24. EARNING PER SHARE *cont'd*

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares arising from the assumed exercise of the share options under the Employees' Share Option Scheme.

	Group	
	2015	**2014**
	RM	**RM**
Profit attributable to owners of the Company (profit used to determine diluted earnings per share)	**39,735,148**	N/A
Weighted average number of ordinary share in issue	**262,805,603**	N/A
Effect of dilution from assumed exercise of share options	**8,393,240**	N/A
Adjusted weighted average number of ordinary share in issue	**271,198,843**	N/A
Diluted earnings per share (sen)	**14.65**	N/A

25. DIVIDENDS

	Group and Company	
	2015	**2014**
	RM	**RM**
Final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2014	**7,903,680**	-
Interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2015	**5,293,020**	-
Final single tier dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2013	**-**	6,500,000
Interim single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2014	**-**	3,900,000
	13,196,700	10,400,000

The Directors recommend a single tier final dividend in respect of the current financial year ended 31 December 2015 of 4.5 sen per ordinary share amounting to RM11,962,539. The financial statements for the current financial year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2016.

Notes to the Financial Statements

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26. NOTE TO STATEMENT OF CASH FLOWS

Purchase of property, plant and equipment

	Group	
	2015	**2014**
	RM	**RM**
Cash purchase	**3,051,361**	4,940,106
Hire purchase financing	**66,977**	250,000
Aggregate cost	**3,118,338**	5,190,106

The principal amount of instalment payments for property, plant and equipment acquired by hire purchase and lease financing are reflected as cash outflows from financing activities.

27. STAFF COSTS AND EMPLOYEES INFORMATION

	Group	
	2015	**2014**
	RM	**RM**
(a) Staff costs comprised:-		
Salaries, wages and bonuses	**11,857,543**	10,361,444
Amount contributed under defined contribution plan:		
- Employees Provident Fund (EPF)	**1,332,852**	1,151,392
Defined benefit obligations (Note 18)	**70,049**	51,845
Share options expense	**4,432,101**	-
Others	**410,230**	441,257
	18,102,775	12,005,938

(b) The number of employees of the Group at end of the financial year was 156 (2014 : 148). Employees include executive directors of the Group and of the Company.

28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the common control of another party.

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28. RELATED PARTY TRANSACTIONS *cont'd*

Other than those already disclosed elsewhere in these financial statements, the transactions carried out with related parties during the financial year and balances at end of financial year were as follows:-

(a) Transactions and year-end outstanding balance with a subsidiary, Luxchem Trading Sdn Bhd ("LT")

	Company	
	2015	2014
	RM	RM
Dividend from LT	**11,600,000**	57,700,000

The year-end outstanding balance with LT is as follows:-

	Company	
	2015	2014
	RM	RM
Amount due by LT		
- included under amount due by subsidiaries	**1,005,231**	1,005,231

The amount due by LT is unsecured, interest-free and is repayable on demand and the settlement is expected to be in cash.

No expense has been recognised during the financial year in respect of bad or doubtful debts due by LT (2014 : NIL).

(b) Transactions and year-end outstanding balance with a subsidiary, Luxchem Polymer Industries Sdn Bhd ("LPOLY")

	Company	
	2015	2014
	RM	RM
Dividend from LPOLY	**2,000,000**	8,000,000

The year-end outstanding balance with LPOLY is as follows:-

	Company	
	2015	2014
	RM	RM
Amount due by LPOLY		
- included under amount due by subsidiaries	**699,742**	699,742

The amount due by LPOLY is unsecured, interest-free and is repayable on demand and the settlement is expected to be in cash.

No expense has been recognised during the financial year in respect of bad or doubtful debts due by LPOLY (2014 : NIL).

Notes to the Financial Statements

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28. RELATED PARTY TRANSACTIONS *cont'd*

(c) Transaction with a subsidiary, Luxchem Trading (S) Pte Ltd ("LTS")

	Company	
	2015	2014
	RM	RM
Dividend from LTS	-	893,691

(d) Year-end outstanding balance with a subsidiary, PT Luxchem Indonesia ("PTLI")

The year-end outstanding balance with PTLI is as follows:-

	Company	
	2015	2014
	RM	RM
Amount due by PTLI		
- included under amount due by subsidiaries	**1,055,950**	-

The amount due by PTLI is unsecured, interest-free and is repayable on demand and the settlement is expected to be in cash.

No expense has been recognised during the financial year in respect of bad or doubtful debts due by PTLI (2014 : NIL).

(e) Provision of guarantees

The provision of guarantees between the Company and subsidiaries are disclosed in Note 30.

