LUXCHEM

LUXCHEM CORPORATION BERHAD

(Company No.: 224414-D)

THE **TRUSTED NAME**

IN INDUSTRIAL CHEMICAL SUPPLIES

ANNUAL REPORT 2017

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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

NOMINATING 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

AU CHUN CHOONG
Member

SHARE REGISTRAR

Tricor Investor & Issuing House Services
Sdn. Bhd. *(11324-H)*
Unit 32-01, Level 32
Tower A, Vertical Business Suite
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) 7728 2806
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 Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : (03) 2783 9191
Facsimile No. : (03) 2783 9111

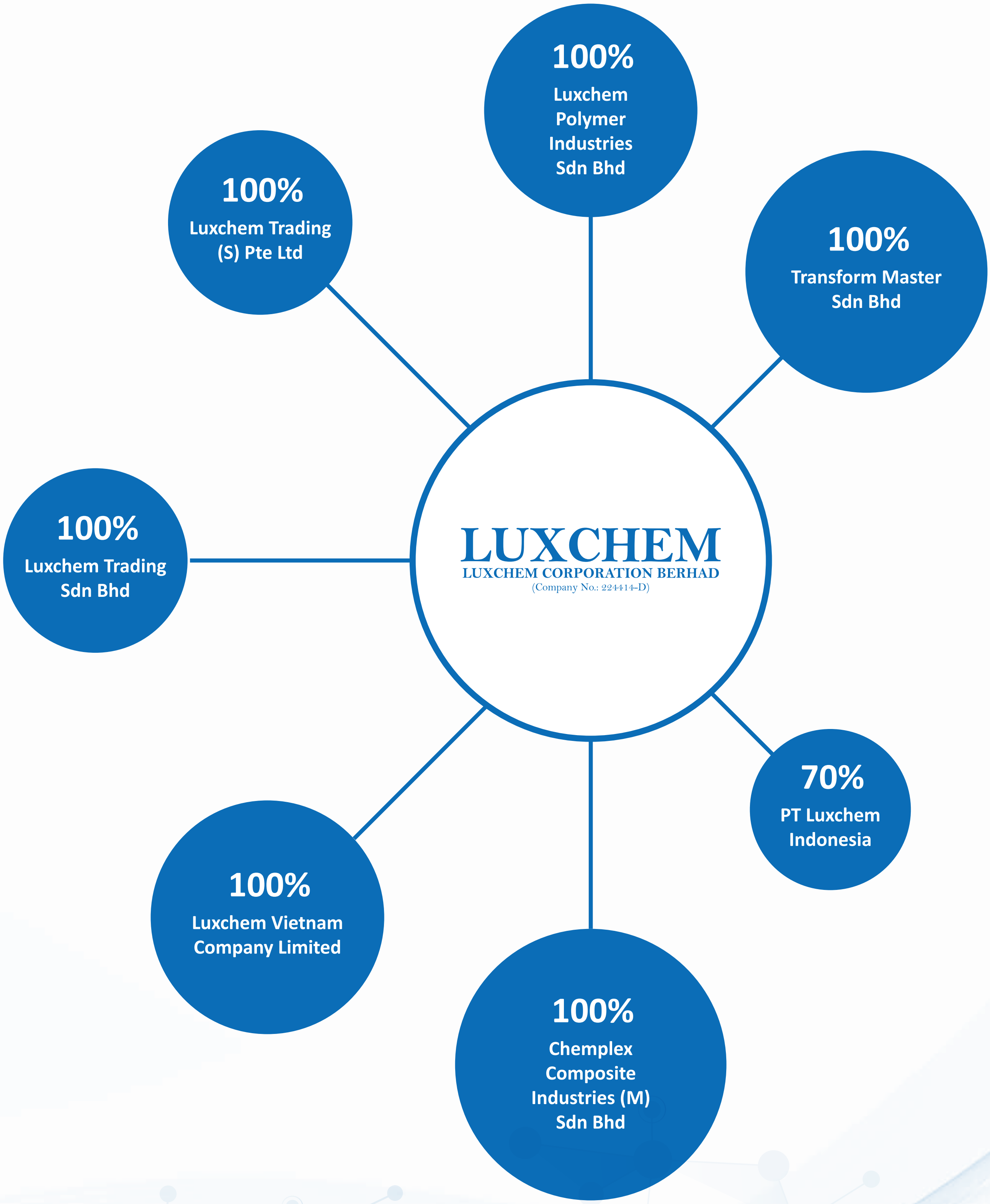
AUDITORS

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

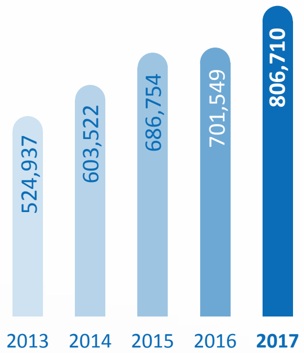
The Main Market of Bursa Malaysia
Securities Berhad
Stock Name : LUXCHEM
Stock Code : 5143
Date of listing : 27 June 2008

Corporate Structure

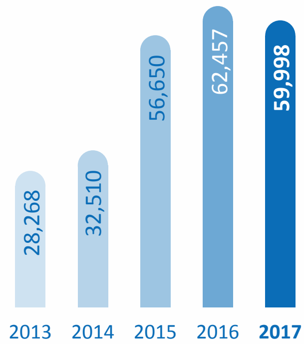


Financial Highlights

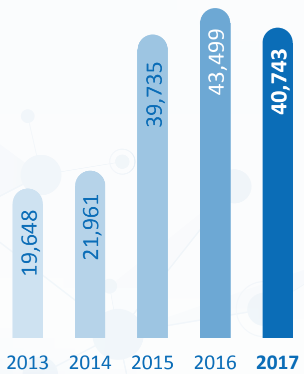
REVENUE (RM'000)



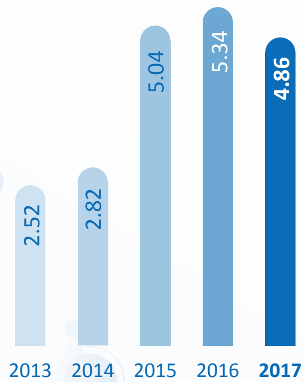
EBITDA (RM'000)



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



EARNINGS PER SHARE (SEN)



	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	524,937	603,522	686,754	701,549	806,710
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	28,268	32,510	56,650	62,457	59,998
Profit before taxation ("PBT")	26,169	29,578	54,397	59,078	55,781
Profit attributable to owners of the Company	19,648	21,961	39,735	43,499	40,743
Earnings Per share - Basic (sen) *	2.52	2.82	5.04	5.34	4.86
Earnings Per share - Diluted (sen) *	-	-	4.88	5.11	4.67

Financial Highlights
Cont'd

* **FYE 2017:**

Earnings Per Share - Basic

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 ended 31 December 2017 of 837,810,471.

Earnings 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 during the financial year ended 31 December 2017 of 872,024,391.

Upon the completion of the Company's share split exercise on 8 September 2017, the issued and paid-up ordinary shares of the Company as of that date were increased from 281,617,551 shares to 844,852,653 shares. The share split involved a subdivision of one (1) existing ordinary share into three (3) ordinary shares.

* **FYE 2013 to FYE 2016:**

The weighted average number of ordinary shares in issue during the financial years 2013, 2014, 2015 and 2016 have been adjusted to take into effect of the share split exercise undertaken by the Company on 8 September 2017 as highlighted above.

Directors' Profile

DATO' HAJI MOKHTAR BIN HAJI SAMAD

Independent Non-Executive Chairman, Male, Malaysian, Aged 70

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

He completed his primary education in the year of 1962 from SK Teluk Buloh, Perak.

He is the Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee of Luxchem Corporation Berhad.

Currently, he is the 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 Director of Construction Industry Development Board Malaysia, 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 Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company and its subsidiaries.

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR TANG YING SEE

Managing Director/Chief Executive Officer, Male, Malaysian, Aged 66

Mr Tang Ying See 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.

As the founder of the Company, he has been instrumental in our development, growth and success. He brings with him approximately 39 years of experience in the industrial chemicals industry and he 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 spouse of Madam Chin Song Mooi. He does not have any conflict of interest with the Company and its subsidiaries.

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

Directors' Profile
Cont'd

MADAM CHIN SONG MOOI
Executive Director, Female, Malaysian, Aged 66

Madam Chin Song Mooi 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 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 spouse of Mr Tang Ying See. She does not have any conflict of interest with the Company and its subsidiaries.

She attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

MADAM CHEN MOI KEW
Executive Director/Chief Financial Officer, Female, Malaysian, Aged 55

Madam Chen Moi Kew 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 as a 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 Directors and/or substantial shareholders of the Company, nor does she have any conflict of interest with the Company. She does not hold any other directorships in public companies and listed entities.

She attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

Directors' Profile

Cont'd

MR CHAN WAN SIEW

Senior Independent Non-Executive Director, Male, Malaysian, Aged 67

Mr Chan Wan Siew was appointed as an Independent Non-Executive Director of the Company on 15 May 2008. Subsequently, he was appointed as a Senior Independent Director on 3 November 2008.

He is the Chairman of the Nominating Committee and a member of the Audit Committee of Luxchem Corporation Berhad.

He is also an Independent Non-Executive Director and the Chairman of the Audit Committee of Prestariang Berhad.

Mr Chan is a Chartered Accountant, a Fellow Member of the Association of Chartered Certified Accountants (UK), CPA Australia and Chartered Secretaries (UK) respectively; he is also a Certified Financial Planner® and Chartered Financial Consultant (USA). He is the President of Business Transitions Asia Sdn Bhd, offering business and financial advisory services, serving the business-owners community in selected market segments. He has been in public accounting, corporate and financial advisory practices for over four (4) decades.

He is the President and Founding Board Member of Malaysian Alliance of Corporate Directors, Vice President I of the Federations of Public Listed Companies and an Executive Member of the 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 is also an IIRC Ambassador of the International Integrated Reporting Council, UK, and an Advisory Board Member of FutureBoards, Oslo, Norway. He had served as the President of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), the President of the Association of Chartered Certified Accountants (ACCA) Malaysia, 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 Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company and its subsidiaries.

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR AU CHUN CHOONG

Independent Non-Executive Director, Male, Malaysian, Aged 66

Mr Au Chun Choong was appointed as an Independent Non-Executive Director of the Company on 15 May 2008.

He is the Chairman of the Audit Committee, a member of the Remuneration Committee and Nominating Committee of Luxchem Corporation Berhad.

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, an Associate Member of the Institute of Chartered Secretaries and Administrators, London, UK since 1979, 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, an integrated provider of customized Supervisory Control and Data Acquisition (SCADA) systems.

He does not have any family relationship with any Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company and its subsidiaries.

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2017.

Key Senior Management's Profile

MR TEW KAR WAI @ TEOH KAR WAI

Director/Commercial Director, PVC Division of Luxchem Trading Sdn Bhd ("LTSB"), Male, Malaysian, Aged 56

Mr Tew Kar Wai @ Teoh Kar Wai was appointed as a Director of LTSB since 1 March 2010.

He obtained a General Certificate of Education from Anglo-Chinese School, Ipoh in 1978.

He joined LTSB in 1991. He is currently responsible for overseeing and managing the sales performance and operations of PVC Division of LTSB, including its two (2) branches located in Penang and Ipoh.

He is also a director of PT. Luxchem Indonesia.

He does not have any family relationship with any Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company. He does not hold any directorships in public companies and listed entities.

MR NG CHAI TEIK

Director/Commercial Director, Latex Division of Luxchem Trading Sdn Bhd ("LTSB"), Male, Malaysian, Aged 45

Mr Ng Chai Teik was appointed as a Director of LTSB on 26 April 2016.

He obtained his Bachelor Degree in Polymer Technology [B. Tech] with First-Class Honours from University Science Malaysia (USM) in 1997. In 2003, he obtained the Master of Business Administration (MBA) from University Utara Malaysia (UUM).

He began his career in 1997 when he joined Asia Pacific Latex Sdn Bhd as Production Executive. In 1999, he left and joined Allegiance Healthcare Sdn Bhd as a Process Engineer. In 2002, he left and took up the position as a Technical Service Manager in LTSB. He is currently responsible for overseeing and managing the sales performance and operations of the Latex Division.

He has also been appointed as a director of Transform Master Sdn Bhd on 29 April 2016.

He does not have any family relationship with any Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company. He does not hold any directorships in public companies and listed entities.

Key Senior Management's Profile
Cont'd

MR FAN KOCK KEONG
Director/General Manager of Luxchem Polymer Industries Sdn Bhd ("LPI"), Male, Malaysian, Aged 51

Mr Fan Kock Keong was appointed as a Director of LPI since 1 March 2010.

He obtained his Bachelor of Engineering (Honours) – Chemical from the University of Malaya, Kuala Lumpur in 1991. He has been a member of the Board of Engineers, Malaysia since 1994 and a Member of the Institution of Engineers Malaysia since 2001.

He began his career in 1991 when he joined Toray Plastic (M) Sdn Bhd as a Chemical Engineer. In 1996, he left and joined Hypak Sdn Bhd as an Assistant Production Manager. In 1997, he left and took up the position of Production Manager in Olympic Cable Co. Sdn Bhd.

He left in 2003 to join LPI as a Plant Manager. He is currently responsible for leading, overseeing and managing LPI.

He does not have any family relationship with any Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company. He does not hold any directorships in public companies and listed entities.

MR POK JIUN LIM
Director of Transform Master Sdn Bhd ("TMSB"), Male, Malaysian, Aged 34

Mr Pok Jiun Lim was appointed as a Director of TMSB since 8 March 2011.

He obtained his Bachelor of Science in Applied Chemistry (Honours) from the University of Malaya, Kuala Lumpur in 2008.

After he has graduated, he began his career as a Sales Executive with a Singapore-owned chemical trading company in Malaysia focusing on sales of chemicals for the coating, paint, ink and cosmetic industries. In 2009, he joined a Malaysia Based Chemicals Trading Company, as person in charge who was responsible in overseeing the latex industry.

Subsequently in 2011, he took up the position of an Operation Manager Cum Director in TMSB. He is one of the co-founders of TMSB and he is responsible for developing products (R&D) and process technologies, setting up TMSB's Quality Management System and production, managing TMSB's financials and developing its marketing strategy.

In 2016, he and the co-founders decided to sell TMSB to LCB and he stays on to continue his career with LCB after the acquisition.

He does not have any family relationship with any Directors and/or substantial shareholders of the Company, nor does he have any conflict of interest with the Company. He does not hold any directorships in public companies and listed entities.

Key Senior Management's Profile
Cont'd

MR JOSEPH TJENDRA
President Director of PT. Luxchem Indonesia ("PTLI"), Male, Indonesian, Aged 44

Mr Joseph Tjendra was appointed as a Director of PTLI since 2 January 2012.

He obtained his Bachelor of Business – Management from the University of Tarumanagara, Jakarta in 1997 and was also active as Student Council member and University Radio broadcaster until he graduated.

He began his career in 1997 when he joined Mitsui & Co., Ltd. as a Sales Executive of First Plastic Division. In July 2000, he left and decided to take care of family business in food industry. In year 2003, due to his passion in the chemical industrial business, he took up the position in PT. Ustrada Sakti Supplies as a Sales Manager of PVC Division and under the same group company, he was also assigned as Sales Manager of PT. Indo Lysaght until the end of 2011. In 2012, he decided to join PTLI as a Marketing Director. On 1 August 2017, he was appointed as President Director of PTLI.

He is currently responsible for creating, communicating, implementing and leading the company to achieve its direction, vision and mission, for the sake of welfare of all employees, management, and shareholders of PTLI.

He is the spouse of Ms Trisia Claudia. He does not have any conflict of interest with the Company nor hold any other directorships in public companies and listed entities.

MS TRISIA CLAUDIA
Finance Director of PT. Luxchem Indonesia ("PTLI"), Female, Indonesian, Aged 45

Ms Trisia Claudia was appointed as a Director of PTLI since 11 October 2011.

She obtained her Bachelor of Business – Management from the University of Atma Jaya, Jakarta in 1995 and was also active as a Student Senate member until she graduated.

She began her career in 1995 when she joined Mitsui & Co., Ltd. as a Secretary to the General Manager of Chemical Division. She continued her position as a Secretary and Marketing Assistant when Mitsui & Co., Ltd. changed the company status from Representative Office to Foreign Investment Company called PT. Mitsui Indonesia in year 2000. She left in 2007 and established a new company called PT. Atraco Maju Sejahtera as a Finance Director.

In October 2011 PT. Atraco Maju Sejahtera and Luxchem Corporation Berhad agreed to establish a Joint Venture Company called PTLI and she also remains her position as a Finance Director in the company.

She is currently responsible for leading, directing, overseeing and managing finance and administrative matters of PTLI.

She is the spouse of Mr Joseph Tjendra. She does not have any conflict of interest with the Company nor hold any other directorships in public companies and listed entities.

Notes:

1. ***Conviction of Offences (other than traffic offences)***
   None of the Directors and Key Senior Management has been convicted of any offences within the past five (5) years.
2. ***Public Sanction or Penalty imposed***
   There were no public sanction or penalties imposed on the Directors and Key Senior Management by any relevant regulatory bodies during the financial year ended 31 December 2017.

Management Discussion and Analysis

ON BEHALF OF THE BOARD OF DIRECTORS OF LUXCHEM CORPORATION BERHAD, IT IS MY PLEASURE TO PRESENT TO YOU THE MANAGEMENT DISCUSSION AND ANALYSIS ("MDA") ON THE GROUP. THE OBJECTIVE OF THIS MDA IS TO PROVIDE SHAREHOLDERS WITH A BETTER UNDERSTANDING AND AN OVERVIEW OF THE GROUP'S BUSINESS, OPERATIONS, FINANCIAL POSITION IN THE YEAR 2017 AND OUTLOOK FOR THE YEAR 2018.

A. GROUP STRUCTURE

Luxchem Corporation Berhad ("LCB") is an investment holding company, with the following subsidiaries:

- Luxchem Trading Sdn Bhd ("LTSB")
- Luxchem Polymer Industries Sdn Bhd ("LPI")
- Luxchem Vietnam Company Limited ("LVCL")
- Luxchem Trading (S) Pte Ltd ("LTSPL")
- Transform Master Sdn Bhd ("TMSB")
- Chemplex Composite Industries (M) Sdn Bhd ("CCI")
- PT Luxchem Indonesia ("PTLI")

B. OVERVIEW OF LCB BUSINESS ACTIVITIES

The Group has two reportable business segments comprising:-

1. <u>Trading</u>

Trading activities involving import, export and distribution of petrochemical and other related products and these activities are carried out by LTSB, PTLI, LVCL and LTSPL.

Our products are mainly sold to manufacturers in the Rubber, Latex, Fibreglass Reinforced Plastic ("FRP"), Coating, Ceramic and Polyvinyl Chloride ("PVC") industries.

17% of trading segment revenue for the financial year ended ("FYE") 2017 was contributed by export sales. This was mainly to Indonesia, through our subsidiary, PTLI.

Our objectives are to remain focused on the Rubber, Latex, FRP, Coating, Ceramic and PVC industries. Within these industries, we will expand our product range, to continuously source for reliable suppliers for higher quality products and to increase our customer base, both locally and overseas.