(f) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group are the Directors of the Company and executive directors of major subsidiaries and their remuneration for the financial year were as follows:-

	Group	
	2015	2014
	RM	RM
Short-term employee benefits	**2,993,735**	2,495,040
Post-employment benefits - contribution to Employees Provident Fund	**311,294**	254,420
Defined benefit obligations	**32,108**	26,700
Share options expense	**1,451,003**	-
Others	**11,825**	6,338
	4,799,965	2,782,498
Benefits-in-kind	**45,700**	41,457
	4,845,665	2,823,955

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28. RELATED PARTY TRANSACTIONS *cont'd*

(f) Key management personnel compensation *cont'd*

The year-end outstanding balance in relation to key management personnel compensation is:-

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Included under other payables and accruals	**993,771**	522,285	**89,040**	79,500

(g) Transactions and year-end outstanding balance with other related parties

	Group	
	2015	**2014**
	RM	**RM**
Salaries and other remuneration paid during the financial year to an individual related to certain Directors of the Company	**131,972**	109,414
Share options expense	**96,734**	-
	228,706	109,414

29. CAPITAL COMMITMENT

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Approved and contracted for				
Purchase of property, plant and equipment	**10,384,669**	12,135,430	**-**	-
Investment in a subsidiary namely, Luxchem Vietnam Company Limited (USD500,000) (Note 7(b))	**-**	-	**2,146,750**	-

On 29 January 2014, a subsidiary of the Company namely, Luxchem Trading Sdn Bhd entered into a sale and purchase agreement to acquire an industrial lot for a total cash consideration of RM14,671,008. The acquisition is expected to be completed within thirty six (36) months from the date of the sale and purchase agreement upon the completion of the construction of basic infrastructure by the vendor and full payment of the total purchase consideration.

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30. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2015	**2014**
	RM	**RM**
Corporate guarantees given to banks for credit facilities of subsidiaries:		
- Limit of guarantees	**222,603,085**	209,125,815
- Amount utilised	**61,733,394**	54,945,163
Financial guarantees given to third parties for supply of goods to subsidiaries	**13,524,525**	13,461,525
	75,257,919	68,406,688

31. SEGMENT REPORTING

(a) Operating Segments

The Group has two reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group's chief executive officer. The reportable segments are as follows:-

(i) Trading — Import, export and distribution of petrochemical and other related products.

(ii) Manufacturing — Manufacturing and trading of unsaturated polyester resin and related products.

No other operating segments has been aggregated to form the above reportable segments. Investment holding activities are not considered as a reportable segment and the related financial information has been included under "Adjustments".

The Group's chief executive officer monitors the performance of the business segments through regular discussions held with the segment managers and review of internal management reports. The performance of each business segment is evaluated based on the segment's profit or loss which is measured on a basis not significantly different from the profit or loss included in the consolidated financial statements.

Notes to the Financial Statements

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31. SEGMENT REPORTING *cont'd*

(a) Operating Segments *cont'd*

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

2015	Trading RM	Manufacturing RM	Adjustments RM	Consolidated RM
Revenue				
Total revenue	571,520,061	177,108,292	-	748,628,353
Inter-segment revenue	(620,265)	(61,254,394)	-	(61,874,659)
External sales	570,899,796	115,853,898	-	686,753,694
Results				
Segment results	28,394,425	27,255,312	(689,645)	54,960,092
Dividend, interest and rental income	1,316,799	318,176	193,393	1,828,368
Operating profit/(loss)	29,711,224	27,573,488	(496,252)	56,788,460
Finance costs	(2,308,698)	(83,180)	-	(2,391,878)
Profit/(Loss) before taxation	27,402,526	27,490,308	(496,252)	54,396,582
Taxation	(8,020,631)	(6,732,474)	(48,309)	(14,801,414)
Profit/(Loss) for the year	19,381,895	20,757,834	(544,561)	39,595,168
Segment assets	253,011,774	62,808,903	7,086,576	322,907,253
Segment liabilities	114,282,241	17,422,382	211,580	131,916,203
Other Information				
Additions to non-current assets:				
- property, plant and equipment	2,430,068	688,270	-	3,118,338
Depreciation and amortisation	943,660	730,629	-	1,674,289
Non cash items other than depreciation and amortisation:				
- Impairment losses on trade receivables, net of reversals	(387,242)	-	-	(387,242)
- Property, plant and equipment written off	378	2,984	-	3,362
- Inventories written off	-	691,806	-	691,806
- Inventories written down	296,656	230,713	-	527,369
- Defined benefit obligations	70,049	-	-	70,049
- Unrealised loss/(gain) on foreign exchange	79,600	(414,407)	-	(334,807)
- Net loss on changes in fair value of forward exchange contracts	50,432	-	-	50,432
- Loss on disposal of quoted investment	16,325	-	-	16,325
- Share options expense	3,534,278	674,592	223,231	4,432,101

Notes to the Financial Statements

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31. SEGMENT REPORTING *cont'd*

(a) Operating Segments *cont'd*

2014	Trading RM	Manufacturing RM	Adjustments RM	Consolidated RM
Revenue				
Total revenue	505,151,140	155,166,313	-	660,317,453
Inter-segment revenue	(376,781)	(56,418,182)	-	(56,794,963)
External sales	504,774,359	98,748,131	-	603,522,490
Results				
Segment results	18,796,337	12,690,643	(629,933)	30,857,047
Dividend, interest and rental income	1,079,076	351,065	17,293	1,447,434
Operating profit/(loss)	19,875,413	13,041,708	(612,640)	32,304,481
Finance costs	(2,171,063)	(555,725)	-	(2,726,788)
Profit/(Loss) before taxation	17,704,350	12,485,983	(612,640)	29,577,693
Taxation	(4,668,267)	(3,074,514)	(4,107)	(7,746,888)
Profit/(Loss) for the year	13,036,083	9,411,469	(616,747)	21,830,805
Segment assets	201,734,311	47,458,041	4,384,590	253,576,942
Segment liabilities	79,250,211	17,901,245	180,289	97,331,745
Other Information				
Additions to non-current assets:				
- property, plant and equipment	3,648,132	1,541,974	-	5,190,106
Depreciation and amortisation	1,005,425	511,966	-	1,517,391
Non cash items other than depreciation and amortisation :				
- Impairment losses on trade receivables, net of reversals	1,409,386	(121,938)	-	1,287,448
- Net gain on disposal of property, plant and equipment	(180,943)	(3,053)	-	(183,996)
- Property, plant and equipment written off	2,336	126	-	2,462
- Inventories written down	230,938	230,504	-	461,442
- Defined benefit obligations	51,845	-	-	51,845
- Unrealised loss/(gain) on foreign exchange	684,943	(630,135)	-	54,808
- Net (gain)/loss on changes in fair value of forward exchange contracts	(13,208)	3,243	-	(9,965)

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31. SEGMENT REPORTING *cont'd*

(b) Geographical Segments

In determining geographical segments of the Group, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets. The non-current assets do not include financial instruments and deferred tax assets.

	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	**508,128,801**	**27,791,507**	457,674,124	26,099,227
Vietnam	**78,699,435**	**-**	70,285,408	-
Indonesia	**51,890,496**	**401,344**	39,692,737	463,037
Thailand	**25,160,136**	**-**	16,421,135	-
Singapore	**6,913,914**	**-**	10,741,229	-
Bangladesh	**5,025,961**	**-**	2,162,929	-
Australia	**4,434,214**	**-**	-	-
New Zealand	**2,053,065**	**-**	124,081	-
Myanmar	**2,031,937**	**-**	3,641,196	-
Others	**2,415,735**	**-**	2,779,651	-
	686,753,694	**28,192,851**	603,522,490	26,562,264

(c) Major Customers

Revenue from transactions with major customers who individually accounted for 10 percent or more of Group's revenue are summarised below:-

	Revenue		Segment
	2015	2014	
	RM	RM	
Customer A	**70,534,240**	114,538,711	Trading

32. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include fixed deposits, cash and bank balances, trade and other receivables, other investments and derivative assets.

Financial liabilities of the Group include trade and other payables, hire purchase payables and bank borrowings.

In respect of the Company, financial assets also include amount due by subsidiaries.

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32. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments

The Group's and the Company's financial instruments are categorised as follows:-

Financial assets as per statement of financial position

	2015			
	Carrying amount	Loans and receivables	Fair value through profit or loss	Available-for-sale financial assets
	RM	RM	RM	RM
Group				
Other investments	1,160,021	-	-	1,160,021
Trade receivables	124,428,677	124,428,677	-	-
Other receivables	2,773,039	2,773,039	-	-
Deposits, cash and bank balances	113,253,287	113,253,287	-	-
	241,615,024	240,455,003	-	1,160,021

	2015	
	Carrying amount	Loans and receivables
	RM	RM
Company		
Other receivables	7,591	7,591
Amount due by subsidiaries	2,760,923	2,760,923
Deposits, cash and bank balances	7,072,985	7,072,985
	9,841,499	9,841,499

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32. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The Group's and the Company's financial instruments are categorised as follows:- *cont'd*

Financial assets as per statement of financial position *cont'd*

	2014			
	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss RM	Available-for-sale financial assets RM
Group				
Other investments	727,038	-	-	727,038
Trade receivables	108,476,937	108,476,937	-	-
Other receivables	6,935,815	6,935,815	-	-
Derivative assets	28,680	-	28,680	-
Deposits, cash and bank balances	74,157,347	74,157,347	-	-
	190,325,817	189,570,099	28,680	727,038

	2014	
	Carrying amount RM	Loans and receivables RM
Company		
Other receivables	2,000	2,000
Amount due by subsidiaries	1,704,973	1,704,973
Fixed deposit, cash and bank balances	4,332,590	4,332,590
	6,039,563	6,039,563

Notes to the Financial Statements
31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The Group's and the Company's financial instruments are categorised as follows:- *cont'd*

Financial assets as per statement of financial position *cont'd*

	2015		
	Carrying amount	Fair value through profit or loss	Other financial liabilities measured at amortised cost
	RM	RM	RM
Group			
Trade payables	52,338,693	-	52,338,693
Other payables	9,064,227	-	9,064,227
Derivative liabilities	21,752	21,752	-
Bank borrowings	61,733,393	-	61,733,393
Hire purchase payables	239,535	-	239,535
	123,397,600	21,752	123,375,848