2. <u>Manufacturing</u>

Manufacturing activities comprised the following :

(i) Manufacturing and trading of Unsaturated Polyester Resin ("UPR") and related products; and

Management Discussion and Analysis
Cont'd

(ii) Manufacturing and trading of latex chemical dispersions, latex processing chemicals and specialty chemicals for latex industry.

These activities are carried out by LPI and TMSB respectively.

76% of our manufacturing segment revenue for FYE 2017 was contributed by export sales. Our major exporting countries are Vietnam, Thailand, Bangladesh, Australia and Singapore.

Having expanded our plant capacities in LPI and TMSB during FYE 2017, our objectives are to increase our capacity utilisation, improve our plant efficiencies and to improve our margins through close monitoring of raw material price trends. We will study market carefully and expand our capacity if it is justified.

C. GROUP FINANCIAL PERFORMANCE

Financial performance of the Group

	2017 RM	2016 RM	CHANGES RM	CHANGES %
Revenue	806,709,568	701,549,200	105,160,368	14.99%
Cost of sales	(720,293,589)	(618,348,223)	(101,945,366)	16.49%
Gross profit	86,415,979	83,200,977	3,215,002	3.86%
Other operating income	3,724,464	5,455,934	(1,731,470)	(31.74%)
Selling and distribution costs	(6,158,016)	(6,049,512)	(108,504)	1.79%
Administrative expenses	(21,141,614)	(17,648,917)	(3,492,697)	19.79%
Administrative expenses - Share Option Expense	(2,657,953)	(2,579,568)	(78,385)	3.04%
Other operating expenses	(1,393,457)	(745,414)	(648,043)	86.94%
Operating profit	58,789,403	61,633,500	(2,844,097)	(4.61%)
Finance costs	(3,008,726)	(2,555,362)	(453,364)	17.74%
Profit before Tax	55,780,677	59,078,138	(3,297,461)	(5.58%)
Taxation	(14,812,039)	(15,392,362)	580,323	(3.77%)
Profit for the year	40,968,638	43,685,776	(2,717,138)	(6.22%)

Revenue

The Group's revenue for FYE 2017 has increased by RM105.16 million or 14.99% as compared to FYE 2016. This revenue growth was mainly contributed by:

1) Revenue from TMSB

LCB completed its acquisition of TMSB on 29 April 2016. Therefore, in FYE 2016, LCB consolidated only 8 months of TMSB's revenue. In FYE 2017, TMSB's full year revenue was consolidated into LCB. TMSB contributed to an increase of RM13.74 million to LCB's revenue.

2) Higher revenue from LTSB and PTLI

LTSB's revenue increased by RM75.68 million or 15.36% in FYE 2017. The increase was due to the higher raw material prices especially during Q1 of 2017, as well as higher United States Dollar ("USD") exchange rate, compared to FYE 2016.

Management Discussion and Analysis

Cont'd

PTLI's revenue increased by RM23.05 million or 38.18% in FYE 2017. This increase was attributable to both increase in quantity sold and raw material prices.

Gross profit

Gross profit increased by RM3.22 million to reach at RM86.41 million for FYE 2017. This increase was from the trading segment.

Other operating income

The Group's Other Operating Income in FYE 2017 has dropped to RM3.72 million from RM5.46 million in FYE 2016 mainly due to lower foreign exchange gain in FYE 2017.

Selling and distribution cost

Selling and distribution cost remains fairly constant in FYE 2017 as compared to FYE 2016.

Administrative expenses

Administrative expenses increased by RM3.49 million in FYE 2017 due to higher foreign exchange loss in FYE 2017.

Administrative expenses – Share option expenses

The Group implements an Employees' Share Option Scheme ("ESOS") under which the Group receives services from employees as consideration for the share options over the Company's unissued ordinary shares granted to eligible Directors and 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 (Administrative expenses – Share option expenses) over the vesting period of the share options granted with a corresponding increase in equity.

The ESOS was implemented on 1 December 2014 and will expire on 30 November 2019.

The first tranche of 31,986,000 options was granted on 22 January 2015, followed by second grant of 1,446,000 options on 22 June 2015, the third grant of 2,540,000 options on 22 June 2016 and the fourth grant of 3,031,000 on 22 June 2017.

The share-option expense in FYE 2017 of RM2.66 million is higher than the share-option expense in FYE 2016 of RM2.58 million due to:

- The higher number of options granted in FYE 2017 as compared to FYE 2016; and

- The options granted in FYE 2017 have a higher fair value of RM0.17 per option, as compared to the options granted in FYE 2016 which had a fair value of RM0.13 per option (adjusted for subdivision of shares).

Profit after tax

The Group achieved Profit after Tax of RM40.97 million, a decrease of RM2.72 million from FYE 2016.

This decrease was mainly due to the lower Other Operating Income and higher Administrative expenses.

Management Discussion and Analysis
Cont'd

D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS

1. SEGMENT : TRADING

Marketing and distribution of industrial chemicals and materials

This activity is carried out by LTSB, PTLI, LVCL and LTSPL.

FYE 2017 continued to be a challenging year as we faced fluctuations in USD exchange rates, fluctuations in raw material pricing, keen competition and pressure on pricing.

The performance of Trading segment in FYE 2017 as compared to FYE 2016 is summarised below:

	TRADING SEGMENT		
	2017	2016	VARIANCE
	RM	RM	RM
Total revenue	666,903,932	565,271,230	101,632,702
Inter-segment revenue	(13,328,191)	(6,711,274)	(6,616,917)
External sales	653,575,741	558,559,956	95,015,785
Results			
Segment results	30,347,054	30,467,574	(120,520)
Dividend,interest and rental income	937,853	907,872	29,981
Operating profit	31,284,907	31,375,446	(90,539)
Finance costs	(2,830,309)	(2,455,892)	(374,417)
Profit before taxation	28,454,598	28,919,554	(464,956)
Taxation	(8,536,243)	(7,661,771)	(874,472)
Profit for the year	19,918,355	21,257,783	(1,339,428)

Under this Trading segment, our activities are import, export and distribution of petrochemical and other related products to the Rubber, Latex, FRP, Coating, Ceramic and PVC industries.

The major products are as follows:

- Synthetic latex
- Latex chemical
- Synthetic rubber
- Rubber chemicals
- Polymer resins and fibreglass materials
- PVC resins, plasticizers and additives

In FYE 2017, revenue from Trading segment was higher by RM95.02 million or 17.01% as compared to FYE 2016.

Management Discussion and Analysis
Cont'd

The increase was mainly due to higher raw material prices and USD exchange rates during FYE 2017.

LTSB revenue increased by RM75.68 million or 15.36%, mainly due to higher raw material prices and USD exchange rate.

PTLI revenue increased by RM23.05 million or 38.18%, mainly due to higher quantities and raw material prices.

Profit after tax decreased by RM1.34 million or 6.30%, mainly due to higher foreign exchange loss and higher impairment losses on trade receivables.

Strategies

In order to remain competitive, our strategies include the following:-

- Keeping stocks at optimum levels
- Ensuring prompt collection from customers
- Close monitoring of foreign currency exposures and exchange rates
- Expanding our product range

2. SEGMENT : MANUFACTURING

Overview - Manufacturing

The performance of the Manufacturing segment in FYE 2017 as compared to FYE 2016 is summarised below:

	MANUFACTURING SEGMENT		
	2017	2016	VARIANCE
	RM	RM	RM
Total revenue	245,526,518	206,695,966	38,830,552
Inter-segment revenue	(92,392,691)	(63,706,722)	(28,685,969)
External sales	153,133,827	142,989,244	10,144,583
Results			
Segment results	27,696,289	30,928,359	(3,232,070)
Dividend,interest and rental income	253,276	348,090	(94,814)
Operating profit	27,949,565	31,276,449	(3,326,884)
Finance costs	(178,417)	(99,470)	(78,947)
Profit before taxation	27,771,148	31,176,979	(3,405,831)
Taxation	(6,212,852)	(7,672,117)	1,459,265
Profit for the year	21,558,296	23,504,862	(1,946,566)

Manufacturing revenue, net of inter-company transactions, increased to RM153.13 million in FYE 2017, an increase of RM10.14 million or 7.09% as compared to FYE 2016. This increase was attributable to contribution by TMSB.

During FYE 2016, as TMSB was acquired by LCB on 29 April 2016, only 8 months results were consolidated into the Group's financial statements. During FYE 2017, TMSB's full year results were consolidated. TMSB contributed an increase of RM13.74 million to LCB's revenue.

Management Discussion and Analysis
Cont'd

Profit after tax from the Manufacturing segment for FYE 2017 reduced by RM1.95 million as compared to FYE 2016 due to lower Other Operating Income and higher Administrative expenses.

Manufacturing Unsaturated Polyester Resin ("UPR")

This manufacturing activity including the marketing of UPR are carried out by LPI, under the brand name POLYMAL.

Our products are used in a wide range of consumer and industrial applications such as in electrical, housing, aircraft, sports, industrial equipment, constructions, railcar, plywood and automobile industries.

LPI started operations in 1997 and is located in Cheng Industrial Estate, Melaka. The current annual capacity is 30,000 metric ton and we are currently operating close to this capacity. Our operations have obtained the following certifications:

- ISO 9001: 2008
- ISO 14001:2004
- OHSAS 18001:2007

Our products are sold locally and they are also exported.

For sales to domestic markets, LPI's distribution channel is through LTSB. For exports to Indonesia, LPI distributes through PTLI whereas sales to other countries are directly exported by LPI.

Towards the end of FYE 2017, we expanded our production capacity from 30,000 metric ton to 40,000 metric ton. We expect to utilise this additional capacity only during the second of half 2018.

In order to sustain our business growth, LPI strategies include the following:

- Product development
- Development of overseas markets
- Close monitoring of USD/RM exchange rates
- Prompt collection of export proceeds

Manufacturing rubber latex chemical dispersions, latex processing chemicals and specialty chemicals for latex industry

This manufacturing activity including the marketing of rubber latex chemical dispersions, latex processing chemicals, latex surfactant, dispersant and specialty chemicals for the latex industry are carried out by TMSB.

TMSB started its operations in 2011 and is located in Sitiawan, Perak. Our operations have obtained the following certification:

- ISO 9001: 2015

During FYE 2017, TMSB annual production capacity was 9,600 metric ton. As it was operating near its full capacity, TMSB commenced its expansion plans during Q4 2017. Installation of the additional machineries was completed during Q1 of 2018. Its current production capacity is 13,800 metric ton per annum.

In FYE 2017, TMSB's customers were mainly of local customers.

For FYE 2018, TMSB's objective is to fully utilise its production capacity to increase its revenue. TMSB will focus on product development to meet new customers' requirements.

Management Discussion and Analysis

Cont'd

E. REVENUE BY GEOGRAPHICAL SEGMENTS

In FYE 2017, LCB derived export revenue of RM227.76 million, an increase of RM21.42 million or 10.38% compared to FYE 2016. The increase came from exports to Indonesia, via PTLI.

	2017	2016	VARIANCE
Countries	**RM**	**RM**	**RM**
Malaysia	**578,946,876**	**495,203,477**	**83,743,399**
Indonesia	99,136,173	70,429,422	28,706,751
Vietnam	89,524,854	96,922,272	(7,397,418)
Thailand	16,684,244	18,848,001	(2,163,757)
Australia	7,822,866	6,167,329	1,655,537
Bangladesh	4,487,033	4,232,297	254,736
Singapore	3,603,421	4,777,653	(1,174,232)
New Zealand	2,470,145	2,349,605	120,540
Japan	1,317,074	1,685,919	(368,845)
Others	2,716,882	933,225	1,783,657
Total Export	**227,762,692**	**206,345,723**	**21,416,969**
Total Sales	**806,709,568**	**701,549,200**	**105,160,368**

F. OUTLOOK

For FYE 2018, we expect similar challenging factors to continue to affect our operations - USD/RM fluctuations, raw material price fluctuations, raw material demand and supply situations and keen competition.

Given these external uncontrollable factors, we will need to improve our own productivity and efficiency to achieve better results. In our trading segment, we will strive to improve our quality of service to our customers – providing technical advice to our customers, sourcing higher quality raw materials and keeping up-to-date on raw materials price and supply/ demand trends. In our manufacturing segment, we will emphasise on product development to increase our product range to existing customers as well as to increase our customer base.

In summary, the prospect for LCB in FYE 2018 will remain to be challenging however, we are optimistic that our Group will continue to expand steadily.

Sustainability Statement

To be the TOP PERFORMING Company in the business of providing industrial chemicals and related products in the Asia-Pacific region, the Group recognises the importance of embedding sustainability into its operations to achieve its vision and missions.

The Board is responsible to integrate sustainability into the Group's operations and business strategies.

BUSINESS SUSTAINABILITY FACTORS

The Group understands the trading, distribution and manufacturing activities shall be in compliance with the prevailing laws and up to the acceptable industry standards to achieve business sustainability, customer recognition and confidence.

Trading and Distribution Activities

We hold trading licences from the Malaysian Rubber Board and the Pharmaceutical Services of Ministry of Health Malaysia. In addition, we are a member of Malaysian Employers Federation, keeping abreast with the relevant labour developments in our activities.

Our business and process are also regularly certified to meet the International Standard body such as ISO 9001:2008. During the financial year under review, the Group has taken actions in upgrading its existing standards to meet the latest standards.

Manufacturing Activities

Our manufacturing plant in Melaka is in compliance with the Environment Quality Act 1974 and regulations related to our plant operation. All industrial wastes are handled as per Environmental Quality (Scheduled Wastes) Regulation 2005. Proper air pollution control system is also in place to comply with Environmental Quality (Clean Air) Regulation 2014 on top of the ISO 14001:2004 environmental management system. Existing Scrubber System will be upgraded to improve the efficiency of the air pollution system.

The efforts and commitment to care for our environment over the years have garnered several awards from the industry such as Silver Award from Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2010 for three codes of management practices: Pollution Prevention Code, Process Safety Code and Employee Health & Safety Code. In 2012, we were awarded Chief Minister Industry Excellence Award 2012 – Environment Management, Safety & Health Price (SME Category).

To establish strong positive connections with other similar industry players, the Group is a member of the Malaysian Rubber Products Manufacturers Association (MRPMA) and the Chemical Industries Council of Malaysia (CICM).

STAKEHOLDERS

Our stakeholders are important to the Group. The Management of the Group has taken/will be taking several measures to engage with them:

- A dedicated general email address which answers all shareholders' queries are attended by Executive Director/ Chief Financial Officer.
- A revamped corporate website was completed during the financial year under review to improve user-friendliness, timeliness and accuracy of information. Updates to the corporate website will be constantly carried out.
- The Group, in its bid to better engagement with existing and potential stakeholders during the financial year under review, has engaged with two (2) research houses to cover the Group's performance.

Sustainability Statement
Cont'd

- The Group had organised its 1st Analyst Briefing on 26 July 2017 and 2nd Analyst Briefing was held on 14 February 2018.
- The Group practises consistent dividend payout from 45% to 54% for the past five (5) years. The Group was awarded by Focus Malaysia, Best Under Billion Category, on 14 October 2016 for Best Dividend Yield Award and Best Cash Flow from Operations.

CUSTOMERS

The Group establishes strong and trustworthy business relationship with our customers. Our customer-centric approaches are:

- Acts as a strong intermediary and linkage between our manufacturers (suppliers) and customers. Customers' feedback and comments are being attended to, discussed and addressed promptly and regularly.
- Customer survey is being conducted on annual basis to evaluate our sales and marketing services, delivery efficiencies and product quality.

SUPPLIERS

The Group pays strong emphasis towards building a strong relationship with our suppliers by:

- Pays suppliers on time.
- Provides adequate lead time to our suppliers for product delivery.
- Visits our suppliers and share relevant information with our suppliers to sustain competitive advantage and business interest.

Annual evaluation of suppliers is carried out to assess the product quality, delivery performance, response time and after sales service.

EMPLOYEES

The Group recognises the importance of having a competent and knowledgeable workforce, rewards employees' contribution and provides a safe working environment. In summary, the Management carries out the following:

- Reviews and rewards employees' performance and contribution through annual increment, performance bonus and other incentive programme.
- Ensures competitive market remuneration through embarking on job evaluation and benefit review exercise.
- Organises annual dinner, team building, overseas trips (biennial) and get-together for greater bonding.
- Promotes and encourages career fulfilment through sponsoring of educational programme relevant to employee's career and provision of study leave in addition to internal and external training opportunities.
- Complies with mandatory safety and health requirements.

CORPORATE SOCIAL RESPONSIBILITY

The Group supports charitable organisations in recognition of the need to contribute to a healthy and balanced community. The Group donates its recyclable and reusable materials and also gives monetary donation to charitable organisations.

The Group considers its response towards sustainability is still at the early or traditional stages and will strive to progress into a more strategic response to enhance our business value.

Corporate Governance Overview Statement

The Board of Directors of Luxchem Corporation Berhad ("the Company") ("Board") recognises the importance of corporate governance and is committed to practise it throughout the Company and its subsidiaries ("the Group") to protect and enhance the shareholders' value and the financial performance of the Group.

The Board is pleased to provide a Corporate Governance Overview Statement pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2017 in this Annual Report with reference to the following three (3) principles as set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia on 26 April 2017 ("MCCG"):

A. Board Leadership and Effectiveness;
B. Effective Audit and Risk Management; and
C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 5 April 2018. Shareholders may obtain this CG Report by accessing this link www.luxchem.com.my for further details.

Except for the practices for the establishment of whistleblowing policies and procedures, the remuneration policy and the detailed disclosures on named basis for the remuneration of top five (5) senior management in bands of RM50,000 as well as undertaking professional development courses on accounting and auditing standards, practices and rules by all members of Audit Committee, overall, the Board is of the view that the Company has, in all material aspects, complied with the Principles and Practices as set out in the MCCG. The explanation for the departure of the above mentioned practices are reported in the announced CG Report in Practices 3.2, 6.1, 7.2 and 8.5 respectively.

A. BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Board continues to ensure its effectiveness and to provide strong leadership to the Group and Management by establishing the Group's objectives and targets clearly and communicating these objectives and targets across the Management in the Group. In order to ensure that business is being properly managed, the Board reviews and adopts its strategic plan, performs periodic review of the financial results and oversees the conduct of the business.

The Board has defined and formalised its Board Charter and the same is published in the Company's website. Board Charter serves as a reference for the Directors' fiduciary duties and the functions of the Board Committees.

The Board reviews the Board Charter periodically and make amendments when needed to ensure that they remain relevant and consistent with the Board's objective, current law and best practices to enable the Board to discharge its responsibilities. The last review of the Board Charter was conducted on 16 February 2017 and it was further reviewed and updated on 13 February 2018 to take into account of the changes in the new MCCG.

The Board has also defined its schedule of matters reserving key decisions to be made by the Board. This schedule of matter is attached together with the Board Charter and can be found in the "Investor Relation" section in the Company's website at www.luxchem.com.my. By reserving these matters, the Board ensure that the control in the Group is retained in the Board.

Corporate Governance Overview Statement

Cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

Nonetheless, the Board may, at their discretion, delegate consideration and/or approval of any of the reserved matters to a Committee of the Board specifically constituted for that purpose. Furthermore, Audit Committee, the Nominating Committee and the Remuneration Committee shall consider and determine such matters for which they are responsible in accordance with their terms of reference in force from time to time. The terms of reference of the Board Committees, as annexed in the Board Charter, were reviewed by the Board, with the recommendation of the respective Board Committees as mentioned in the foregoing and updated in line with the practices set out in the MCCG.