	2015	
	Carrying amount	Other financial liabilities measured at amortised cost
	RM	RM
Company		
Other payables	211,580	211,580

Notes to the Financial Statements
31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The Group's and the Company's financial instruments are categorised as follows:- *cont'd*

Financial assets as per statement of financial position *cont's*

	2014	
	Carrying amount	Other financial liabilities measured at amortised cost
	RM	RM
Group		
Trade payables	33,661,317	33,661,317
Other payables	5,934,876	5,934,876
Bank borrowings	54,945,162	54,945,162
Hire purchase payables	270,941	270,941
	94,812,296	94,812,296

	2014	
	Carrying amount	Other financial liabilities measured at amortised cost
	RM	RM
Company		
Other payables	180,289	180,289

Notes to the Financial Statements

31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management

The Group's financial instruments are subject to a variety of financial risks including credit risk, liquidity and cash flow risks and market risk.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(i) Credit risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables, bank fixed deposits and cash and bank balances. The Company's exposure to credit risk arises principally from amount due from subsidiaries, deposits and cash and bank balances and financial guarantees given to banks for credit facilities of subsidiaries as disclosed in Note 30.

Credit risk is addressed by the application of credit evaluation and close monitoring procedures by the directors.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

The Group's maximum exposure to credit risk as at 31 December 2015 is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

As at the end of the reporting period, the Group has significant concentration of credit risk arising from the exposure to the amounts due by 2 major customers representing approximately 24% (2014 : 7 major customers representing approximately 43%) of the total trade receivables. The amounts due and repayments from these customers are closely monitored by the management to ensure that the credit limits and terms agreed with the customers are complied with.

Information on the ageing and impairment of trade receivables is disclosed in Note 11.

(ii) Liquidity and cash flow risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

Notes to the Financial Statements

31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity and cash flow risks *cont'd*

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows:-

	Maturity Profile				
	Less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total	Effective interest rate
	RM	RM	RM	RM	%
Group					
2015					
Trade payables	52,338,693	-	-	52,338,693	-
Other payables	9,064,227	-	-	9,064,227	-
Hire purchase payables	69,727	190,152	-	259,879	4.83 to 9.31
Bank borrowings	61,733,393	-	-	61,733,393	2.53 to 4.77
2014					
Trade payables	33,661,317	-	-	33,661,317	-
Other payables	5,934,876	-	-	5,934,876	-
Hire purchase payables	109,612	192,613	-	302,225	4.70 to 9.47
Bank borrowings	54,945,162	-	-	54,945,162	3.02 to 5.22
Company					
2015					
Other payables	211,580	-	-	211,580	-
2014					
Other payables	180,289	-	-	180,289	-

(iii) Market risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group's main market risk exposure are currency and interest rate fluctuations and which are discussed under the respective risk headings.

Notes to the Financial Statements

31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iv) Currency risk

The Group operates internationally and is exposed to foreign currency risk arising from transactions denominated in currencies other than the functional currencies of the entities within the Group. The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in foreign currencies as at the end of the reporting period are as follows:-

	USD	SGD	CNY	Total
	RM	RM	RM	RM
2015				
Trade and other receivables	**23,318,945**	**90,149**	**-**	**23,409,094**
Deposits, cash and bank balances	**41,251,814**	**552,475**	**-**	**41,804,289**
Trade and other payables	**(36,961,495)**	**-**	**(343,834)**	**(37,305,329)**
Bank borrowings	**(5,966,424)**	**-**	**-**	**(5,966,424)**
	21,642,840	**642,624**	**(343,834)**	**21,941,630**
2014				
Trade and other receivables	17,247,594	2,124,262	167,323	19,539,179
Deposits, cash and bank balances	15,437,593	942,202	81,573	16,461,368
Trade and other payables	(20,916,326)	(841,166)	-	(21,757,492)
Hire purchase payables	-	(14,584)	-	(14,584)
	11,768,861	2,210,714	248,896	14,228,471

The movements in the rates of foreign currencies are monitored by the management and where considered necessary, the Group will enter into forward foreign currency contracts as a means of hedging against such risk.

The Group does not speculate in foreign currency derivatives.

Currency risk sensitivity analysis

A 10 percent strengthening or weakening of the foreign currencies against the functional currencies at the end of the reporting period would have increased or decreased profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2015	2014
	RM	RM
USD	2,164,284	1,176,886
IDR	-	221,071
SGD	64,262	24,890
CNY	(34,383)	-

Notes to the Financial Statements

31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(v) Interest rate risk

The Group has interest rate risk in respect of its borrowings and fixed deposits.

The Group's bank borrowings, hire purchase financing and interest bearing fixed deposits are based on fixed rates.

Market interest rates movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing fixed deposits are restructured and reduced.

Interest rate risk sensitivity analysis

As all the Group's borrowings and fixed deposits as at 31 December 2015 are based on fixed rates, a change in interest rates at the end of the reporting period would not affect profit or loss or equity.

(vi) Other price risk

The Group is exposed to equity price risk arising from its investment in quoted shares and debt instruments. These instruments are listed in Bursa Malaysia Securities Berhad and classified as available-for-sale financial assets.

The Group does not engage in speculative trading in respect of its quoted debts and equity instruments.

Equity price risk sensitivity analysis

A 10 percent strengthening or weakening in FTSE Bursa Malaysia KLCI at the end of the reporting period would have increased or decreased equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group	
	2015	**2014**
	RM	**RM**
Available-for-sale financial assets	**105,002**	61,704

(c) Fair value of financial instruments

(i) The fair values of investments in quoted shares is determined by reference to their market bid price at the end of the reporting period.

(ii) The fair value of forward foreign exchange contracts is based on quotations by licensed financial institutions, if available, or by discounting the difference between the contractual forward price and the current forward price over the remaining maturity of the contract using a risk-free interest rate.

(iii) The carrying amount of hire purchase payables approximates its fair value.

Notes to the Financial Statements

31 December 2015
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

(c) Fair value of financial instruments *cont'd*

(iv) The carrying amounts of deposits, cash and bank balances, receivables and payables and bank borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

(v) It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices.

The table below analyses financial instruments at the end of the reporting period which are measured at fair value by the various levels within a fair value hierarchy:-

	Fair value measurement using			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
2015				
Financial assets				
Available-for-sale investments	1,050,021	-	-	1,050,021
Financial liabilities				
Derivative financial liabilities	-	(21,752)	-	(21,752)
2014				
Financial assets				
Available-for-sale investments	617,038	-	-	617,038
Derivative financial assets	-	28,680	-	28,680

33. SUBSEQUENT EVENT

On 27 January 2016, the Company has entered into a Heads of Agreement ("HOA") with the owners ("the Vendors") of Transform Master Sdn Bhd ("TMSB") for the proposed acquisition of 3,000,000 ordinary shares of RM1.00 each representing 100% equity interest in TMSB ("the Proposed Acquisition") for a total consideration of RM46,000,000 ("the Purchase Consideration").

The Proposed Acquisition is subject to a legal, financial and commercial due diligence to be conducted and completed by the Company within 60 days from the date of the HOA. Subject to any completion adjustment provided for in the Definitive Agreement (as herein defined) and valuation(s) to be carried out by independent valuers appointed by the Company, the Purchase Consideration shall be satisfied in the following manner:-

(a) Upon the execution of the HOA, the Company shall pay a fixed sum of RM2,300,000 which represents 5% of the Purchase Consideration, in cash, as deposit and part payment of the Purchase Consideration ("Deposit") to its solicitors as stakeholders to hold and deal with in accordance with the terms of the HOA.

(b) Within 14 days after all the conditions precedent having been obtained/fulfilled in accordance with the terms of the HOA and the Definitive Agreement ("Completion Date"), the Company shall:-

(i) pay a fixed sum of RM34,500,000, representing 75% of the Purchase Consideration, in cash to the Vendors; and

(ii) issue and allot 5,184,851 Consideration Shares to the Vendors at an issue price of RM1.7744 per Share, being the five (5)–day volume weighted average market price of the Company's shares ("5-day VWAP"), up to and including 26 January 2016, being the last full trading day prior to the execution of the HOA, to arrive at the balance of RM9.2 million, representing 20% of the Purchase Consideration.

Notes to the Financial Statements
31 December 2015
cont'd

33. SUBSEQUENT EVENT *cont'd*

The Proposed Acquisition is conditional upon the Company and the Vendors entering into the Definitive Agreement within 60 days following the date of the HOA and the fulfillment of the following conditions precedent, amongst others:-

(a) the approval of the Ministry of International Trade and Industry or the Malaysian Investment Development Authority in connection with the Proposed Acquisition and the change of control in TMSB, where required; and

(b) the approval of the shareholders of the Company at an extraordinary general meeting to be convened for the Proposed Acquisition and the issuance of the Consideration Shares.

As at the date of approval of these financial statements, the due diligence exercise is yet to be completed.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio below 0.5. The debt-to-equity ratio as at 31 December 2015 and 31 December 2014 were as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Trade and other payables	61,402,920	39,596,193
Bank borrowings	61,733,393	54,945,162
Hire purchase payables	239,535	270,941
Less : Deposits, cash and bank balances	(113,253,287)	(74,157,347)
Total net debt	10,122,561	20,654,949
Total equity	190,991,050	156,245,197
Debt-to-equity ratio	0.05	0.13

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

The Group has complied with the requirements of Practice Note 17/2005 issued by Bursa Malaysia Securities Berhad whereby the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25% of its issued and paid-up capital and such shareholders' equity is not less than RM40 million.