The Board has also put in place a Directors' Code of Best Practice, setting out the standards of ethics and conduct needed to create good corporate behaviour. The Directors' Code of Best Practice is annexed in the Board Charter which also serves as a reference for all personnel in the Group.

The positions of Chairman and Group Managing Director/Chief Executive Officer ("GMD") are separately held in ensuring balance of power, accountability and division of roles and responsibilities of the Board and Management. Nonetheless, the leadership and effectiveness of the Board are integrated into management through the GMD. Board authority conferred to management is delegated to the GMD. Formal position descriptions for the Chairman and GMD outlining their respective roles and responsibilities are set out in the Board Charter.

In order to uphold the Board effectiveness, the Board ensures that it is supported by qualified and competent Company Secretaries. Presently, the Board is assisted by three (3) qualified and competent Company Secretaries. Two (2) of them are members of Malaysian Institute of Accountants whilst the other is a member of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries provided support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. In this respect, they play an advisory role to the Board, particularly with regards to compliance with regulatory requirements, codes, guidelines, legislations and the principles of best corporate governance practices.

All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries or Secretaries of the Board Committees shall be the prerogative of the Board as a whole.

Further information of the roles and responsibilities carried out by the Company Secretaries during the financial year ended 31 December 2017 are set out in Practice 1.4 of the Company's CG Report.

The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. All 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 Group to enable them to discharge their duties effectively.

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 with the approval from Chairman before engagement of professional advice.

Corporate Governance Overview Statement

Cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

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 on access to information and professional advice.

The fundamental of Directors' commitment to leadership and effectiveness is devotion of time and continuous improvement of knowledge and skillsets. The Board undertakes to meet at least four (4) times a year, which are scheduled in advanced to facilitate the Directors in planning their meeting schedule for the year. During the financial year ended 31 December 2017, five (5) Board meetings were held and fully attended by all Directors.

Attending relevant corporate training and seminars would enable all Board members to discharge their duties more effectively during their tenure. The Board, via the Nominating Committee continue to identify and assess the training needs of the Directors from time to time.

The details of the trainings/seminars/conferences attended by Directors during the financial year ended 31 December 2017 are as below:

Name of Directors	Course Title
Dato' Haji Mokhtar Bin Haji Samad	1. Program Latihan Pengarah PROLAP Badan Berkanun
Mr Tang Ying See	1. Transfer Pricing 2. ISO Transition Plan - Implementation Coaching
Madam Chin Song Mooi	1. ISO 9001:2015 Interpretation Training 2. Strategic Decision Making in Today's Fiscal Environment 3. Transfer Pricing 4. ISO Transition Plan – Implementation Coaching
Madam Chen Moi Kew	1. Recent GST Changes & Analysis of GAF File 2. A Practical Approach to Business Sustainability and Reporting 3. Colored Brain Communication for Accountants & Connecting Generations at Workplace 4. ISO 9001:2015 Interpretation Training 5. MFRS 9, 15, 16 and Companies Act 2016 on Share Capital and Distribution 6. Year 2018 Budget & Other Tax Developments 7. Quality Management System Internal Auditor Training 8. Understanding International Trade 9. Transfer Pricing 10. Navision 2017 11. Job Analysis Workshop 12. Capital Market Conference 2017 13. Investor Relations 14. Trade Credit Insurance Policy & EOLIS System 15. ICIS Dashboard 16. ISO Transition Plan - Documentation Review 17. ISO Transition Plan - Implementation Coaching 18. CTOS New Platform

Corporate Governance Overview Statement

Cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

Name of Directors	Course Title
Mr Chan Wan Siew	1. Sustainability Forum 2. Malaysia Strategic Outlook 2017 3. ICT Practitioners Seminar 4. Integrated Reporting: by Richard Howitt (CEO) (and Jonathan Labrey (CSO) of IIRC 5. Ascend Pan Asian Directors Summit 2017, Palo Alto, California 6. Future of Governance in South Korea, Singapore 7. SDG Business Summit 8. FIDE Forum – Risk & Reward Seminar 9. FinTech Seminar 10. Cryptocurrency, Blockchain 11. Ascend National Convention 2017, Houston, Texas 12. NACD Global Board Leaders Summit, National Harbor, MD, USA 13. Integrated Reporting, Breakfast Talk 14. NACD Advanced Director Professionalism Program, Miami, Florida
Mr Au Chun Choong	1. Capital Market Conference 2017

(II) Board Composition

In order to drive the Board's leadership and effectiveness, the Board ensures that it has the right board composition in enhancing the Board decision making process and the transparency of policies and procedures in selection and evaluation of Directors. Presently, the Board consists of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals. The Board comprises six (6) members, where half of the Board is Independent Non-Executive Directors. This is in line with Practice 4.1 of the MCCG where it requires non-large company to have at least half of the Board members comprises independent directors. In addition, the Board has also met the 30% women directors target where two (2) of the Board members are female, which is in line with Practice 4.5 of the MCCG. At senior management level, the Group has also endeavoured to observe the diversity policy with a female in one of the top senior management team of the Group.

The Board is satisfied with the current composition of the Board in providing a check and balance in the Board, with appropriate representations of minority interest through the composition of Independent Non-Executive Directors on the Board.

Profiles of Directors remain substantially unchanged and these are published in the Company's website for shareholders' reference.

The Nominating Committee assisted the Board in conducting performance evaluation and providing constructive feedbacks to Board Members of their performance during the financial year ended 31 December 2017. In this way, the Board ensured its effectiveness is maintained and enhanced continuously.

The Nominating Committee is also responsible for making recommendations of the appointments to the Board and Senior Management. New nomination is assessed and recommended to the whole Board for appointment. The Board will utilise independent sources if needed to identify suitably qualified candidates for new appointment to the Board in the future.

Corporate Governance Overview Statement
Cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(II) Board Composition *cont'd*

The Board takes cognisance of the importance of independence and objectivity in relation to the decision-making process and effectiveness of the Board's function. The Board therefore has adopted the same criteria of "Independence" used in the definition of "independent directors" prescribed by the MMLR. Nominating Committee also carries out the evaluation on the independence of each independent Director on an annual basis.

The Board through the Nominating Committee had assessed Dato' Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong, the Independent Non-Executive Directors, who had each served the Company for a cumulative term of more than nine (9) years and concluded that during the financial year ended 31 December 2017:

- They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as check and balance and bring element of objectivity to the Board;
- They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
- They have exercised their due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders.

The Board agreed with the above proposed re-appointment of Dato' Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong as Independent Directors of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM").

(III) Remuneration

Board leadership and effectiveness is affected by the talents in the Board and Management. The Board determines the level of remuneration of its Director and Senior Management based on the recommendations of the Remuneration Committees which enables the Group to attract, retain and motivate Directors and Senior Management with relevant experience and expertise needed.

While the Board has not formalised it remuneration policies, it is the policy of the Company and the Group that all Executive Directors and Senior Management 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 the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2017 is listed on named basis with the detailed remuneration breakdown is available on Practice 7.1 of CG Report.

Corporate Governance Overview Statement

Cont'd

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

The Board has established an effective and independent Audit Committee. The members of Audit Committee comprising fully Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the Board. When considering the appointment of former key audit partner from its current External Auditor's firm, the Audit Committee is mindful of the minimum two (2) years cooling off period best practice under the MCCG before appointing this partner as a member of the Audit Committee. With the present composition structure and practice, the Audit Committee is able to objectively review and report its findings and recommendations to the Board.

Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM. The Audit Committee would convene meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary. As part of the Audit Committee review processes, the Audit Committee has also obtained assurance from the 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.

The amount of audit fees and non-audit fees paid/payable to Messrs Folks DFK & Co. ("Folks DFK & Co.") by the Company and by the Group for the financial year ended 31 December 2017 was as follows:

	Company RM	Group RM
Statutory audit fees paid/payable to Folks DFK & Co.	70,000	184,000
Non-audit fees paid/payable to:		
- Folks DFK & Co.	8,000	8,000
- Affiliates of Folks DFK & Co.	-	800
	8,000	8,800

Collectively, the Audit Committee possess a wide range of necessary skills to discharge its duties. In order to strengthen the present financial literacy of each member and the ability to understand matters under the purview of the Audit Committee including the financial reporting process, all members of the Audit Committee will balance their participation in continuous professional development programmes on accounting and auditing standards, practices and rules in the future.

The Board is responsible to ensure the financial statements of the Company present a fair and balance view and assessment of the Group's financial position, performance and prospects and such financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards. The Board is assisted by the Audit Committee in reviewing the accuracy, adequacy and completeness of disclosures and ensuring the Group's financial statements comply with applicable financial reporting standards.

Corporate Governance Overview Statement
Cont'd

B. EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

(II) Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control systems are an integral part of effective management practice. 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, monitor and manage the key risks faced by the Group and the Board reviews the key risks highlighted on a regular basis to ensure the relevant action is taken to mitigate the risk of the Group to safeguard shareholders' investment and Group's assets.

The Board has established an Internal Audit Function which is currently outsourced to a professional firm. The Audit Committee reviews and approves the Internal Audit Plan, scope of work and fees for the Internal Audit Function in order to ensure that the internal audit is functioned effectively and independently. Functionally, the Internal Auditors report directly to the Audit Committee and they are responsible for conducting periodic reviews and appraisals of risk management and internal controls systems of the Group. The performance of the Internal Audit Function is also assessed by the Audit Committee.

The Internal Auditors have performed its work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. The Audit Team is headed by a director who is assisted by a manager and audit executive. The director in charge is a qualified accountant and both manager and executive are accounting graduates from local universities. Further disclosure on the conduct of the Internal Audit Function and performance assessment by the Audit Committee is reported in the Audit Committee report on pages 30 to 32 of this Annual Report.

The Board is assisted by the Management Risk Committee to ensure the risk and control framework is embedded into the culture, processes and structures of the Group. Further details of the Group's state of risk management and internal control systems covering the key features of Risk Management and Internal Control, Board's and Management's responsibilities in risk management, as well as the Management's assurance to the Board are reported in the Statement on Risk Management and Internal Control on pages 35 to 37 of this Annual Report.

C. INTEGRITY AND CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with Stakeholders

The Board values the importance of continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. It is generally recognised that on-going engagement and communication with stakeholders builds trust and understanding between the Company and its stakeholders as well as enables shareholders to appreciate the Company's objectives and the quality of its management.

The Company has categorised and organised various announcements required under MMLR in its corporate website to ease stakeholders in reviewing the various announcement made. The Company had also provided a snap shot of past financial information and a list of frequently asked questions to provide the shareholders with a greater understanding of the Company's business and performance.

In addition, the Board and Management had conducted analyst and media briefing during the year to provide detailed explanation and presentation about the business of the Group, the industrial market segment that the Group is involved and the common key business challenges faced by the Group as well as Management's counter measures to mitigate the exposure and challenges.

Corporate Governance Overview Statement

Cont'd

C. INTEGRITY AND CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

(I) Communication with Stakeholders *cont'd*

Separately, the Company has also reported its Sustainability Statement on pages 19 and 20 of this Annual Report covering the aspects of governance, environment and social responsibility for stakeholders' reference.

(II) Conduct of General Meetings

The Board recognises the rights of shareholders.

At the last AGM, the Company had given Notice of Twenty-Fifth AGM more than twenty-eight (28) days prior to the meeting and all Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the shareholders to seek clarifications from the Chairman, chairman of Board Committees and Management during the AGM on any matters pertaining to the matters disclosed in the Annual Report, corporate developments in the Group, the motions being proposed and the operational and financial performance of the Company.

Explanation was provided for the proposed resolutions set out in the Notice of the Twenty-Fifth AGM to assist the shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29A(1) of the MMLR, all the resolutions set out in the Notice of the Twenty-Fifth AGM were put to vote by poll and duly passed. The Company had also appointed an independent scrutineer to validate the vote cast in the last AGM. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

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 twenty-eight (28) days ahead of the date of general meeting.

This Statement was approved by the Board on 9 March 2018.

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 so as to give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of their financial performance 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 2017, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements 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 Companies Act 2016.

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 ("the Board") of Luxchem Corporation Berhad ("the Company") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2017 in accordance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

1. COMPOSITION

The AC comprises three (3) Independent Non-Executive Directors and complies with the requirements of Paragraphs 15.09 (1) and (2) and Paragraph 15.10 of the MMLR. As at the date of this report, the composition of the AC is as follows:

Mr Au Chun Choong
Chairman
(Independent Non-Executive Director)

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

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

Both Mr Au Chun Choong, the AC Chairman and Mr Chan Wan Siew, the member of AC are fellow members of the Association of Chartered Certified Accountants (United Kingdom).

2. TERMS OF REFERENCE

The Terms of Reference of the AC is enclosed in the Board Charter and is made available on the Company's website (www.luxchem.com.my) for shareholders' reference. During the year, these Terms of Reference were updated in accordance with the new amendment by Bursa Securities in the MMLR provision.

The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference in ensuring the Company upholds appropriate Corporate Governance standards.

3. MEETING AND ATTENDANCE

During the financial year ended 31 December 2017, five (5) AC meetings were held and these meetings were attended fully by its members.

Audit Committee Report
Cont'd

4. SUMMARY OF WORK

During the financial year ended 31 December 2017, the AC had worked closely with the External Auditors, Internal Auditors and Management to carry out its duties and functions in line with its Terms of Reference. Following are the summary of work carried out by the AC:

i. Ensuring Financial Statements Comply with Applicable Financial Reporting Standards

a) Reviewed all interim financial statements and results of the Group rigorously with Management before recommending the same for the Board's approval and release to Bursa Securities. When reviewing the interim financial results in the quarterly meetings, the Managing Director/Chief Executive Officer ("MD/CEO") and Executive Director/Chief Financial Officer ("ED/CFO") were invited to present these statements to the AC. During the presentation, MD/CEO and ED/CFO had responded to the AC and provided their explanations for any material changes in financial performance and compliance with accounting standards and treatments.

b) Reviewed the annual audited financial statements of the Group, Directors' and Auditors' Reports and other significant accounting issues together with the External Auditors. The External Auditors were invited to present their findings to the AC. The key considerations in the deliberation of these financial statements were whether the financial statements prepared by Management complied with the financial reporting standards and the audit opinion to be rendered by the External Auditors.

ii. Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence of External Auditors

a) Reviewed the audit plan of the Group prepared by the External Auditors in relation to their scope of audit, audit methodology and timetable, audit materiality, areas of focus and fraud risk assessment prior to the commencement of their annual audit. The External Auditors also updated the AC on audit related matters, including but not limited to, new financial reporting standards and key audit matters to be included in the auditors' report.

b) Conducted private sessions with the External Auditors without the presence of Executive Directors and Management. This review process ensures that critical issues, if any, are being objectively brought up to the attention of the AC.

c) Reviewed the performance and independence of the External Auditors.

iii. Overseeing the Governance Practices in the Company

a) Reviewed the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control and recommended to the Board for consideration and approval.

b) Reviewed the related party transactions entered into by the Group on a quarterly basis, if any, to ensure that they were not detrimental to the interests of the minority shareholders.

c) Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems based on Management Risk Committee's presentation and internal audit reports and report to the Board accordingly.

Audit Committee Report

Cont'd

4. SUMMARY OF WORK *cont'd*

iv. Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes

a) Reviewed and approved the internal audit plan to ensure adequate scope and coverage on key activities of the Group.

b) Reviewed the internal audit reports of the Group, which outlined the audit issues, recommendations for improvements on reported weaknesses to ensure that management action plans are taken to improve the systems of internal control based on the Internal Auditors' recommendations.

c) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that the internal audit function is effective.

5. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group has currently outsourced its Internal Audit Function to an independent professional internal audit service provider. The Internal Auditors conduct their assessment and provide independent and objective assurance to the AC and the Board on adequacy and effectiveness of the risk management and internal control systems of the Group.

The Internal Auditors report directly to the AC on the outcome of its appraisal of risk management activities. The Internal Auditors have organised their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

The internal audit plan is reviewed and approved by the AC. The internal audit reports are presented to the AC every quarter. The AC will review the audit findings and action plans taken by the Management to address the audit findings and issues before reporting to the Board. The Internal Auditors also follow up on Management implementation of audit recommendations and ascertain the status of implementation thereof for improvement on the systems of internal control.

The Internal Auditors had attended five (5) AC meetings during the financial year ended 31 December 2017 and had conducted their reviews for the following areas:

i. Sales, Credit & Collection;
ii. Purchasing;
iii. Management Information System; and
iv. Follow-up Audit

The fee incurred for the internal audit function in respect of the financial year ended 31 December 2017 was RM80,000 (2016:RM80,000).

6. STATEMENT BY THE AC ON ALLOCATION OF OPTIONS PURSUANT TO THE COMPANY'S EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS By-Laws requires a statement by the AC that it has verified the allocation of options under the ESOS.

The AC has verified the allocation of 3,031,000 options granted to and accepted by the eligible employees of the Group for the financial year ended 31 December 2017 and confirmed that the allocation of such options is in compliant with the criteria set out in the Company's ESOS By-Laws.

This AC Report was made in accordance with the approval of the Board on 9 March 2018.

Nominating Committee Report

The Board of Directors ("the Board") of Luxchem Corporation Berhad ("the Company") is pleased to present the Nominating Committee report for the financial year ended 31 December 2017 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

1. COMPOSITION OF NOMINATING COMMITTEE

Mr Chan Wan Siew
Chairman
(Senior Independent Non-Executive Director)

Mr Au Chun Choong
Member
(Independent Non-Executive Director)

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

2. TERMS OF REFERENCE

The detailed terms of reference of the Nominating Committee is published on the corporate website (www.luxchem.com.my) for shareholders' reference.

3. ACTIVITIES OF THE NOMINATING COMMITTEE

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

The Nominating 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 Nominating Committee's Chairman would also keep under review its Board Members' participations in board meetings, board committee meetings, policies development and representation of the Company or Group in public events.

The Board evaluation questionnaires comprise of Board and Board Committees Evaluation Form, Board Skills Matrix Form, Individual Directors' Self and Peer Assessment, Independence of Independent Directors, Audit Committee and Audit Committee Members' Self and Peer Evaluation Form. 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 assessment were compiled by the Company Secretary and tabled to the Nominating Committee for review and deliberation, thereafter reported to the Board by the Chairman of the Nominating Committee.

Nominating Committee Report
Cont'd

3. ACTIVITIES OF THE NOMINATING COMMITTEE *cont'd*

During the financial year under review, the Nominating Committee conducted one (1) meeting. This meeting was attended by all members of the Nominating Committee. At the meeting, the Nominating Committee reviewed the re-election of Directors who are subject to retirement by rotation at the forthcoming Annual General Meeting, the Terms of Reference of the Nominating Committee, Nominating Committee Report for inclusion in annual report and the annual assessment on the effectiveness of the Board and Board Committees as a whole, and contribution of each individual Director.

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

a) skills, knowledge, expertise and experience;
b) professionalism;
c) integrity;
d) education;
e) cultural background;
f) gender;
g) time commitment; and
h) in the case of candidates for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidate's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Director;

Upon selection and appointment, a formal invitation to join the Company as a board member would be extended by the Chairman.