Notes to the Financial Statements

31 December 2015
cont'd

35. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

Realised and Unrealised Profits/(Loss)

The breakdown of retained profits of the Group and of the Company as at 31 December 2015, into realised and unrealised profits/(loss), pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained profits of Luxchem Corporation Berhad and its subsidiaries:				
- Realised	120,719,267	158,191,608	1,981,390	2,117,454
- Unrealised	(140,694)	(543,383)	-	-
	120,578,573	157,648,225	1,981,390	2,117,454
Less : Consolidation adjustments	(68,600,914)	(132,218,826)	-	-
Retained profits as per financial statements	51,977,659	25,429,399	1,981,390	2,117,454

The determination of realised and unrealised profits/(loss) is based on the Guidance of 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.

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 37 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2015 and of the results of operations and cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 35 to the financial statements on page 111 have been prepared in accordance with 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.

TANG YING SEE
Director

CHEN MOI KEW
Director

Date : 23 March 2016

Statutory Declaration

I, CHEN MOI KEW, being the Director primarily responsible for the financial management of Luxchem Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 110 are 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.

Subscribed and solemnly declared by the abovenamed)
CHEN MOI KEW at Petaling Jaya in Selangor Darul Ehsan)
this 23 March 2016)

CHEN MOI KEW
Before me,

Commissioner for Oaths

Independent Auditors' Report

to the Members of Luxchem Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Luxchem Corporation Berhad, which comprise the statements of financial position as at 31 December 2015 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 110.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Independent Auditors' Report

to the Members of Luxchem Corporation Berhad

cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7(a) to the financial statements.

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 111 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.

FOLKS DFK & CO.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/16(J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur

Date: 23 March 2016

List of Properties

No.	Postal Address/title identification	Approximate age of building/ tenure/date of expiry of lease	Years lease remaining	Description and existing use	Land area/ build up area/ (sq ft)	Cost of investment/ date of transaction	Audited Carrying Amount @ 31 December 2015 RM
1.	No. 6 Jalan SS21/58, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan/ H.S (D) 170789, No. P.T. 6012, Bandar Petaling Jaya, Petaling Jaya, Selangor	39 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	447,591.58
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor	21years/ freehold	-	Warehouse	80,150/ 32,400	RM2,976,359/ August 30, 1991	2,155,922.64
3.	No. 54, Persiaran Rishah 9, Kawasan Perindustrian Miel Silibin, 30100 Ipoh, Perak Darul Ridzuan/ PN 37744 Lot 128185 Mukim of Hulu Kinta, Kinta, Perak	31 years/ leasehold/ March 22, 2045	30	Office/Store	10,000/ 6,500	RM519,816/ February 06, 1992	300,939.73
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	18 years/ leasehold August 14, 2096	81	Industrial land/ factory warehouse	190,112/ 113,795	RM8,639,602/ February 04, 1997	8,472,488.22
5.	Plot 129a, Bukit Minyak Industrial Park, 14100 Seberang Perai, Pulau Pinang/ H.S. (D) 42609, P.T. 317, Mukim 13, Seberang Perai Tengah, Pulau Pinang	6 years/ leasehold/ November 03, 2058	43	Industrial land/ factory warehouse	87,120/ 27,610	RM3,856,664/ March 28, 1997	3,226,041.87
6.	No. 4, Jalan Bistari 4, Taman Industri Jaya, 81300 Skudai, Johor Darul Takzim/ PN 13419, Lot 56749, Mukim of Pulai, Johor Bahru, Johor	18 years/ leasehold/ September 03, 2911	896	1 1/2 storey semi-detached factory	21,780/ 17,403	RM1,459,639/ March 28, 2005	1,309,249.11
7.	No. 4 Jalan SS21/58, Damansara Utama, 47400 Petaling Jaya Selangor Darul Ehsan/ H.S. (D) 170791, P.T. 6013, Bandar Petaling Jaya, Petaling Jaya, Selangor Darul Ehsan	39 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,717,332.92
8.	2A-15-7 BBK Condo, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan	14 years/ leasehold/ May 09, 2093	78	Condominium unit/ investment property	1,745/ 1,026	RM206,888/ July 06, 2001	116,979.36

Analysis of Shareholdings
as at 31 March 2016

Class of Shares	:	Ordinary shares of RM0.50 each ("Share")
Authorised Share Capital	:	1,000,000,000 Shares
Isued and Paid-Up Capital	:	265,834,200 Shares
Voting Rights	:	One vote per share on a poll
		One vote per share on a show of hands

ANALYSIS BY SIZE OF SHAREHOLDINGS

Analysis by Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 99	6	0.211	218	0.000
100 - 1,000	456	16.056	196,482	0.073
1,001 - 10,000	1,438	50.633	7,812,400	2.938
10,001 - 100,000	776	27.323	25,483,200	9.586
100,001 - 13,291,709 (*)	162	5.704	72,224,500	27.169
13,291,710 AND ABOVE (**)	2	0.070	160,117,400	60.232
Total	**2,840**	**100**	**265,834,200**	**100**

Remarks: * - Less than 5% of Issued Shares
** - 5% and above of Issued Shares

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	Direct Holdings		Indirect Holdings (excluding bare trustees)	
Names	No.	%	No.	%
Chemplex Resources Sdn. Bhd.	137,140,000	51.588	-	-
Tang Ying See	1,000,000	0.376	138,403,900 [a]	52.063
Chin Song Mooi	1,263,900	0.475	138,140,000 [a]	51.964
Chow Cheng Moey	22,977,400	8.643	200,000 [b]	0.075

Note:

(a) Deemed interested by virtue of their substantial shareholdings in Chemplex Resources Sdn. Bhd. and shares held by spouse pursuant to Section 6A of the Companies Act, 1965

(b) Deemed interested by virtue of shares held by spouse, Mr. Lim Kuang Sia pursuant to Section 6A of the Companies Act, 1965

Analysis of Shareholdings

as at 31 March 2016
cont'd

LIST OF DIRECTORS' SHAREHOLDINGS

	Shareholdings			
Directors	**Direct**	**%**	**Indirect**	**%**
TANG YING SEE	1,000,000	0.376	142,955,500 [a]	53.776
CHIN SONG MOOI	1,263,900	0.475	142,691,600 [b]	53.676
CHEN MOI KEW	495,000	0.186	-	-
MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MOKHTAR BIN HAJI SAMAD*	220,000	0.082	-	-
CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN WAN SIEW*	50,000	0.018	-	-
AU CHUN CHOONG	1,194,200	0.449	-	-

The issued and paid-up share capital of the Company as at 31 March 2016 is RM132,917,100 divided into 265,834,200 Ordinary Shares of RM0.50 each.

Notes:

(a) *Deemed interested by virtue of his substantial shareholdings in Chemplex Resources Sdn. Bhd. and his spouse, Chin Song Mooi's and his son, Tang Chii Shyan's shareholdings in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965.*

(b) *Deemed interested by virtue of her substantial shareholdings in Chemplex Resources Sdn. Bhd. and her spouse, Tang Ying See's and her son, Tang Chii Shyan's shareholdings in the Company pursuant to Section 134(12)(c) of the Companies Act, 1965.*

LIST OF TOP 30 HOLDERS AS AT 31/03/2016

Without aggregating securities from different securites accounts belonging to the same registered holder

No	Holder Name	Shares Held	Percentage
1	CHEMPLEX RESOURCES SDN. BHD.	137,140,000	51.588
2	CHOW CHENG MOEY	22,977,400	8.643
3	TANG CHII SHYAN	4,551,600	1.712
4	TABUNG AMANAH MELAKA	3,000,000	1.128
5	SYARIKAT NAM AH SDN BHD	2,995,300	1.126
6	LIM LENG BUNG	2,865,000	1.077
7	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB EQUITY TRUST	1,754,100	0.659
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEAH LEE SENG*	1,380,000	0.519
9	LIM HUI GUAN	1,300,000	0.489
10	CHIN SONG MOOI	1,263,900	0.475
11	MISA SDN BHD	1,224,800	0.460
12	FONG AH CHAI	1,200,000	0.451
13	LIM JEE SOON	1,052,000	0.395
14	AMANAH RAYA BERHAD KUMPULAN WANG BERSAMA	1,000,000	0.376

Analysis of Shareholdings
as at 31 March 2016
cont'd

LIST OF TOP 30 HOLDERS AS AT 31/03/2016
Without aggregating securities from different securites accounts belonging to the same registered holder

No	Holder Name	Shares Held	Percentage
15	FOO KHON PU	1,000,000	0.376
16	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG*	1,000,000	0.376
17	LEE CHOONG ONN	1,000,000	0.376
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG*	1,000,000	0.376
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG*	1,000,000	0.376
20	TANG YING SEE	1,000,000	0.376
21	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG*	894,200	0.336
22	PO KONG YEE	854,000	0.321
23	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEH CHEE TONG*	849,800	0.319
24	CHEAH SIEW MENG	832,600	0.313
25	CHOR KING CHUN	828,500	0.311
26	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEO WHA*	800,000	0.300
27	TEH ENG SING	738,200	0.277
28	KWAN FOH KWAI	720,000	0.270
29	CHANG YOON CHOY	700,000	0.263
30	CHEN TAM CHAI	693,200	0.260
		197,614,600	74.337

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of the Company will be held at Banyan & Casuarina Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1 60000, Kuala Lumpur on Wednesday, 18 May 2016 at 10.00 a.m. to transact the following business:-

AGENDA

1. To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2015. ***(Please refer to Explanatory Note (i))***

2. To sanction the declaration of a single tier final dividend of 4.5 sen per share for the financial year ended 31 December 2015. ***Resolution 1***

3. To approve the payment of Directors' fees of RM84,000.00 for the financial year ended 31 December 2015. ***Resolution 2***

4. To re-elect the following Directors retire by rotation in accordance to Article 77 of the Company's Articles of Association and, being eligible, offered themselves for re-election:-

   (a) Chin Song Mooi ***Resolution 3***
   (b) Chen Moi Kew ***Resolution 4***

5. To re-appoint Messrs Folks DFK & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 5***

AS SPECIAL BUSINESS

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

6. **Ordinary Resolution**

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ***Resolution 6***

   "THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") 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 (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting
cont'd