The Nominating Committee shall assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual Director and thereafter, recommend its findings to the Board of Directors.

This Nominating Committee Report was made in accordance with the approval of the Board on 9 March 2018.

Statement on Risk Management and Internal Control

The Board of Directors ("the Board") of Luxchem Corporation Berhad ("the Company") is pleased to present its Statement on Risk Management and Internal Control. This Statement describing the state of risk management and internal control of the Company and its subsidiaries ("the Group") during the financial year ended 31 December 2017 is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the principal risks in the Group; and establishing appropriate control environment and framework to manage risks. The Board has laid down the following processes and used the following information in deriving its comfort on the state of internal control and risk management of the Group presently:

- 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;
- Presentation of periodic risk management assessment and results by Risk Management Committee ("RMC");
- External Auditors' comments on internal controls noted in their course of statutory audits, if any;
- Audit findings and reports on the review of system of internal control presented by the Internal Auditors; and
- Management assurance that the Group's risk management and internal control system have been operating adequately and effectively, in all material respects.

GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control systems that have been established to facilitate the proper conduct of the Group's businesses are summarised as follows:

1. Risk Management

The Group has established its RMC to assist the Board in reviewing the effectiveness of risk management in the Group. The RMC is headed by Managing Director and assisted by Heads of Department to undertake the following duties:

i. To formulate and carry out strategies and actions needed to manage risks;

ii. To promote and embed risk awareness within the Group and in the operational processes;

iii. To ensure adequate information and resources are in place for managing risks effectively; and

iv. To report to the Board periodically on material risks and their impacts on operations and status of management actions to manage these risks.

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Statement on Risk Management and Internal Control

Cont'd

GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM *cont'd*

1. Risk Management *cont'd*

Presently, the RMC has identified twelve (12) principal risks. Out of these risks, the credit risk, inventory risk optimisation and foreign exchange risks remain as the key risks focus of the Group. Various actions and controls have been designed, taken and monitored to ensure that these risks are kept at acceptable level.

2. Key Element of Internal Control

The Board is committed to maintain a strong control structure to facilitate the achievement of the Group's business objectives. Following are the internal controls designed to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event is at acceptable level to the Group:

i. Organisation structure defining the management responsibilities and hierarchy structure of monitoring and reporting lines as well as accountability to the Board Committees;

ii. The establishment of Board Committees namely the Audit Committee, Nominating Committee and Remuneration Committee to assist the Board in discharging specialised responsibilities;

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

iv. Operational reporting process covering periodic reporting from the Heads of Management to the Executive Directors to assure that business operations progress in accordance with the desirable objectives and targets;

v. Monthly management and credit meetings with the Heads of Department enabling Management to share, monitor and decide on the business development, changes and actions to be taken to ensure that financial exposures, if any are minimised;

vi. Provision of training and development programmes to enhance the competitiveness and capability of the staff to carry out their respective duties in achieving the Group's objectives;

vii. Daily and offsite information system back up procedures;

viii. ISO 9001:2008 Quality Management System in Luxchem Trading Sdn Bhd; ISO 9001:2015 in Transform Master Sdn Bhd; ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 management systems in Luxchem Polymer Industries Sdn Bhd forming the basis of production, operational and management procedures;

ix. The Audit Committee reviews the quarterly financial reports, annual financial statements, quarterly group risk management report and the internal audit reports; and

x. Internal audit reviews providing independent and objective assurance to the Audit Committee and the Board on adequacy and effectiveness of the risk management and internal control system of the Group.

Statement on Risk Management and Internal Control

Cont'd

MANAGEMENT RESPONSIBILITIES AND ASSURANCE TO THE BOARD

Management is responsible to the Board for:

- Identifying risks relevant to the Group's business objectives and strategies implementation;
- Designing, implementing and monitoring the implementation of the risk management framework to be in line with the Group's strategic direction and risk appetite; and
- Reporting to the Board on the changes to risks or emerging risks and action taken to mitigate these risks.

The Board has received assurance from the Managing Director/Chief Executive Officer and Executive Director/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 during the financial year under review and up to the date of issuance of this Statement.

CONCLUSION

The Board recognises that it is imperative for the Group's risk management and internal control systems to be continuously improved and adaptive to the changing and the evolving business development. Therefore, the Board is committed in strengthening the Group's systems of risk management and internal control to achieve its business objectives.

The Board is satisfied that the existing on-going processes for identifying, evaluating, monitoring and managing the significant risks faced by the Group and the existing level of risk management and internal control systems are adequate and effective to help the Group to achieve its business objectives and strategies. There were no material losses that have resulted from any inadequacy or failure of the Group's risk management and internal control system that would require separate disclosure in the 2017 Annual Report.

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

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants, which does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the External Auditors 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 risk management and internal control systems of the Group.

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 9 March 2018.

Additional Compliance Information

- **UTILISATION OF PROCEEDS**

  There were no proceeds raised from corporate proposals during the financial year ended 31 December 2017.

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

  There were no material contracts entered into by the Company and its subsidiaries which involved the Directors' and major shareholders' interest subsisting at the end of the financial year ended 31 December 2017.

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

  The Company did not enter into any RRPT during the financial year ended 31 December 2017.

- **EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

  The Directors and Senior Management were granted 33,750,000 options out of 117,000,000 options and 6,600,000 were exercised during the financial year ended 31 December 2017.

  The aggregate maximum and actual number of options granted to the Directors and Senior Management are 28.85% of the total options.

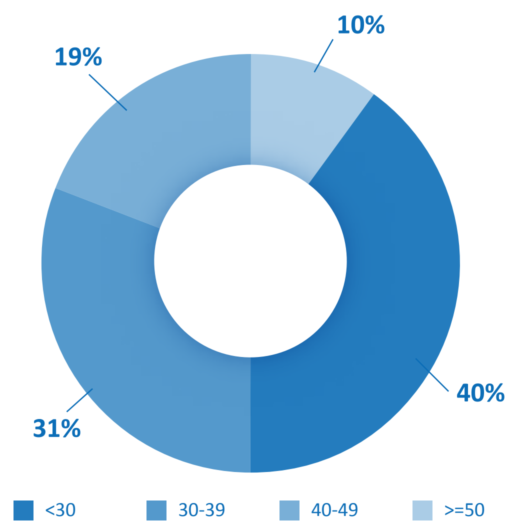
  There were no options granted to the Directors and Senior Management during the financial year ended 31 December 2017.

Additional Compliance Information
Cont'd

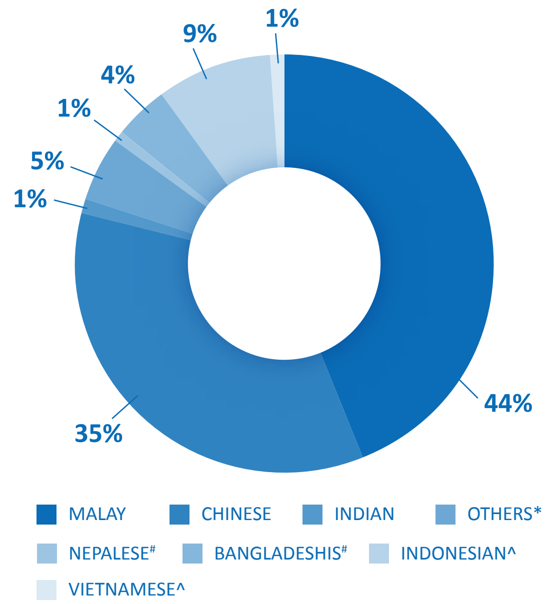
- **WORKFORCE DIVERSITY**

  The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2017 are disclosed below:

i) AGE GROUP

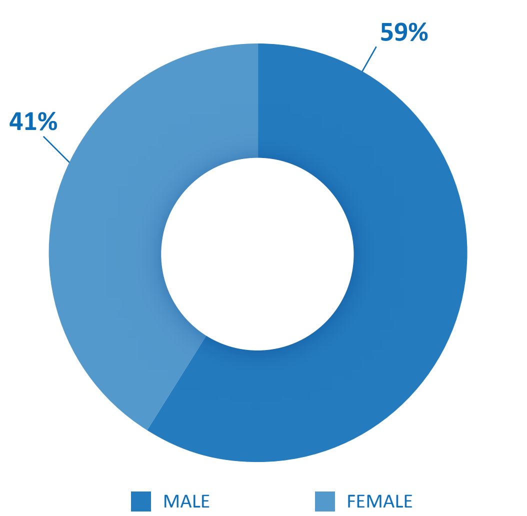


ii) ETHNICITY

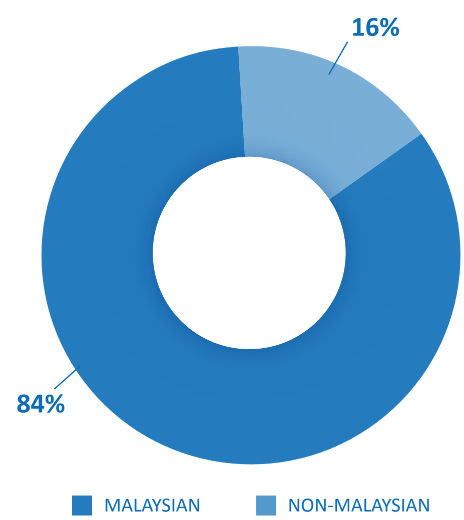


* Other races in Malaysia
\# Foreign workers in Malaysia
^ Employees outside of Malaysia

iii) GENDER



iv) NATIONALITY



Financial Statements

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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details 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 of the subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	**40,968,638**	**19,532,987**
Profit for the year attributable to:-		
- Owners of the Company	**40,742,906**	**19,532,987**
- Non-controlling interests	**225,732**	**-**
	40,968,638	**19,532,987**

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.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM137,660,776 comprising 275,321,551 ordinary shares to RM156,055,848 comprising 844,852,653 ordinary shares through the following:-

(a) Issues of 6,296,000 new ordinary shares for cash consideration of RM4,912,680 pursuant to the exercise of the Company's share options granted to eligible Directors and employees of the Group.

(b) A subdivision of one (1) existing ordinary share into three (3) ordinary shares on 8 September 2017. As a result, the issued ordinary shares of the Company as of that date was increased from 281,617,551 shares to 844,852,653 shares ("the Split Shares"). The share split exercise was approved by the shareholders on 21 August 2017. The Split Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 11 September 2017 and rank pari passu in all respects with one another.

(c) A transfer of share premium amounted to RM11,777,238 to share capital account upon the commencement of the Companies Act 2016 ("the Act") on 31 January 2017. The Act has removed the concept of authorised share capital and par value of share capital. In accordance with Section 618(2) of the Act, the amount standing to the credit of the share premium account became part of the Company's share capital upon the commencement of the Act. The change to no par value shares has no effect on the number of ordinary shares in issue.

Directors' Report

Cont'd

SHARE CAPITAL *cont'd*

The movements in the issued and paid-up share capital of the Company during the financial year are further disclosed in Note 16(b) to the financial statements.

Subsequent to the financial year end and up to the date of this report, the issued and paid-up share capital of the Company was increased from RM156,055,848 to RM157,360,183 comprising 847,957,653 ordinary shares through the issue of 3,105,000 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options.

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 2016, a second single tier interim dividend of 4.5 sen per ordinary share amounting to RM12,559,615 was declared by the Directors on 16 February 2017 and paid on 15 May 2017 and of which RM12,396,985 has been dealt with in the Directors' Report for that financial year.

    The additional dividend of RM162,630 was in respect of new ordinary shares issued by virtue of the exercise of the Company's Employees' Share Options subsequent to the date of dividend declaration on 16 February 2017 up to the book closure date for dividend entitlement on 21 April 2017.

(b) For the financial year ended 31 December 2017, a first single tier interim dividend of 2.5 sen per ordinary share amounting to RM7,040,439 was declared by the Directors on 26 July 2017 and paid on 29 September 2017.

(c) On 14 February 2018, the Directors declared a second single tier interim dividend of 1.5 sen per ordinary share amounting to RM12,719,365 based on the issued share capital of 847,957,653 shares as of the date of this report for the financial year ended 31 December 2017 and is payable on 15 May 2018. The amount payable will be adjusted for the issued share capital as at the book closure date on 20 April 2018 arising from exercise of the Company's Employees' Share Options, if any. The financial statements for the current financial year do not reflect this dividend as it was declared subsequent to the financial year end.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

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				
			Movements prior to share split			
Grant date	Exercise price prior to share split on 08.09.2017	As at 01.01.2017	Granted	Exercised	Forfeited	Balance prior to share split on 08.09.2017
22.01.2015	**RM0.71**	**20,696,300**	-	(5,592,000)	(312,000)	**14,792,300**
22.06.2015	**RM1.02**	**1,105,000**	-	(256,000)	-	**849,000**
22.06.2016	**RM1.47**	**2,450,000**	-	(259,000)	-	**2,191,000**
22.06.2017	**RM1.59**	**-**	3,031,000	(189,000)	-	**2,842,000**

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

		Number of options over ordinary shares				
	Exercise price after share split on 08.09.2017 #	Balance after share split on 08.09.2017 #	Movements subsequent to share split			As at
Grant date			Granted	Exercised	Forfeited	31.12.2017
22.01.2015	RM0.24	44,376,900	-	-	-	44,376,900
22.06.2015	RM0.34	2,547,000	-	-	-	2,547,000
22.06.2016	RM0.49	6,573,000	-	-	-	6,573,000
22.06.2017	RM0.53	8,526,000	-	-	-	8,526,000

The exercise prices and the number of options granted have been adjusted consequential to the share split exercise.

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.

(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).

(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).

Directors' Report

Cont'd

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

(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

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 of the Company who held office since the beginning of the financial year to 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 Constitution, Chan Wan Siew and Au Chun Choong are retiring by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

The names of the directors of the Company's subsidiaries since the beginning of the financial year to the date of this report are as follows:-

Tang Ying See
Chin Song Mooi
Chen Moi Kew
Tew Kar Wai @ Teoh Kar Wai
Joseph Tjendra
Trisia Claudia
Ng Chai Teik
Pok Jiun Lim
Fan Kock Keong

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			
	As at 01.01.2017	Movements prior to share split: Acquired	Movements prior to share split: Disposed	Balance prior to share split on 08.09.2017
Tang Ying See				
- Direct	1,400,000	400,000	-	**1,800,000**
- Indirect*	143,335,500	380,000	-	**143,715,500**
Chin Song Mooi				
- Direct	1,513,900	250,000	-	**1,763,900**
- Indirect**	143,221,600	530,000	-	**143,751,600**
Au Chun Choong				
- Direct	1,294,200	100,000	-	**1,394,200**
Dato' Haji Mokhtar Bin Haji Samad				
- Direct	420,000	100,000	-	**520,000**
Chen Moi Kew				
- Direct	545,000	250,000	-	**795,000**
Chan Wan Siew				
- Direct	250,000	100,000	-	**350,000**

Directors' Report
Cont'd

DIRECTORS' INTERESTS *cont'd*

Shareholdings in the Company *cont'd*

	Number of ordinary shares			
	Balance after share split on 08.09.2017 ***	Movements subsequent to share split		
		Acquired	Disposed	As at 31.12.2017
Tang Ying See				
- Direct	5,400,000	-	-	**5,400,000**
- Indirect*	431,146,500	-	-	**431,146,500**
Chin Song Mooi				
- Direct	5,291,700	-	-	**5,291,700**
- Indirect**	431,254,800	-	-	**431,254,800**
Au Chun Choong				
- Direct	4,182,600	-	-	**4,182,600**
Dato' Haji Mokhtar Bin Haji Samad				
- Direct	1,560,000	-	-	**1,560,000**
Chen Moi Kew				
- Direct	2,385,000	-	-	**2,385,000**
Chan Wan Siew				
- Direct	1,050,000	-	-	**1,050,000**

* *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.*

*** *The number of ordinary shares has been adjusted to reflect the share split of 3 for 1 existing ordinary share.*

Directors' Report

Cont'd

DIRECTORS' INTERESTS *cont'd*

Interest in options over ordinary shares of the Company

	Exercise price prior to share split on 08.09.2017	Number of options over ordinary shares			
		As at 01.01.2017	Movements prior to share split		Balance prior to share split on 08.09.2017
			Granted	Exercised	
Tang Ying See	RM0.71	1,200,000	-	(400,000)	800,000
Chin Song Mooi	RM0.71	750,000	-	(250,000)	500,000
Au Chun Choong	RM0.71	300,000	-	(100,000)	200,000
Dato' Haji Mokhtar Bin Haji Samad	RM0.71	300,000	-	(100,000)	200,000
Chen Moi Kew	RM0.71	1,850,000	-	(250,000)	1,600,000
Chan Wan Siew	RM0.71	300,000	-	(100,000)	200,000

	Exercise price after share split on 08.09.2017 #	Number of options over ordinary shares			
		Balance after share split on 08.09.2017 #	Movements subsequent to share split		As at 31.12.2017
			Granted	Exercised	
Tang Ying See	RM0.24	2,400,000	-	-	2,400,000
Chin Song Mooi	RM0.24	1,500,000	-	-	1,500,000
Au Chun Choong	RM0.24	600,000	-	-	600,000
Dato' Haji Mokhtar Bin Haji Samad	RM0.24	600,000	-	-	600,000
Chen Moi Kew	RM0.24	4,800,000	-	-	4,800,000
Chan Wan Siew	RM0.24	600,000	-	-	600,000

The exercise prices and the number of options granted have been adjusted consequential to the share split exercise.

DIRECTORS' INTERESTS *cont'd*

Shareholdings in holding company, Chemplex Resources Sdn. Bhd.

	Number of ordinary shares			
	As at	During the financial year		As at
	01.01.2017	Acquired	Disposed	31.12.2017
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 Note 23 to 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.

The amount of indemnity coverage for the Directors and the officers of the Group and of the Company during the financial year is up to the limit of RM1,000,000. The insurance premium paid was RM7,220.

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.

Directors' Report
Cont'd

OTHER STATUTORY INFORMATION *cont'd*

(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.

AUDITORS

The details of remuneration paid or payable to the auditors of the Group and of the Company are disclosed in Note 23 to the financial statements.

No indemnity was given to nor was there any insurance effected for the auditors during the financial year.