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Notice is hereby given that the final dividend of 4.5 sen per share for the financial year ended 31 December 2015 under the single-tier system, if approved by the shareholders at the Twenty-Fourth Annual General Meeting, will be paid on 30 June 2016 to the shareholders whose names appear in the Record of Depositors on 2 June 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for the dividend entitlement only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 2 June 2016 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

WONG WAI FOONG *(MAICSA 7001358)*
CHEN MOI KEW *(MIA 6359)*
NG HARN SHIN *(MIA 22427)*
Company Secretaries

Petaling Jaya
26 April 2016

NOTES:

1. *For the purpose of determining a member who shall be entitled to attend this Twenty-Fourth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 54(2) of the Company's Articles of Association and Section 34(I) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 11 May 2016. Only a depositor whose name appears on the Record of Depositors as at 11 May 2016 shall be entitled to attend the said meeting and to speak or vote thereat.*

2. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy / proxies to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

3. *A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.*

4. *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

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. *The instrument appointing a 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.*

7. *The instrument appointing a proxy must be deposited at the Share Registrar of the Company, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

Notice of Annual General Meeting
cont'd

Explanatory Notes on Ordinary and Special Businesses:-

(i) *Item 1 of the Agenda*

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) *Resolution 6 – Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965*

Proposed Resolution 6 is a renewal of the Section 132D mandate obtained from the Shareholders of the Company at the previous Annual General Meeting and, if passed, will give the Directors of the Company, from the date of the above Meeting, authority to issue ordinary shares in the Company up to an amount not exceeding in total 10% of the nominal value of the issued and paid-up share capital of the Company for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for such other purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the next Annual General Meeting.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares to fund current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

On 8 April 2016, Mercury Securities Sdn Bhd on behalf of the Board of Directors of the Company, announced that the Company had on the same date entered into a Share Sale Agreement with Lee Pei Pei, Lee Chee Sian, Pok Jiun Lim and Oh Wei Wah to acquire the entire equity interest in Transform Master Sdn Bhd for a total purchase consideration of RM45.5 million. The purchase consideration is to be fully satisfied via cash payment of RM36.3 million and the issuance of 5,184,851 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.7744 per share ("Consideration Shares").

The application to Bursa Securities for the listing and quotation of the Consideration Shares had been submitted on 8 April 2016.

In the event the approval of Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities is obtained prior to the Company's forthcoming 24th Annual General Meeting ("AGM"), the Consideration Shares will be issued in accordance with the general mandate pursuant to Section 132D of the Companies Act, 1965 ("Act") ("General Mandate"), which was obtained from the shareholders of the Company at its 23rd AGM convened on 29 May 2015.

In the event Bursa Securities' approval for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities is obtained after the 24th AGM of the Company, the allotment and issuance of the Consideration Shares will then be subject to the Company's shareholders' approval on the renewal of the General Mandate for the issuance of securities at its 24th AGM. Pursuant thereto, the Consideration Shares will be issued in accordance with the General Mandate to be obtained from the Company's shareholders at its 24th AGM.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, there is no Director standing for election at the Twenty-Fourth Annual General Meeting of the Company.

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LUXCHEM

LUXCHEM CORPORATION BERHAD
(Company No.: 224414-D)

FORM OF PROXY

I/We ____ of NRIC No./Passport No./Company No. ____________

of ____ being a member/members of

Luxchem Corporation Berhad hereby appoint ____ of

NRIC No./Passport No. ______________________________ of _______________________________________

________or failing him/her __________________________________ of NRIC No./Passport No. _________________

________of ____

________or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf

at the Twenty-Fourth Annual General Meeting of the Company to be held at Banyan & Casuarina Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Wednesday, 18 May 2016** at **10.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote as indicated below:

Item	Agenda			
1.	To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2015.			
		Resolution	**For**	**Against**
2.	Payment of final dividend	Resolution 1		
3.	Payment of Directors' fees	Resolution 2		
4.	Re-election of Chin Song Mooi as Director	Resolution 3		
5.	Re-election of Chen Moi Kew as Director	Resolution 4		
6.	Re-appointment of Messrs Folks DFK & Co. as Auditors	Resolution 5		
Special Business				
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 6		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day __________ of ____________________ 2016

Number of ordinary shares held	
CDS account no.	

____

*Signature/Common Seal of Shareholder
** Delete if not applicable*

Notes:

1. For the purpose of determining a member who shall be entitled to attend this Twenty-Fourth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 54(2) of the Company's Articles of Association and Section 34(l) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 11 May 2016. Only a depositor whose name appears on the Record of Depositors as at 11 May 2016 shall be entitled to attend the said meeting and to speak or vote thereat.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy / proxies to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
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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. The instrument appointing a 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.
7. The instrument appointing a proxy must be deposited at the Share Registrar of the Company, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Share Registrar
LUXCHEM CORPORATION BERHAD (224414-D)
Unit 32-01, Level 32
Tower A, Vertical Business Suites
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

1st Fold Here