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 16 March 2018

Date : 16 March 2018

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**47,349,019**	39,020,581
Intangible assets	6	**342,192**	293,340
Other investments	8	**1,781,941**	957,179
Goodwill	9	**35,802,888**	35,802,888
Deferred tax assets	10	**279,130**	222,310
		85,555,170	76,296,298
Current Assets			
Inventories	11	**79,865,531**	72,656,622
Trade and other receivables	12	**138,810,532**	130,310,365
Tax recoverable		**2,108,714**	1,766,750
Derivative financial assets	13	**39,507**	-
Deposits, cash and bank balances	15	**109,091,987**	88,494,750
		329,916,271	293,228,487
Total Assets		**415,471,441**	369,524,785

The notes set out on pages 62 to 140 form an integral part of these financial statements

Consolidated Statement of Financial Position

as at 31 December 2017

Cont'd

	Note	2017 RM	2016 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**156,055,848**	137,660,776
Reserves	17	**103,937,515**	93,122,482
Total equity attributable to owners of the Company		**259,993,363**	230,783,258
Non-controlling interests	7(d)	**483,783**	321,964
Total Equity		**260,477,146**	231,105,222
Non-Current Liabilities			
Hire purchase payables	18	**253,202**	508,881
Retirement benefits	19	**414,669**	307,354
Deferred tax liabilities	10	**1,224,789**	1,267,986
		1,892,660	2,084,221
Current Liabilities			
Trade and other payables	20	**74,534,571**	77,211,586
Hire purchase payables	18	**370,512**	323,908
Derivative financial liabilities	13	**193,527**	3,754
Bank borrowings	21	**77,450,162**	55,649,498
Taxation		**552,863**	3,146,596
		153,101,635	136,335,342
Total Liabilities		**154,994,295**	138,419,563
Total Equity and Liabilities		**415,471,441**	369,524,785

Consolidated Statement of
Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 RM	2016 RM
Revenue - Sales of goods		**806,709,568**	701,549,200
Cost of sales		**(720,293,589)**	(618,348,223)
Gross profit		**86,415,979**	83,200,977
Other income		**3,724,464**	5,455,934
Selling and distribution costs		**(6,158,016)**	(6,049,512)
Administrative expenses		**(23,799,567)**	(20,228,485)
Other expenses		**(1,393,457)**	(745,414)
Operating profit		**58,789,403**	61,633,500
Finance costs	22	**(3,008,726)**	(2,555,362)
Profit before taxation	23	**55,780,677**	59,078,138
Taxation	24	**(14,812,039)**	(15,392,362)
Profit for the year		**40,968,638**	43,685,776
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax effects:			
Remeasurement of defined benefit obligations	10,19	**(49,907)**	(12,911)
Items that will be reclassified subsequently to profit or loss, net of tax effects:			
Exchange loss on translation of foreign operations		**(342,149)**	(30,628)
Gain/(Loss) on changes in fair value of available-for-sale financial assets		**824,763**	(202,843)
		482,614	(233,471)
Total other comprehensive income/(loss) for the year		**432,707**	(246,382)
Total comprehensive income for the year		**41,401,345**	43,439,394
Profit attributable to:			
Owners of the Company		**40,742,906**	43,498,730
Non-controlling interests		**225,732**	187,046
		40,968,638	43,685,776
Total comprehensive income attributable to:			
Owners of the Company		**41,239,526**	43,275,200
Non-controlling interests		**161,819**	164,194
		41,401,345	43,439,394
Earnings per share attributable to owners of the Company (sen)			
Basic, from profit for the year	25(a)	**4.86**	5.34
Diluted, from profit for the year	25(b)	**4.67**	5.11

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Attributable to Owners of the Company								
	Non-distributable					Distributable			
	Share capital	Share premium	Exchange translation reserve	Fair value adjustment reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
2017	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance at 1 January 2017	137,660,776	11,759,663	109,781	661,836	4,329,019	76,262,183	230,783,258	321,964	231,105,222
Profit for the year	-	-	-	-	-	40,742,906	40,742,906	225,732	40,968,638
Exchange loss on translation of foreign operations	-	-	(293,208)	-	-	-	(293,208)	(48,941)	(342,149)
Gain on changes in fair value of available-for-sale financial assets	-	-	-	824,763	-	-	824,763	-	824,763
Remeasurement of defined benefit obligations	-	-	-	-	-	(34,935)	(34,935)	(14,972)	(49,907)
Total comprehensive income for the year	-	-	(293,208)	824,763	-	40,707,971	41,239,526	161,819	41,401,345
Transfer pursuant to Companies Act 2016 (Note 16(b))	11,777,238	(11,777,238)	-	-	-	-	-	-	-
Share options granted	-	-	-	-	2,657,953	-	2,657,953	-	2,657,953
Issue of shares pursuant to exercise of share options:									
- shares issued and premium arising	4,904,910	7,770	-	-	-	-	4,912,680	-	4,912,680
- attributable option reserve transferred	1,712,924	9,805	-	-	(1,722,729)	-	-	-	-
Share options forfeited	-	-	-	-	(72,416)	72,416	-	-	-
Dividends paid (Note 26)	-	-	-	-	-	(19,600,054)	(19,600,054)	-	(19,600,054)
Balance at 31 December 2017	156,055,848	-	(183,427)	1,486,599	5,191,827	97,442,516	259,993,363	483,783	260,477,146

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Cont'd

	Attributable to Owners of the Company								
	Non-distributable					Distributable			
2016	**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 equity RM**
Balance at 1 January 2016	132,537,200	2,689,578	121,430	864,679	3,095,284	51,977,659	191,285,830	(294,780)	190,991,050
Profit for the year	-	-	-	-	-	43,498,730	43,498,730	187,046	43,685,776
Exchange loss on translation of foreign operations	-	-	(11,649)	-	-	-	(11,649)	(18,979)	(30,628)
Loss on changes in fair value of available-for-sale financial assets	-	-	-	(202,843)	-	-	(202,843)	-	(202,843)
Remeasurement of defined benefit obligations	-	-	-	-	-	(9,038)	(9,038)	(3,873)	(12,911)
Total comprehensive income for the year	-	-	(11,649)	(202,843)	-	43,489,692	43,275,200	164,194	43,439,394
Subscription to additional shares in a subsidiary	-	-	-	-	-	-	-	452,550	452,550
Share options granted	-	-	-	-	2,579,568	-	2,579,568	-	2,579,568
Issue of shares pursuant to exercise of share options:									
- shares issued and premium arising	2,531,150	1,131,143	-	-	-	-	3,662,293	-	3,662,293
- attributable option reserve transferred	-	1,331,368	-	-	(1,331,368)	-	-	-	-
Shares issued for acquisition of a subsidiary (Note 7(b))	2,592,426	6,607,574	-	-	-	-	9,200,000	-	9,200,000
Share options forfeited	-	-	-	-	(14,465)	14,465	-	-	-
Dividends paid (Note 26)	-	-	-	-	-	(19,219,633)	(19,219,633)	-	(19,219,633)
Balance at 31 December 2016	137,660,776	11,759,663	109,781	661,836	4,329,019	76,262,183	230,783,258	321,964	231,105,222

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	2017 RM	2016 RM
Cash flows from operating activities		
Profit before taxation	**55,780,677**	59,078,138
Adjustments for:-		
Amortisation of intangible assets	**165,755**	141,706
Bad debts written off	**14,574**	6,975
Depreciation of property, plant and equipment	**2,384,169**	2,015,361
Amortisation of investment property	**-**	1,955
Defined benefit obligations	**107,928**	84,489
Dividend income	**(126,287)**	(129,519)
Net loss/(gain) on changes in fair value of forward exchange contracts	**150,462**	(17,998)
Net gain on disposal of property, plant and equipment	**(59,040)**	(194,163)
Net gain on disposal of investment property	**-**	(84,976)
Impairment losses on trade receivables	**1,035,318**	222,151
Interest income	**(1,341,498)**	(1,368,645)
Interest expense	**3,008,726**	2,555,362
Inventories written off	**-**	44,250
Inventories written down	**657,097**	607,825
Property, plant and equipment written off	**17,194**	46,371
Net unrealised loss/(gain) on foreign exchange	**96,121**	(659,346)
Reversal of impairment loss on trade receivables	**(538,105)**	(660,090)
Reversal of inventories written down	**(736,054)**	(405,962)
Share options expense	**2,657,953**	2,579,568
Operating profit before working capital changes	**63,274,990**	63,863,452
Increase in inventories	**(7,659,212)**	(17,398,236)
(Increase)/Decrease in trade and other receivables	**(10,283,278)**	5,526,835
(Decrease)/Increase in trade and other payables	**(1,615,862)**	10,891,358
Cash generated from operations	**43,716,638**	62,883,409
Tax paid	**(18,111,759)**	(20,389,506)
Interest received	**1,341,498**	1,368,645
Interest paid	**(3,008,726)**	(2,555,362)
Retirement benefits paid (Note 19)	**(24,075)**	(36,490)
Net cash from operating activities	**23,913,576**	41,270,696

The notes set out on pages 62 to 140 form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

Cont'd

	2017 RM	2016 RM
Cash flows from investing activities		
Acquisition of a subsidiary (Note 7(b))	**-**	(34,938,968)
Subscription to additional shares in a subsidiary by a non-controlling interest	**-**	452,550
Purchase of property, plant and equipment (Note 27(a))	**(10,643,240)**	(6,850,512)
Purchase of intangible assets	**(214,607)**	(58,695)
Proceeds from disposal of property, plant and equipment	**61,371**	228,715
Proceeds from disposal of an investment property	**-**	200,000
Dividend received	**126,287**	129,519
Net cash used in investing activities	**(10,670,189)**	(40,837,391)
Cash flows from financing activities		
Proceeds from shares issued pursuant to share options exercised	**4,912,680**	3,662,293
Term loan repaid	**-**	(838,954)
Net bankers' acceptances obtained/(repaid) (Note 27(b))	**23,576,985**	(8,920,063)
Hire purchase instalments paid (Note 27(b))	**(336,720)**	(221,977)
Dividend paid	**(19,600,054)**	(19,219,633)
Net cash from/(used in) financing activities	**8,552,891**	(25,538,334)
Net increase/(decrease) in cash and cash equivalents	**21,796,278**	(25,105,029)
Cash and cash equivalents at beginning of year	**88,494,750**	113,253,287
Net exchange differences	**(1,199,041)**	346,492
Cash and cash equivalents at end of year	**109,091,987**	88,494,750

Cash and cash equivalents at end of year comprised:-

	2017 RM	2016 RM
Deposits with financial institutions (Note 15)	**40,908,934**	21,454,278
Cash and bank balances (Note 15)	**68,183,053**	67,040,472
	109,091,987	88,494,750

Statement of Financial Position
as at 31 December 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-Current Assets			
Investments in subsidiaries	7	**152,183,722**	149,577,381
Current Assets			
Other receivables	12	**2,000**	2,000
Amount due by a subsidiary	14	**5,072**	5,621
Tax recoverable		**-**	7,527
Deposits, cash and bank balances	15	**10,949,644**	5,998,651
		10,956,716	6,013,799
Total Assets		**163,140,438**	155,591,180
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Company			
Share capital	16	**156,055,848**	137,660,776
Reserves	17	**6,778,529**	17,670,035
Total Equity		**162,834,377**	155,330,811
Current Liabilities			
Other payables and accruals	20	**295,363**	260,369
Taxation		**10,698**	-
Total Liabilities		**306,061**	260,369
Total Equity and Liabilities		**163,140,438**	155,591,180

Statement of
Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 RM	2016 RM
Revenue - Dividend income		**20,041,000**	19,882,000
Other income		**276,682**	242,231
Administrative expenses		**(556,779)**	(822,635)
Other expenses		**(164,972)**	(437,992)
Profit before taxation	23	**19,595,931**	18,863,604
Taxation	24	**(62,944)**	(58,473)
Profit for the year		**19,532,987**	18,805,131
Other comprehensive income		**-**	-
Total comprehensive income for the year		**19,532,987**	18,805,131

The notes set out on pages 62 to 140 form an integral part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2017

	Non-distributable			Distributable	
	Share capital RM	Share premium RM	Share option reserve RM	Retained profits RM	Total equity RM
2017					
Balance at 1 January 2017	**137,660,776**	**11,759,663**	**4,329,019**	**1,581,353**	**155,330,811**
Profit for the year	-	-	-	**19,532,987**	**19,532,987**
Total comprehensive income for the year	-	-	-	**19,532,987**	**19,532,987**
Transfer pursuant to Companies Act 2016 (Note 16(b))	**11,777,238**	**(11,777,238)**	-	-	-
Share options granted	-	-	**2,657,953**	-	**2,657,953**
Issue of shares pursuant to exercise of share options:					
- shares issued and premium arising	**4,904,910**	**7,770**	-	-	**4,912,680**
- attributable option reserve transferred	**1,712,924**	**9,805**	**(1,722,729)**	-	-
Share options forfeited	-	-	**(72,416)**	**72,416**	-
Dividends paid (Note 26)	-	-	-	**(19,600,054)**	**(19,600,054)**
Balance at 31 December 2017	**156,055,848**	-	**5,191,827**	**1,586,702**	**162,834,377**

	Non-distributable			Distributable	
	Share capital RM	Share premium RM	Share option reserve RM	Retained profits RM	Total equity RM
2016					
Balance at 1 January 2016	132,537,200	2,689,578	3,095,284	1,981,390	140,303,452
Profit for the year	-	-	-	18,805,131	18,805,131
Total comprehensive income for the year	-	-	-	18,805,131	18,805,131
Share options granted	-	-	2,579,568	-	2,579,568
Issue of shares pursuant to exercise of share options:					
- shares issued and premium arising	2,531,150	1,131,143	-	-	3,662,293
- attributable option reserve transferred	-	1,331,368	(1,331,368)	-	-
Shares issued for acquisition of a subsidiary (Note 7(b))	2,592,426	6,607,574	-	-	9,200,000
Share options forfeited	-	-	(14,465)	14,465	-
Dividends paid (Note 26)	-	-	-	(19,219,633)	(19,219,633)
Balance at 31 December 2016	137,660,776	11,759,663	4,329,019	1,581,353	155,330,811

The notes set out on pages 62 to 140 form an integral part of these financial statements

Statement of Cash Flows
for the year ended 31 December 2017

	2017 RM	2016 RM
Cash flows from operating activities		
Profit before taxation	**19,595,931**	18,863,604
Adjustments for:-		
Interest income	**(276,657)**	(242,202)
Dividend income	**(20,041,000)**	(19,882,000)
Share options expense	**51,612**	95,643
Operating loss before working capital changes	**(670,114)**	(1,164,955)
Decrease in amount due by a subsidiary	**549**	2,755,302
Decrease in other receivables	**-**	5,591
Increase in other payables and accruals	**34,994**	48,789
Cash (utilised in)/generated from operations	**(634,571)**	1,644,727
Interest received	**276,657**	242,202
Tax refunded	**15,281**	-
Tax paid	**(60,000)**	(60,000)
Net cash (used in)/from operating activities	**(402,633)**	1,826,929
Cash flows from investing activities		
Acquisition of a subsidiary (Note 7(b))	**-**	(36,300,000)
Incorporation of a subsidiary (Note 7(c))	**-**	(2,165,000)
Subscription to additional shares in a subsidiary (Note 7(c))	**-**	(1,055,950)
Dividend received	**20,041,000**	19,882,000
Repayment of deemed capital contribution by subsidiaries	**-**	32,295,027
Net cash from investing activities	**20,041,000**	12,656,077
Cash flows from financing activities		
Proceeds from shares issued pursuant to share options exercised	**4,912,680**	3,662,293
Dividend paid	**(19,600,054)**	(19,219,633)
Net cash used in financing activities	**(14,687,374)**	(15,557,340)
Net increase/(decrease) in cash and cash equivalents	**4,950,993**	(1,074,334)
Cash and cash equivalents at beginning of year	**5,998,651**	7,072,985
Cash and cash equivalents at the end of year	**10,949,644**	5,998,651
Cash and cash equivalents at end of year comprised:-		
Deposits with financial institutions (Note 15)	**10,738,739**	5,738,739
Cash and bank balances (Note 15)	**210,905**	259,912
	10,949,644	5,998,651

The notes set out on pages 62 to 140 form an integral part of these financial statements

Notes to the Financial Statements
31 December 2017

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 and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 7(a).

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 16 March 2018.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act 2016 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 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 2017:-

Amendments to MFRS 107 - Disclosure Initiative
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle":
- Amendments to MFRS 12, Disclosure of Interests in Other Entities

Notes to the Financial Statements

31 December 2017

Cont'd

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

2.2 Application of Amendments to MFRSs *cont'd*

(a) Amendments to MFRS 107 - Disclosure Initiative

The Amendments to MFRS 107 *Statement of Cash Flows* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group has applied these Amendments prospectively in the current year financial statements. A reconciliation between the opening and closing balances of the Group's liabilities arising from financing activities is provided in Note 27(b). Consistent with the transitional provisions of the Amendments, the Group has not disclosed comparative information for the prior period. Other than the additional disclosures required, the initial application of the Amendments has no financial impact on the Group's financial statements.

(b) Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments clarify on how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The Group and the Company have applied these Amendments for the first time in the current year and the initial application has no financial impact on the Group's and on the Company's financial statements.

(c) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" - Amendments to MFRS 12, Disclosure of Interests in Other Entities

The Amendments clarify the scope of the Standard by specifying that the disclosure requirements in the Standard apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The Amendments also clarify that an entity is not required to disclose summarised financial information when its subsidiary, joint venture or associate is classified as held for sale in accordance with MFRS 5.

The Group and the Company have applied these Amendments for the first time in the current year and the initial application has no impact on the Group's and on the Company's financial statements as none of the Group's and the Company's interest in subsidiaries have been classified as held for sale in accordance with MFRS 5.

Notes to the Financial Statements

31 December 2017

Cont'd

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

2.3 New MFRSs and IC Interpretations 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 IC Interpretations 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 2018

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers
Clarifications to MFRS 15, Revenue from Contracts with Customers
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
Amendments to MFRS 140 - Transfers of Investment Property
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle":
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases
Amendments to MFRS 9 - Prepayment Features with Negative Compensation
Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":
- Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements - Previously Held Interest in a Joint Operation
- Amendments to MFRS 112, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

Effective for annual periods beginning on or after a date to be determined by the MASB

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 IC Interpretations and amendments to MFRSs that are applicable once they become effective. Their main features and impact on initial application are summarised below.

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

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

2.3.1 *Effective for annual periods beginning on or after 1 January 2018*

(a) *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 2017

Cont'd

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

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

2.3.1 Effective for annual periods beginning on or after 1 January 2018 *cont'd*

(b) 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 *Construction Contracts*, MFRS 118 *Revenue* 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.

(c) Clarifications to MFRS 15, Revenue from Contracts with Customers

The Amendments clarify how certain principles should be applied in:-

(i) identifying whether performance obligations are distinct;

(ii) determining whether an entity is a principal or an agent; and

(iii) assessing whether revenue from a licence of intellectual property is recognised over time or at a point in time.

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

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

2.3.1 Effective for annual periods beginning on or after 1 January 2018 *cont'd*

(d) Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

The Amendments to MFRS 2 *Share-based Payment* provide specific guidance on how to account for the following situations:-

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(e) Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts

The Amendments to MFRS 4 *Insurance Contracts* address concerns arising from implementing the new MFRS 9 *Financial Instruments* before the implementation of the new MFRS 17 *Insurance Contracts* which shall only become effective for annual periods beginning on or after 1 January 2021. These concerns include temporary volatility in reported results.

The Amendments have introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance.

(f) Amendments to MFRS 140 - Transfers of Investment Property

The Amendments to MFRS 140 *Investment Property* clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

Notes to the Financial Statements

31 December 2017

Cont'd

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

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

2.3.1 Effective for annual periods beginning on or after 1 January 2018 *cont'd*

(g) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

The *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* include amendments to the following MFRSs:-

- The Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* have removed certain provisions that have served their intended purposes.

- The Amendments to MFRS 128 *Investments in Associates and Joint Ventures* clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(h) IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses which exchange rate to use in reporting foreign currency transactions that involve advance consideration paid or received.

2.3.2 Effective for annual periods beginning on or after 1 January 2019

(a) MFRS 16, Leases

MFRS 16 will supersede the existing MFRS 117 *Leases*, IC Interpretation 4 Determining *whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

(b) Amendments to MFRS 9 - Prepayment Features with Negative Compensation

The Amendments allow entities to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

Notes to the Financial Statements

31 December 2017

Cont'd

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

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

2.3.2 Effective for annual periods beginning on or after 1 January 2019 *cont'd*

(c) Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures

The Amendments clarify that entities shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

(d) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"

The Annual Improvements to MFRS Standards 2015 - 2017 Cycle include amendments to the following MFRSs:-

- The amendments to MFRS 3 *Business Combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 *Joint Arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- The amendments to MFRS 112 *Income Taxes* clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

- The amendments to MFRS 123 *Borrowing Costs* clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

(e) IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRS 112 *Income Taxes*, includes requirements on recognition and measurement of tax assets and liabilities, but does not specify how to reflect uncertainty. As a result, entities apply diverse reporting methods when the application of tax law is uncertain.

When there is uncertainty over income tax treatments, the Interpretation addresses:-

- whether an entity considers uncertain tax treatments separately;

- the assumptions an entity makes about the examination of tax treatments by taxation authorities;

- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

- how an entity considers changes in facts and circumstances.

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

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

2.3.3 Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

MFRS 17 will supersede the existing MFRS 4 *Insurance Contracts* and related Interpretations. The new Standard introduces consistent accounting for all insurance contracts based on a current measurement model. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at : (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, MFRS 17 changes the financial statements presentations of insurance service results whereby insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

2.3.4 Financial impact on initial application

The initial application of the new MFRSs, IC Interpretations and amendments to MFRSs is not expected to have any significant impact on the Group's and on the Company's financial statements other than the application of MFRS 9 as discussed below.

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

(a) Classification and measurement of financial assets

The Group has investments in unquoted shares which are currently carried at cost and classified as available-for-sale financial assets. Upon the adoption of MFRS 9, the unquoted investments shall be measured at fair value through other comprehensive income ("FVTOCI"). The Group has assessed the impact and expects an increase in the carrying amount of the unquoted investments with a corresponding increase in the fair value adjustment reserve. The financial impact is not expected to be significant to the Group.

Other than the reclassification to and remeasurement of the unquoted investments at FVTOCI, the new requirements on classification and measurement of financial assets and financial liabilities are not expected to have any financial impact on the financial statements of the Group and of the Company.

(b) Impairment of financial assets

Financial assets measured at amortised cost will be subject to the impairment provisions of MFRS 9 which is based on the expected credit loss model. The Group will apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required by the Standard.

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

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

2.3.4 Financial impact on initial application *cont'd*

(b) Impairment of financial assets *cont'd*

On the initial application of MFRS 9, the lifetime expected credit loss allowances are not expected to differ significantly from the impairment allowances currently determined in accordance with MFRS 139. Hence, no significant impact on the financial statements of the Group and of the Company is expected to arise on the initial application of expected credit loss model.

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.

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.

Notes to the Financial Statements

31 December 2017

Cont'd

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

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 accounting policy for goodwill is set out in Note 2.6. 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.

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.

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

2.6 Goodwill *cont'd*

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.

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.

Notes to the Financial Statements

31 December 2017

Cont'd

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

2.7 Foreign Currencies *cont'd*

2.7.3 Foreign operations *cont'd*

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.

2.9 Property, Plant and Equipment

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	5 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

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

2.9 Property, Plant and Equipment *cont'd*

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.

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.

Notes to the Financial Statements

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

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.

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.

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

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.

(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.

Notes to the Financial Statements

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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

(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.

(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.

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

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.

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.

Notes to the Financial Statements

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

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.

(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.

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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*

(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.

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.

Notes to the Financial Statements
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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.21 Derivatives Financial Instruments *cont'd*

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.

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

2.23 Employee Benefits *cont'd*

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.

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.

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

2.23 Employee Benefits *cont'd*

2.23.3 Share-based Payments *cont'd*

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.

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.

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

2.24 Income Taxes *cont'd*

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.

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.

Notes to the Financial Statements

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

2.27 Fair Value Measurements *cont'd*

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.

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's Chief Executive Officer 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.

(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.

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

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

(ii) Impairment of goodwill

The Company performs an annual assessment of the carrying value of its goodwill against the recoverable amount of the cash generating unit ("CGU") to which the goodwill has been allocated. The measurement of the recoverable amount of CGU is determined based on the value in use method which requires the management to estimate the future cash flows expected to arise from the CGU's ongoing operations, the growth rate that reflects the management's expected future performance and a suitable discount rate in order to calculate the present value. The relevant information and assumptions are disclosed in Note 9.

(iii) 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 12.

(iv) 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 19.

(v) Share-based payments

The fair value of the share options granted was measured by using the Trinomial Option Pricing Model. The valuation model uses inputs which are required to be estimated. The fair value of the share options granted is recognised as an expense over the vesting period of the options and this requires the estimate of the number of options that is expected to vest. Any changes in these estimates and assumptions will impact the profit or loss of the Group and of the Company. Details of the inputs used on the valuation model are disclosed in Note 16(e)(iv).

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4. PROPERTY, PLANT AND EQUIPMENT

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

Group

2017

	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 2017	2,411,942	6,590,554	16,601,874	1,445,436	1,338,372	21,632,912	10,147,532	60,168,622
Additions	-	-	91,860	80,800	48,000	1,402,087	9,181,019	10,803,766
Disposals	-	-	-	-	-	(309,786)	-	(309,786)
Write-off	-	-	-	-	(11,034)	(96,919)	-	(107,953)
Transfer	-	14,671,008	2,462,966	-	-	333,600	(17,467,574)	-
Net exchange differences	-	-	-	(25,947)	(1,699)	(112,643)	-	(140,289)
Balance at 31 December 2017	2,411,942	21,261,562	19,156,700	1,500,289	1,373,639	22,849,251	1,860,977	70,414,360
Accumulated depreciation								
Balance at 1 January 2017	-	1,054,644	3,492,260	935,475	1,016,330	14,649,332	-	21,148,041
Charge for the year	-	134,426	365,300	129,756	56,348	1,698,339	-	2,384,169
Disposals	-	-	-	-	-	(307,455)	-	(307,455)
Write-off	-	-	-	-	(5,968)	(84,792)	-	(90,760)
Net exchange differences	-	-	-	(19,034)	(393)	(49,227)	-	(68,654)
Balance at 31 December 2017	-	1,189,070	3,857,560	1,046,197	1,066,317	15,906,197	-	23,065,341
Net book value as at 31 December 2017	2,411,942	20,072,492	15,299,140	454,092	307,322	6,943,054	1,860,977	47,349,019

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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

2016

	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 2016	2,411,942	4,630,554	14,661,874	1,037,477	919,736	16,129,294	5,134,853	44,925,730
Acquisition of a subsidiary (Note 7(b))	-	1,960,000	1,940,000	285,292	362,348	4,645,945	-	9,193,585
Additions	-	-	-	106,354	66,086	2,462,947	5,012,679	7,648,066
Disposals	-	-	-	-	-	(1,343,849)	-	(1,343,849)
Write-off	-	-	-	-	(10,870)	(318,318)	-	(329,188)
Net exchange differences	-	-	-	16,313	1,072	56,893	-	74,278
Balance at 31 December 2016	2,411,942	6,590,554	16,601,874	1,445,436	1,338,372	21,632,912	10,147,532	60,168,622
Accumulated depreciation								
Balance at 1 January 2016	-	960,084	3,114,719	663,787	865,146	11,622,473	-	17,226,209
Acquisition of a subsidiary (Note 7(b))	-	28,877	56,232	113,111	114,480	3,150,141	-	3,462,841
Charge for the year	-	65,683	321,309	148,907	41,158	1,438,304	-	2,015,361
Disposals	-	-	-	-	-	(1,309,297)	-	(1,309,297)
Write-off	-	-	-	-	(4,637)	(278,180)	-	(282,817)
Net exchange differences	-	-	-	9,670	183	25,891	-	35,744
Balance at 31 December 2016	-	1,054,644	3,492,260	935,475	1,016,330	14,649,332	-	21,148,041
Net book value as at 31 December 2016	2,411,942	5,535,910	13,109,614	509,961	322,042	6,983,580	10,147,532	39,020,581

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

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

Group	Cost	Accumulated depreciation	Net book value	Current depreciation
	RM	RM	RM	RM
2017				
Motor vehicles	**1,465,391**	**579,444**	**885,947**	**272,832**
2016				
Motor vehicles	1,315,684	320,973	994,711	205,050

5. INVESTMENT PROPERTY

	Group	
	2017	2016
	RM	RM
Cost		
Balance at 1 January	-	130,000
Disposal	-	(130,000)
Balance at 31 December	-	-
Accumulated amortisation		
Balance at 1 January	-	13,021
Amortisation for the year	-	1,955
Disposal	-	(14,976)
Balance at 31 December	-	-
Net book value as at 31 December	-	-
Fair value as at 31 December	-	-

Investment property comprised an apartment unit that was held for the purpose of earning rental income. On 14 July 2016, the investment property was disposed of for a total consideration of RM200,000. The disposal had resulted in a gain of RM84,976 which had been recognised in the Group's previous year's profit or loss.

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6. INTANGIBLE ASSETS

Computer software acquired

	Group	
	2017	**2016**
	RM	**RM**
Cost		
Balance at 1 January	**1,137,308**	1,078,613
Additions	**214,607**	58,695
Balance at 31 December	**1,351,915**	1,137,308
Accumulated amortisation		
Balance at 1 January	**843,968**	702,262
Amortisation for the year	**165,755**	141,706
Balance at 31 December	**1,009,723**	843,968
Net carrying amount as at 31 December	**342,192**	293,340

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 (2016 : 5 years).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost	**113,179,613**	113,179,613
Deemed capital contribution:		
- Cash contribution	**29,704,973**	29,704,973
- Share options granted	**9,299,136**	6,692,795
	152,183,722	149,577,381

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.

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 2017 %	2016 %
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
Luxchem Vietnam Company Limited*	Distributor of chemicals and petrochemical products.	Vietnam	**100**	100
Transform Master Sdn. Bhd.*	Manufacturer of chemical products.	Malaysia	**100**	100

* *Not audited by Folks DFK & Co.*

(b) Acquisition of a subsidiary in the previous financial year

On 29 April 2016, the Company acquired the entire issued and paid-up share capital of Transform Master Sdn. Bhd. ("TMSB") comprising 3,000,000 ordinary shares of RM1.00 each for total consideration of RM45,500,000. The consideration was satisfied via the issuance of 5,184,851 of the Company's new ordinary shares at an issue price of RM1.7744 per share determined based on the 5-day volume weighted average market price of the Company's shares and a cash payment of RM36,300,000.

TMSB is in the business of manufacturing and supply of latex chemical dispersions, latex processing chemicals and related products and has been a supplier of the industrial chemical products to the Group since 2014. The purpose of the acquisition is to enable the Group to assume control of its supplier's operations and at the same time enlarging the Group's annual production capacity and product range.

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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(b) Acquisition of a subsidiary in the previous financial year *cont'd*

The acquisition gave rise to a goodwill of RM35,802,888 and which has been recognised in the consolidated statement of financial position. The goodwill arising from the acquisition of TMSB is attributable to gaining control over the operations including control over consistency and quality and timeliness of supply of TMSB's products and adding to the profitability of the Group and widening of the Group's product range.

The acquisition had the following effects on the financial results of the Group in the previous financial year:-

	TMSB's amounts consolidated from the date of acquisition to 31.12.2016
	RM
Revenue	20,667,156
Cost of sales	(17,490,797)
Gross profit	3,176,359
Other income	86,937
Administrative expenses	(943,697)
Other expenses	(42,305)
Operating profit	2,277,294
Finance costs	(46,889)
Profit before taxation	2,230,405
Taxation	(575,717)
Profit for the year	1,654,688

7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(b) Acquisition of a subsidiary in the previous financial year *cont'd*

The assets acquired and liabilities recognised as at the date of acquisition were as follows:-

	Fair value recognised on acquisition RM	TMSB's carrying amount RM
Property, plant and equipment	5,730,744	5,730,744
Inventories	3,844,448	3,844,448
Trade receivables	6,010,382	6,010,382
Other receivables	33,713	33,713
Cash and bank balances	1,361,032	1,361,032
Deferred tax liabilities	(453,267)	(453,267)
Trade payables	(3,342,872)	(3,342,872)
Other payables	(553,539)	(553,539)
Bank borrowings	(2,612,726)	(2,612,726)
Taxation	(320,803)	(320,803)
Net identifiable assets acquired	9,697,112	9,697,112
Goodwill on acquisition (Note 9)	35,802,888	
Total purchase consideration	45,500,000	
Total purchase consideration discharged by shares issued	(9,200,000)	
Total purchase consideration discharged by cash	36,300,000	
Cash and cash equivalents of subsidiary acquired	(1,361,032)	
Net cash outflow from acquisition	34,938,968	

(c) Incorporation of a new subsidiary and subscription to additional shares issued by a subsidiary in the previous financial year

On 8 October 2015, the Company incorporated a new subsidiary, namely Luxchem Vietnam Company Limited ("LVCL"). The charter capital of LVCL is USD500,000 or equivalent to RM2,165,000 which was fully disbursed by the Company on 4 January 2016.

On 26 February 2016, the Company subscribed to an additional 245,000 new ordinary shares in PT Luxchem Indonesia at an issue price of USD1.00 per share and for cash consideration amounting to RM1,055,950 for the subsidiary's working capital purposes. The subscription of new shares had no financial impact on the financial statements of the Group for the previous financial year.

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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(d) Non-controlling interests in a subsidiary

The Company's non-wholly owned subsidiary is PT Luxchem Indonesia where 30% (2016 : 30%) equity interest and voting rights are held by non-controlling interests. The details of profit allocated to the non-controlling interests during the financial year and the accumulated non-controlling interests as at the end of the reporting period are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
Allocated to non-controlling interests:		
- Profit for the year	**225,732**	187,046
- Other comprehensive loss	**(63,913)**	(22,852)
	161,819	164,194
Accumulated non-controlling interests as at 31 December	**483,783**	321,964

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

	2017	**2016**
	RM	**RM**
Non-current assets	**814,912**	780,905
Current assets	**33,922,105**	34,368,040
	34,737,017	35,148,945
Non-current liabilities	**580,694**	489,125
Current liabilities	**32,543,714**	33,586,606
	33,124,408	34,075,731
Net assets	**1,612,609**	1,073,214

7. INVESTMENTS IN SUBSIDIARIES *cont'd*

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

Summarised profit or loss and other comprehensive income

	2017 RM	2016 RM
Revenue	**83,585,586**	60,382,317
Profit for the year	**752,439**	623,486
Other comprehensive loss	**(213,044)**	(76,174)
Total comprehensive income for the year	**539,395**	547,312

Summarised cash flows

	2017 RM	2016 RM
Net cash outflow from operating activities	**(2,316,121)**	(28,509)
Net cash (outflow)/inflow from investing activities	**(39,831)**	159,568
Net cash inflow from financing activities	**9,141,096**	989,595
Net increase in cash and cash equivalents	**6,785,144**	1,120,654

8. OTHER INVESTMENTS

	Group	
	2017 RM	2016 RM
Carrying amount of available-for-sale financial assets		
Shares in Malaysia:		
- Quoted	**1,671,941**	847,179
- Unquoted	**110,000**	110,000
	1,781,941	957,179
Representing investments measured:		
- At cost	**110,000**	110,000
- At fair value	**1,671,941**	847,179
	1,781,941	957,179

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8. OTHER INVESTMENTS *cont'd*

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

	Group	
	2017	**2016**
	RM	**RM**
Quoted shares	**1,671,941**	847,179

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.

9. GOODWILL

	Group	
	2017	**2016**
	RM	**RM**
Balance at 1 January	**35,802,888**	-
Arising from acquisition of a subsidiary (Note 7(b))	**-**	35,802,888
Balance at 31 December	**35,802,888**	35,802,888

(a) Impairment assessment on goodwill

For the purpose of impairment assessment, goodwill has been allocated to the Group's cash-generating unit ("CGU") which is the subsidiary itself, namely Transform Master Sdn. Bhd. ("TMSB"). For segment reporting purposes, the operations of TMSB has been allocated to Manufacturing segment.

For annual impairment assessment purposes, the recoverable amount of this CGU is based on value in use calculation. This calculation is based on a discounted future cash flow model using the cash flow forecast and projections covering a five-year period and approved by management. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The key assumptions for the computation of value in use are further described in Note 9(b).

(b) Key assumptions used for value in use calculation

The following table sets out the key assumptions for the computation of value in use:-

	Group	
	2017	**2016**
Sales volume (annual growth rate)	**11.39%**	5.00%
Earnings before interest, tax, depreciation and amortisation ("EBITDA") margin	**10.84%**	12.70%
Long-term growth rate	**0.00%**	0.00%
Pre-tax discount rate	**8.03%**	10.08%

9. GOODWILL *cont'd*

(b) Key assumptions used for value in use calculation *cont'd*

The management has determined the values assigned to each of the above key assumptions as follows:-

Assumptions	Approach used in determining values
Sales volume	Compound annual growth rate over the five-year forecast period; based on financial plans approved by senior management team of TMSB and they reflect management's expectation of achievable growth based on past performance and market development.
EBITDA margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The long-term growth rate beyond year five has been estimated to be NIL as the CGU has reached its maximum production capacity at the end of year five of the projection period.
Pre-tax discount rate	Reflects specific risks relating to the CGU and the country in which the CGU operates.

(c) Impact of possible changes in key assumptions

The management has considered and assessed reasonably possible changes of key assumptions and has not identified any instances that could cause the carrying amount of the goodwill to exceed its recoverable amount.

10. DEFERRED TAX LIABILITIES/(ASSETS)

	Group	
	2017	**2016**
	RM	**RM**
Balance at 1 January	**1,045,676**	453,749
Acquisition of a subsidiary (Note 7(b))	**-**	453,267
Recognised in profit or loss	**(112,935)**	157,742
Recognised in other comprehensive income (Note 19)	**(16,636)**	(4,304)
Net exchange differences	**29,554**	(14,778)
Balance at 31 December	**945,659**	1,045,676

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10. DEFERRED TAX LIABILITIES/(ASSETS) *cont'd*

Presented after appropriate offsetting as follows:-

	Group 2017 RM	Group 2016 RM
Deferred tax assets	**(279,130)**	(222,310)
Deferred tax liabilities	**1,224,789**	1,267,986
	945,659	1,045,676

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

	Group				
2017	**As at 01.01.2017 RM**	**Recognised in profit or loss RM**	**Recognised in other comprehensive income RM**	**Net exchange differences RM**	**As at 31.12.2017 RM**
Deferred tax liabilities					
Excess of capital allowances over depreciation	**1,188,412**	**63,839**	**-**	**-**	**1,252,251**
Other taxable temporary differences	**458,600**	**(72,734)**	**-**	**-**	**385,866**
	1,647,012	**(8,895)**	**-**	**-**	**1,638,117**
Deferred tax assets					
Other deductible temporary differences	**(601,336)**	**(104,040)**	**(16,636)**	**29,554**	**(692,458)**

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10. DEFERRED TAX LIABILITIES/(ASSETS) *cont'd*

	Group					
2016	As at 01.01.2016	Acquisition of a subsidiary	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	As at 31.12.2016
	RM	RM	RM	RM	RM	RM
Deferred tax liabilities						
Excess of capital allowances over depreciation	943,383	125,000	120,029	-	-	1,188,412
Other taxable temporary differences	100,582	328,267	29,751	-	-	458,600
	1,043,965	453,267	149,780	-	-	1,647,012
Deferred tax assets						
Other deductible temporary differences	(590,216)	-	7,962	(4,304)	(14,778)	(601,336)

11. INVENTORIES

	Group	
	2017	2016
	RM	RM
At cost		
Raw materials	**18,929,959**	17,634,324
Consumables	**203,235**	89,436
Finished goods	**9,858,497**	7,975,517
Trading goods	**50,161,106**	46,957,345
	79,152,797	72,656,622
At net realisable value		
Raw materials (Cost - RM280,034; 2016 : RM479,726)	**-**	-
Trading goods (Cost - RM1,121,277; 2016 : RM301,834)	**712,734**	-
	712,734	-
	79,865,531	72,656,622

The amount of inventories recognised as an expense during the financial year was RM702,658,821 (2016 : RM597,968,319) and this has been included in cost of sales in the Group's profit or loss.

The amount of inventories recognised as an expense includes a write-down of RM657,097 (2016 : RM607,825) and a reversal of the previous write-down of RM736,054 (2016 : RM405,962). The previous write-down has been reversed in view of higher prices achieved.

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12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade receivables	**133,060,594**	128,029,626	**-**	-
Allowance for impairment losses (Note 12(b))	**(1,961,682)**	(1,661,240)	**-**	-
	131,098,912	126,368,386	**-**	-
Other receivables	**7,086,036**	3,673,761	**2,000**	2,000
Prepayments	**625,584**	268,218	**-**	-
	138,810,532	130,310,365	**2,000**	2,000

The Group's normal trade credit periods of trade receivables range from 0 to 180 days (2016 : 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:-

2017

	Group		
	Gross	**Individual Impairment**	**Net**
	RM	**RM**	**RM**
Not past due	**88,582,776**	**-**	**88,582,776**
0 to 30 days past due	**31,427,621**	**-**	**31,427,621**
31 to 120 days past due	**10,412,680**	**-**	**10,412,680**
More than 120 days past due	**2,637,517**	**(1,961,682)**	**675,835**
	133,060,594	**(1,961,682)**	**131,098,912**

2016

	Group		
	Gross	**Individual Impairment**	**Net**
	RM	**RM**	**RM**
Not past due	78,144,430	-	78,144,430
0 to 30 days past due	35,058,364	-	35,058,364
31 to 120 days past due	12,557,496	(23,721)	12,533,775
More than 120 days past due	2,269,336	(1,637,519)	631,817
	128,029,626	(1,661,240)	126,368,386

12. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Ageing analysis *cont'd*

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.

(b) Allowance for impairment losses

	Group	
	2017	**2016**
	RM	**RM**
Balance at 1 January	**1,661,240**	2,072,773
Additional impairment losses	**1,035,318**	222,151
Reversal of impairment losses	**(538,105)**	(660,090)
Bad debts written off	**(141,674)**	(7,000)
Net exchange differences	**(55,097)**	33,406
Balance at 31 December	**1,961,682**	1,661,240

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	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	**110,006,842**	78,204,205
United States Dollar	**10,070,072**	33,438,196
Indonesian Rupiah	**10,997,931**	14,478,392
Singapore Dollar	**22,685**	246,949
Vietnamese Dong	**1,382**	-
Euro	**-**	644
	131,098,912	126,368,386

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12. TRADE AND OTHER RECEIVABLES *cont'd*

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

	Group	
	2017 RM	2016 RM
Ringgit Malaysia	**6,999,201**	3,467,244
Indonesian Rupiah	**81,606**	201,040
Vietnamese Dong	**5,229**	5,477
	7,086,036	3,673,761

13. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

	Group	
	2017 RM	2016 RM
Non-hedging derivative		
Current assets		
Derivative financial assets		
- Notional amount: USD1,650,000 (2016 : Nil)	**39,507**	-
Current liabilities		
Derivative financial liabilities		
- Notional amount: USD3,633,130 (2016 : USD1,359,614)	**(193,527)**	(3,754)

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.

14. AMOUNT DUE BY A SUBSIDIARY

Amount due by the subsidiary is unsecured, interest-free and is repayable on demand.

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15. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deposits with financial institutions	**40,908,934**	21,454,278	**10,738,739**	5,738,739
Cash and bank balances	**68,183,053**	67,040,472	**210,905**	259,912
	109,091,987	88,494,750	**10,949,644**	5,998,651

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	**74,114,272**	41,736,602	**10,949,644**	5,998,651
United States Dollar	**30,671,001**	41,581,114	**-**	-
Indonesian Rupiah	**3,906,217**	4,850,896	**-**	-
Singapore Dollar	**358,902**	175,560	**-**	-
Vietnamese Dong	**41,595**	150,578	**-**	-
	109,091,987	88,494,750	**10,949,644**	5,998,651

(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 1.05% to 3.55% and 3.20% to 3.55% (2016 : from 1.05% to 3.60% and 3.15% to 3.60%) per annum respectively.

16. SHARE CAPITAL

(a) Authorised shares

	Group and Company	
	2017	2016
Number of shares (Note 16(c))	-	1,000,000,000
Nominal amount (RM) (Note 16(c))	-	500,000,000

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16. SHARE CAPITAL *cont'd*

(b) Issued and fully paid ordinary shares

	Group and Company	
	2017	**2016**
Number of shares		
Balance at 1 January	**275,321,551**	265,074,400
Movements prior to share split:		
- shares issued pursuant to the exercise of share options (Note 16(d))	**6,296,000**	5,062,300
- shares issued for acquisition of a subsidiary (Note 7(b))	**-**	5,184,851
Balance immediately before share split	**281,617,551**	275,321,551
Subdivision of 1 existing share into 3 shares (Note 16(d))	**563,235,102**	-
Balance immediately after share split and at 31 December	**844,852,653**	275,321,551
Nominal value (RM)		
Balance at 1 January	**137,660,776**	132,537,200
Shares issued pursuant to the exercise of share options (Note 16(d))	**18,500**	2,531,150
Shares issued for acquisition of a subsidiary (Note 7(b))	**-**	2,592,426
Balance immediately before the transfer of share premium	**137,679,276**	137,660,776
Transfer of share premium pursuant to Companies Act 2016 (Note 16(c))	**11,777,238**	-
Issued of shares pursuant the exercise of shares options:		
- shares issued (Note 16(d))	**4,886,410**	-
- attributable options reserve transferred (Note 17(d))	**1,712,924**	-
Balance at 31 December	**156,055,848**	137,660,776

(c) Companies Act 2016

The new Companies Act 2016 ("the Act") which became effective from 31 January 2017 has removed the concept of authorised share capital and par value of share capital. In accordance with the transitional provision as set out in Section 618(2) of the Act, the amount outstanding to the credit of the share premium account of RM11,777,238 has become part of the Company's share capital upon the commencement of the Act on 31 January 2017. The change to no par value shares has no effect on the number of ordinary shares in issue of the Company.

(d) Shares issued during the financial year

During the financial year, prior to the share split exercise, the Company issued a total of 6,296,000 new ordinary shares for cash consideration of RM4,912,680 pursuant to the exercise of share options granted under the Company's Employees' Share Option Scheme as further disclosed in Note 16(e)(ii).

On 8 September 2017, the Company increased its issued ordinary shares from 281,617,551 shares to 844,852,653 shares by way of a share split exercise involving a subdivision of one (1) existing ordinary share into three (3) ordinary shares ("the Split Shares"). The Split Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 11 September 2017 and rank pari passu in all respects with one another. The share split exercise was approved by the shareholders on 21 August 2017.

16. SHARE CAPITAL *cont'd*

(d) Shares issued during the financial year *cont'd*

Subsequent to the financial year end and up to the date of these financial statements, the issued and paid-up share capital of the Company was increased from RM156,055,848 to RM157,360,183 comprising 847,957,653 ordinary shares through the issue of 3,105,000 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options.

In the previous financial year, the Company issued a total of 5,062,300 new ordinary shares of RM0.50 each and for cash consideration pursuant to the exercise of shares options granted by the Company. The issues gave rise to a total share premium of RM1,131,143 as disclosed in Note 17(a).

As further described in Note 7(b), in the previous financial year, the Company issued a total of 5,184,851 new ordinary shares of RM0.50 each at an issue price of RM1.7744 per share for the satisfaction of part of the consideration payable for the acquisition of a subsidiary. The issue gave rise to a share premium of RM6,607,574 as disclosed in Note 17(a).

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

(i) 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:-

(1) 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.

(2) 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.

(3) 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.

(4) 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).

(5) 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.

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16. SHARE CAPITAL *cont'd*

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

(i) 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. *cont'd*

(6) 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).

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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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16. SHARE CAPITAL *cont'd*

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

(i) 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. *cont'd*

(12) 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.

(13) 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.

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

(ii) 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:-

2017 - Prior to share split

		← Number of options over unissued ordinary shares →					
			← Movements prior to share split →				
Grant date	Exercise price prior to share split on 08.09.2017	Outstanding at beginning of year	Granted	Exercised	Forfeited	Outstanding prior to share split on 08.09.2017	Exercisable prior to share split on 08.09.2017
22.01.2015	RM0.7100	20,696,300	-	(5,592,000)	(312,000)	14,792,300	3,083,900
22.06.2015	RM1.0200	1,105,000	-	(256,000)	-	849,000	294,600
22.06.2016	RM1.4700	2,450,000	-	(259,000)	-	2,191,000	951,000
22.06.2017	RM1.5900	-	3,031,000	(189,000)	-	2,842,000	871,850
		24,251,300	3,031,000	(6,296,000)	(312,000)	20,674,300	5,201,350
Weighted average exercise prices prior to share split		RM0.8009	RM1.5900	RM0.7803	RM0.71000	RM0.9242	RM1.0140

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16. SHARE CAPITAL *cont'd*

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

(ii) 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:- *cont'd*

2017 - Subsequent to share split on 8 September 2017

Grant date	Exercise price after share split #	Number of options over unissued ordinary shares: Outstanding after share split #	Movements subsequent to share split: Granted	Exercised	Forfeited	Outstanding at end of year	Exercisable at end of year
22.01.2015	RM0.2400	**44,376,900**	-	-	-	**44,376,900**	**9,251,700**
22.06.2015	RM0.3400	**2,547,000**	-	-	-	**2,547,000**	**883,800**
22.06.2016	RM0.4900	**6,573,000**	-	-	-	**6,573,000**	**2,853,000**
22.06.2017	RM0.5300	**8,526,000**	-	-	-	**8,526,000**	**2,615,550**
		62,022,900	-	-	-	**62,022,900**	**15,604,050**
Weighted average exercise prices after share split #		**RM0.3105**	-	-	-	**RM0.3105**	**RM0.3400**

The exercise prices and the number of options granted have been adjusted consequential to the share split exercise.

2016

Grant date	Exercise price	Number of options over unissued ordinary shares: Outstanding at beginning of year	Granted	Exercised	Forfeited	Outstanding at end of year	Exercisable at end of year
22.01.2015	**RM0.7100**	25,662,600	-	(4,886,300)	(80,000)	20,696,300	2,791,700
22.06.2015	**RM1.0200**	1,251,000	-	(146,000)	-	1,105,000	273,400
22.06.2016	**RM1.4700**	-	2,540,000	(30,000)	(60,000)	2,450,000	590,000
		26,913,600	2,540,000	(5,062,300)	(140,000)	24,251,300	3,655,100
Weighted average exercise prices		RM0.7244	RM1.4700	RM0.7234	RM1.0357	RM0.8009	RM0.8559

The weighted average remaining contractual life of the options outstanding at the end of the reporting period was 1.92 years (2016 : 2.92 years).

(iii) During the financial year, the exercise of share options has resulted in the issuance of 6,296,000 (2016 : 5,062,300) new ordinary shares at a weighted average exercise price per share of RM0.78 (2016 : RM0.72). The weighted average share price at the dates of exercise was RM1.71 (2016 : RM1.66). All of the options exercised during the financial year occurred prior to the share split exercise undertaken by the Company as described in Note 16(d).

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16. SHARE CAPITAL *cont'd*

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

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

	2017	2016
Weighted average fair value of share options granted during the year	**RM0.50**	RM0.40
Weighted average share price at grant date	**RM1.59**	RM1.47
Weighted average exercise price of the options	**RM1.96**	RM1.47
Expected volatility of the share price	**33.60%**	61.48%
Expected life of the options	**2.44 years**	3.44 years
Expected dividend on the shares	**4.39%**	4.55%
Annual risk-free interest rate for the life of the options	**3.28%**	3.28%

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.

17. RESERVES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Distributable				
Retained profits	**97,442,516**	76,262,183	**1,586,702**	1,581,353
Non-distributable				
Share premium (Note 17(a))	**-**	11,759,663	**-**	11,759,663
Exchange translation reserve (Note 17(b))	**(183,427)**	109,781	**-**	-
Fair value adjustment reserve (Note 17(c))	**1,486,599**	661,836	**-**	-
Share option reserve (Note 17(d))	**5,191,827**	4,329,019	**5,191,827**	4,329,019
	103,937,515	93,122,482	**6,778,529**	17,670,035

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17. RESERVES *cont'd*

(a) Share premium

	Group and Company	
	2017	2016
	RM	RM
Balance at 1 January	**11,759,663**	2,689,578
Exercise of share options during the year	**7,770**	1,131,143
Transferred from option reserve on the exercise of share options (Note 17(d))	**9,805**	1,331,368
Transferred to share capital pursuant to Companies Act 2016 (Note 16(b))	**(11,777,238)**	-
Acquisition of a subsidiary	**-**	6,607,574
Balance at 31 December	**-**	11,759,663

(b) Exchange translation reserve

	Group	
	2017	2016
	RM	RM
Balance at 1 January	**109,781**	121,430
Foreign currency translation loss	**(293,208)**	(11,649)
Balance at 31 December	**(183,427)**	109,781

(c) Fair value adjustment reserve

	Group	
	2017	2016
	RM	RM
Balance at 1 January	**661,836**	864,679
Changes in fair value of available-for-sale financial assets	**824,763**	(202,843)
Balance at 31 December	**1,486,599**	661,836

17. RESERVES *cont'd*

(d) Share option reserve

	Group and Company	
	2017	**2016**
	RM	**RM**
Balance at 1 January	**4,329,019**	3,095,284
Share options granted during the year	**2,657,953**	2,579,568
Transferred on exercise of share options:		
- to share premium (Note 17(a))	**(9,805)**	(1,331,368)
- to share capital (Note 16(b))	**(1,712,924)**	-
Share options forfeited	**(72,416)**	(14,465)
Balance at 31 December	**5,191,827**	4,329,019

18. HIRE PURCHASE PAYABLES

	Group	
	2017	**2016**
	RM	**RM**
Future minimum payments:-		
Within 1 year	**400,248**	345,567
Between 2 to 5 years	**264,481**	564,968
	664,729	910,535
Future finance charge on hire purchase	**(41,015)**	(77,746)
Present value	**623,714**	832,789
Payable within 1 year (included under current liabilities)	**(370,512)**	(323,908)
Payable between 2 to 5 years (included under non-current liabilities)	**253,202**	508,881

19. RETIREMENT BENEFITS

	Group	
	2017	**2016**
	RM	**RM**
Present value of unfunded defined benefit obligations	**414,669**	307,354

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 15 January 2018.

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19. RETIREMENT BENEFITS *cont'd*

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

	Group	
	2017 RM	2016 RM
Balance at 1 January	**307,354**	222,043
Recognised in profit or loss		
Current service costs	**83,518**	64,441
Interest on obligation	**23,702**	20,048
Past service costs	**708**	-
	107,928	84,489
Recognised in other comprehensive income		
Actuarial loss arising from changes in financial assumptions (Tax effects - Note 10)	**66,543**	17,215
Benefits paid	**(24,075)**	(36,490)
Net exchange differences	**(43,081)**	20,097
Balance at 31 December	**414,669**	307,354

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	
	2017	2016
Discount rate	**7.00%**	8.00%
Future average salary increases	**9.00%**	9.00%

19. 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	
	2017	**2016**
	RM	**RM**
Discount rate increases by 1%	**(42,547)**	(33,282)
Discount rate decreases by 1%	**49,269**	38,780
Future average salary growth increases by 1%	**45,865**	36,680
Future average salary growth decreases by 1%	**(40,614)**	(32,226)

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

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade payables	**65,980,383**	68,063,644	**-**	-
Other payables and accruals	**8,554,188**	9,147,942	**295,363**	260,369
	74,534,571	77,211,586	**295,363**	260,369

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

	Group	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	**20,754,213**	19,494,687
United States Dollar	**43,038,691**	44,990,914
Indonesian Rupiah	**1,909,917**	3,377,082
Chinese Yuan Renminbi	**277,562**	200,961
	65,980,383	68,063,644

The normal credit periods of trade payables range from 0 to 90 days (2016 : 0 to 90 days).

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20. TRADE AND OTHER PAYABLES *cont'd*

(b) The carrying amounts of the Group's other payables and accruals are denominated in the following currencies:-

	Group	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	**7,708,586**	8,310,535
Indonesian Rupiah	**338,326**	308,690
United States Dollar	**455,574**	475,213
Singapore Dollar	**20,751**	26,427
Vietnamese Dong	**30,951**	27,077
	8,554,188	9,147,942

21. BANK BORROWINGS

	Group	
	2017	**2016**
	RM	**RM**
Bankers' acceptances - unsecured	**77,450,162**	55,649,498

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

	Group	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	**52,287,582**	35,765,652
United States Dollar	**8,903,802**	13,607,005
Indonesian Rupiah	**16,258,778**	6,276,841
	77,450,162	55,649,498

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

Bankers' acceptances outstanding as at year end are subject to interest between 2.30% to 11.01% (2016 : 1.74% to 11.15%) per annum.

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22. FINANCE COSTS

	Group 2017 RM	Group 2016 RM
Hire purchase interest	49,816	49,308
Bankers' acceptance interest	2,958,910	2,506,054
	3,008,726	2,555,362

23. PROFIT BEFORE TAXATION

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
This is stated after charging:-				
Amortisation of intangible assets	**165,755**	141,706	**-**	-
Auditors' remuneration:				
- Annual statutory audit				
Current year	**265,086**	272,375	**70,000**	66,000
Over provided in prior year	**(14,565)**	-	**-**	-
- Non-audit fees				
Current year	**11,649**	105,643	**8,000**	76,700
Under provided in prior year	**250**	-	**-**	-
Depreciation of property, plant and equipment	**2,384,169**	2,015,361	**-**	-
Amortisation of investment property	**-**	1,955	**-**	-
Defined benefit obligations	**107,928**	84,489	**-**	-
Share option expense:				
- Executive Directors of the Company	**180,646**	334,754	**-**	-
- Non-executive Directors of the Company	**51,612**	95,643	**51,612**	95,643
- Executive Directors of subsidiaries	**137,635**	307,817	**-**	-
- Employees	**2,288,060**	1,841,354	**-**	-
Directors' remuneration:				
- Executive Directors of the Company				
Fees	**10,000**	10,000	**-**	-
Salaries and other remuneration	**2,321,963**	2,644,649	**-**	-
Benefits-in-kind	**45,400**	29,848	**-**	-
- Non-executive Directors of the Company				
Fees	**96,000**	96,000	**96,000**	96,000
Other remuneration	**20,760**	23,760	**20,760**	23,760
- Executive Directors of subsidiaries				
Fees	**49,653**	35,603	**-**	-
Salaries and other remuneration	**2,656,733**	2,289,943	**-**	-
Benefits-in-kind	**39,881**	36,948	**-**	-

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23. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
This is stated after charging:- *cont'd*				
Impairment losses on trade receivables	**1,035,318**	222,151	**-**	-
Bad debts written off	**14,574**	6,975	**-**	-
Property, plant and equipment written off	**17,194**	46,371	**-**	-
Rental of premises	**1,417,421**	1,212,098	**-**	-
Rental of office equipment	**7,517**	4,591	**-**	-
Rental of factory equipment	**15,750**	8,400	**-**	-
Inventories written off	**-**	44,250	**-**	-
Inventories written down	**657,097**	607,825	**-**	-
Loss on foreign exchange:				
- realised	**2,448,343**	4,480	**30**	-
- unrealised	**485,671**	122,499	**520**	-
Royalty	**105,652**	51,903	**-**	-
Interest expense	**3,008,726**	2,555,362	**-**	-
Hire of lorries	**587,580**	516,240	**-**	-
Net loss/(gain) on changes in fair value of forward exchange contracts	**150,462**	(17,998)	**-**	-
and crediting:-				
Bad debt recovered	**1,180**	-	**-**	-
Dividend income:				
- quoted investment	**16,287**	19,519	**-**	-
- unquoted investment	**110,000**	110,000	**-**	-
- subsidiaries	**-**	-	**20,041,000**	19,882,000
Gain on foreign exchange:				
- realised	**4,981**	2,015,795	**-**	-
- unrealised	**389,550**	781,845	**-**	-
Net gain on disposal of property, plant and equipment	**59,040**	194,163	**-**	-
Net gain on disposal of investment property	**-**	84,976	**-**	-
Interest income from deposits with financial institutions	**1,341,498**	1,368,645	**276,657**	242,202
Rental income	**-**	-	**-**	-
Reversal of inventories written down	**736,054**	405,962	**-**	-
Reversal of impairment loss on trade receivables	**538,105**	660,090	**-**	-

24. TAXATION

Tax expense for the year comprised:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current year income tax:				
- Malaysian	**14,425,798**	15,089,197	**65,698**	60,000
- Foreign	**572,536**	146,754	**-**	-
Deferred tax (income)/expense resulting from the origination and reversal of temporary differences	**(119,748)**	162,639	**-**	-
	14,878,586	15,398,590	**65,698**	60,000
(Over)/Under provided in prior years:				
- Income tax	**(73,360)**	(1,331)	**(2,754)**	(1,527)
- Deferred tax	**6,813**	(4,897)	**-**	-
	14,812,039	15,392,362	**62,944**	58,473

(a) The reconciliation of tax expense applicable to the 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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit before taxation	**55,780,677**	59,078,138	**19,595,931**	18,863,604
Tax expense at the rate of 24% (2016 : 24%)	**13,387,362**	14,178,753	**4,703,023**	4,527,265
Tax effects in respect of:-				
Differences in tax rates of foreign subsidiaries	**12,518**	1,815	**-**	-
Expenses not deductible for taxation purposes	**1,529,618**	1,525,264	**172,515**	304,415
Income not subject to tax	**(46,217)**	(59,926)	**(4,809,840)**	(4,771,680)
Double deduction of expenses	**-**	(6,357)	**-**	-
Difference in statutory tax rate	**-**	-	**-**	-
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses	**(4,695)**	(240,959)	**-**	-
Taxation (over)/under provided in prior years:				
- Income tax	**(73,360)**	(1,331)	**(2,754)**	(1,527)
- Deferred tax	**6,813**	(4,897)	**-**	-
Total tax expense	**14,812,039**	15,392,362	**62,944**	58,473

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24. TAXATION *cont'd*

(b) As at 31 December 2017, a foreign subsidiary has an estimated unabsorbed tax losses amounting to RM700,738 (2016 : RM348,783) that can be carried forward for five (5) years to offset against future taxable income.

25. EARNINGS 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 RM40,742,906 (2016 : RM43,498,730) and on the weighted average number of shares in issue during the financial year of 837,810,471 (2016 : 814,892,133).

The weighted average number of ordinary shares in issue during the financial year ended 31 December 2016 has been adjusted from 271,630,711 to 814,892,133 to take into effect of the share split exercise undertaken by the Company during the current financial year as disclosed in Note 16(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	
		Restated
	2017	**2016**
	RM	**RM**
Profit attributable to owners of the Company (profit used to determine diluted earnings per share)	**40,742,906**	43,498,730
Weighted average number of ordinary share in issue	**837,810,471**	814,892,133
Effect of dilution from assumed exercise of share options	**34,213,920**	36,291,816
Adjusted weighted average number of ordinary share in issue	**872,024,391**	851,183,949
Diluted earnings per share (sen)	**4.67**	5.11

The adjusted weighted number of ordinary share in issue during the financial year ended 31 December 2016 has been restated from 283,727,983 to 851,183,949 to take into effect of the share split exercise undertaken by the Company during the current financial year as disclosed in Note 16(d).

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26. DIVIDENDS

	Group and Company	
	2017	**2016**
	RM	**RM**
Second single tier interim dividend of 4.5 sen per ordinary share in respect of the financial year ended 31 December 2016	**12,559,615**	-
First single tier interim dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2017	**7,040,439**	-
Single tier final dividend of 4.5 sen per ordinary share in respect of the financial year ended 31 December 2015	**-**	12,338,170
First single tier interim dividend dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2016	**-**	6,881,463
	19,600,054	19,219,633

On 14 February 2018, the Directors declared a second single tier interim dividend of 1.5 sen per ordinary share amounting to RM12,719,365 based on the issued share capital of 847,957,653 shares as of the date of these financial statements for the financial year ended 31 December 2017 and is payable on 15 May 2018. The amount payable will be adjusted for the issued share capital as at the book closure date on 20 April 2018 arising from exercise of the Company's Employees' Share Options, if any. The financial statements for the current financial year do not reflect this dividend as it was declared subsequent to the financial year end.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

27. NOTE TO STATEMENT OF CASH FLOWS

(a) Purchase of property, plant and equipment

	Group	
	2017	**2016**
	RM	**RM**
Cash purchase	**10,643,240**	6,850,512
Hire purchase financing	**160,526**	797,554
Aggregate cost	**10,803,766**	7,648,066

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.

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27. NOTE TO STATEMENT OF CASH FLOWS *cont'd*

(b) Liabilities arising from financing activities

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, during the financial are analysed in the table below.

	Hire purchase financing (Note 18) RM	Bankers' acceptances (Note 21) RM	Total RM
Group - 2017			
At 1 January 2017	832,789	55,649,498	56,482,287
Net cash flows	(336,720)	23,576,985	23,240,265
Acquisition of property, plant and equipment (Note 27(a))	160,526	-	160,526
Net exchange differences	(32,881)	(1,776,321)	(1,809,202)
At 31 December 2017	623,714	77,450,162	78,073,876

28. STAFF COSTS AND EMPLOYEES INFORMATION

	Group 2017 RM	Group 2016 RM
(a) Staff costs comprised:-		
Salaries, wages and bonuses	**15,622,308**	14,636,287
Amount contributed under defined contribution plan:		
- Employees Provident Fund (EPF)	**1,702,801**	1,620,037
Defined benefit obligations (Note 19)	**107,928**	84,489
Share options expense	**2,657,953**	2,579,568
Others	**589,642**	621,740
	20,680,632	19,542,121

(b) The number of employees of the Group at end of the financial year was 205 (2016 : 194). Employees include Executive Directors of the Group and of the Company.

29. 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.

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 with a subsidiary, Luxchem Trading Sdn Bhd ("LT")

	Company	
	2017	**2016**
	RM	**RM**
Dividend from LT	**10,000,000**	6,000,000

(b) Transactions with a subsidiary, Luxchem Polymer Industries Sdn Bhd ("LPOLY")

	Company	
	2017	**2016**
	RM	**RM**
Dividend from LPOLY	**10,041,000**	13,882,000

(c) Year-end outstanding balance with a subsidiary, Luxchem Vietnam Company Limited ("LVCL")

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

	Company	
	2017	**2016**
	RM	**RM**
Amount due by LVCL		
- included under amount due by subsidiaries	**5,072**	5,621

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

No bad or doubtful debts expense has been recognised during the financial year in respect of amount due by LVCL (2016 : NIL).

(d) Provision of guarantees

The provision of guarantees between the Company and subsidiaries are disclosed in Note 31.

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29. RELATED PARTY TRANSACTIONS *cont'd*

(e) 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	
	2017	**2016**
	RM	**RM**
Short-term employee benefits	**4,644,621**	4,583,335
Post-employment benefits - contribution to Employees Provident Fund	**490,759**	489,594
Defined benefit obligations	**58,111**	42,860
Share options expense	**369,893**	738,214
Others	**19,727**	27,025
	5,583,111	5,881,028
Benefits-in-kind	**85,281**	66,796
	5,668,392	5,947,824

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Included under other payables and accruals	**1,332,876**	1,671,088	**101,760**	101,760

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

	Group	
	2017	**2016**
	RM	**RM**
Salaries and other remuneration paid during the financial year to an individual related to certain Directors of the Company	**152,837**	144,744
Share options expense	**22,366**	41,446
	175,203	186,190

29. RELATED PARTY TRANSACTIONS *cont'd*

(f) Transactions and year-end outstanding balance with other related parties *cont'd*

The year-end outstanding balance in relation to related party is:-

	Group	
	2017	**2016**
	RM	**RM**
Included under other payables and accruals	**21,204**	20,418

30. CAPITAL COMMITMENT

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Approved and contracted for				
Purchase of:				
- property, plant and equipment	**494,203**	7,919,904	**-**	-
- intangible assets	**160,378**	164,618	**-**	-

31. CONTINGENT LIABILITIES

	Company	
	2017	**2016**
	RM	**RM**
Corporate guarantees (unsecured) favouring banks for credit facilities granted to subsidiaries:		
- Limit of guarantees	**282,331,725**	233,773,260
- Amount utilised	**78,120,371**	55,649,498
Financial guarantees (unsecured) given to third parties for supply of goods to subsidiaries	**14,368,625**	15,925,300

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32. 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, latex chemical dispersions, latex processing chemicals and related products.

No other operating segments have 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.

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

2017	Trading RM	Manufacturing RM	Adjustments RM	Consolidated RM
Revenue				
Total revenue	666,903,932	245,526,518	-	912,430,450
Inter-segment revenue	(13,328,191)	(92,392,691)	-	(105,720,882)
External sales	653,575,741	153,133,827	-	806,709,568
Results				
Segment results	30,347,054	27,696,289	(721,726)	57,321,617
Dividend, interest and rental income	937,853	253,276	276,657	1,467,786
Operating profit/(loss)	31,284,907	27,949,565	(445,069)	58,789,403
Finance costs	(2,830,309)	(178,417)	-	(3,008,726)
Profit/(Loss) before taxation	28,454,598	27,771,148	(445,069)	55,780,677
Taxation	(8,536,243)	(6,212,852)	(62,944)	(14,812,039)
Profit/(Loss) for the year	19,918,355	21,558,296	(508,013)	40,968,638
Segment assets	278,201,540	126,318,258	10,951,643	415,471,441
Segment liabilities	127,719,766	26,968,468	306,061	154,994,295

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32. SEGMENT REPORTING *cont'd*

(a) Operating Segments *cont'd*

2017	Trading RM	Manufacturing RM	Adjustments RM	Consolidated RM
Other Information				
Additions to non-current assets:				
- property, plant and equipment	7,611,271	3,192,495	-	10,803,766
Depreciation and amortisation	1,212,090	1,337,834	-	2,549,924
Non cash items other than depreciation and amortisation:				
- Impairment losses on trade receivables, net of reversals	497,213	-	-	497,213
- Bad debts written off	14,574	-	-	14,574
- Property, plant and equipment written off	2,771	14,423	-	17,194
- Inventories written down	447,905	209,192	-	657,097
- Reversal of inventories written down	(327,171)	(408,883)	-	(736,054)
- Defined benefit obligations	107,928	-	-	107,928
- Net unrealised (gain)/loss on foreign exchange	(290,215)	385,816	520	96,121
- Net loss/(gain) on changes in fair value of forward exchange contracts	160,151	(9,689)	-	150,462
- Net gain on disposal of property, plant and equipment	(25,078)	(33,962)	-	(59,040)
- Share options expense	2,361,947	244,394	51,612	2,657,953

Notes to the Financial Statements

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32. SEGMENT REPORTING *cont'd*

(a) Operating Segments *cont'd*

2016	**Trading RM**	**Manufacturing RM**	**Adjustments RM**	**Consolidated RM**
Revenue				
Total revenue	565,271,230	206,695,966	-	771,967,196
Inter-segment revenue	(6,711,274)	(63,706,722)	-	(70,417,996)
External sales	558,559,956	142,989,244	-	701,549,200
Results				
Segment results	30,467,574	30,928,359	(1,260,598)	60,135,335
Dividend, interest and rental income	907,872	348,090	242,203	1,498,165
Operating profit/(loss)	31,375,446	31,276,449	(1,018,395)	61,633,500
Finance costs	(2,455,892)	(99,470)	-	(2,555,362)
Profit/(Loss) before taxation	28,919,554	31,176,979	(1,018,395)	59,078,138
Taxation	(7,661,771)	(7,672,117)	(58,474)	(15,392,362)
Profit/(Loss) for the year	21,257,783	23,504,862	(1,076,869)	43,685,776
Segment assets	247,654,633	115,861,974	6,008,178	369,524,785
Segment liabilities	113,207,958	24,951,236	260,369	138,419,563

32. SEGMENT REPORTING *cont'd*

(a) Operating Segments *cont'd*

2016 *cont'd*	**Trading** RM	**Manufacturing** RM	**Adjustments** RM	**Consolidated** RM
Other Information				
Additions to non-current assets:				
- property, plant and equipment	6,872,925	775,141	-	7,648,066
Depreciation and amortisation	1,032,254	1,126,768	-	2,159,022
Non cash items other than depreciation and amortisation:				
- Impairment losses on trade receivables, net of reversals	(437,939)	-	-	(437,939)
- Bad debts written off	6,975	-	-	6,975
- Property, plant and equipment written off	2,421	43,950	-	46,371
- Inventories written down	218,342	389,483	-	607,825
- Inventories written off	44,250	-	-	44,250
- Reversal of inventories written down	(265,492)	(140,470)	-	(405,962)
- Defined benefit obligations	84,489	-	-	84,489
- Net unrealised gain on foreign exchange	(98,279)	(561,067)	-	(659,346)
- Net (gain)/loss on changes in fair value of forward exchange contracts	(23,404)	5,406	-	(17,998)
- Net gain on disposal of property, plant and equipment	(159,099)	(35,064)	-	(194,163)
- Net gain on disposal of investment property	(84,976)	-	-	(84,976)
- Share options expense	2,149,845	334,080	95,643	2,579,568

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32. 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.

	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	**578,946,876**	**82,815,765**	495,203,477	74,525,093
Indonesia	**99,136,173**	**535,781**	70,429,422	558,595
Vietnam	**89,524,854**	**142,553**	96,922,272	33,121
Thailand	**16,684,244**	**-**	18,848,001	-
Australia	**7,822,866**	**-**	6,167,329	-
Bangladesh	**4,487,033**	**-**	4,232,297	-
Singapore	**3,603,421**	**-**	4,777,653	-
New Zealand	**2,470,145**	**-**	2,349,605	-
Japan	**1,317,074**	**-**	1,685,919	-
Cambodia	**831,166**	**-**	-	-
Korea	**605,625**	**-**	-	-
Phillipines	**533,797**	**-**	-	-
Others	**746,294**	**-**	933,225	-
	806,709,568	**83,494,099**	701,549,200	75,116,809

(c) Major Customers

There was no single customer which contributed more than 10% of the Group's total revenue for the current and previous financial year.

33. 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 deposits with financial institutions, cash and bank balances, trade and other receivables, other investments and derivative financial assets.

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

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

33. 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

	2017			
	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss RM	Available-for-sale financial assets RM
Group				
Other investments	1,781,941	-	-	1,781,941
Trade receivables	131,098,912	131,098,912	-	-
Other receivables ^	4,673,750	4,673,750	-	-
Derivative financial assets	39,507	-	39,507	-
Deposits, cash and bank balances	109,091,987	109,091,987	-	-
	246,686,097	244,864,649	39,507	1,781,941

^ *Exclude goods and services tax recoverable*

	2017	
	Carrying amount RM	Loans and receivables RM
Company		
Other receivables	2,000	2,000
Amount due by a subsidiary	5,072	5,072
Deposits, cash and bank balances	10,949,644	10,949,644
	10,956,716	10,956,716

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33. FINANCIAL INSTRUMENTS *cont'd*

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

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

	2016		
	Carrying amount RM	Loans and receivables RM	Available-for-sale financial assets RM
Group			
Other investments	957,179	-	957,179
Trade receivables	126,368,386	126,368,386	-
Other receivables ^	2,411,908	2,411,908	-
Deposits, cash and bank balances	88,494,750	88,494,750	-
	218,232,223	217,275,044	957,179

^ *Exclude goods and services tax recoverable*

	2016	
	Carrying amount RM	Loans and receivables RM
Company		
Other receivables	2,000	2,000
Amount due by subsidiaries	5,621	5,621
Deposits, cash and bank balances	5,998,651	5,998,651
	6,006,272	6,006,272

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33. FINANCIAL INSTRUMENTS *cont'd*

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

Financial liabilities as per statement of financial position

	2017		
	Carrying amount RM	Fair value through profit or loss RM	Other financial liabilities measured at amortised cost RM
Group			
Trade payables	65,980,383	-	65,980,383
Other payables ^	8,506,537	-	8,506,537
Derivative financial liabilities	193,527	193,527	-
Bank borrowings	77,450,162	-	77,450,162
Hire purchase payables	623,714	-	623,714
	152,754,323	193,527	152,560,796

^ *Exclude goods and services tax payable*

	2017	
	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Company		
Other payables	295,363	295,363

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33. FINANCIAL INSTRUMENTS *cont'd*

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

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

	2016		
	Carrying amount	Fair value through profit or loss	Other financial liabilities measured at amortised cost
	RM	RM	RM
Group			
Trade payables	68,063,644	-	68,063,644
Other payables	9,147,942	-	9,147,942
Derivative financial liabilities	3,754	3,754	-
Bank borrowings	55,649,498	-	55,649,498
Hire purchase payables	832,789	-	832,789
	133,697,627	3,754	133,693,873

	2016	
	Carrying amount	Other financial liabilities measured at amortised cost
	RM	RM
Company		
Other payables	260,369	260,369

(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.

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(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, deposits with financial institutions 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 31.

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

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 2017 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 9 major customers representing approximately 28% (2016: 10 major customers representing approximately 26%) 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 12.

Deposits and bank balances are only placed with licensed banks where the risk of default has been assessed to be low.

The Company provides unsecured corporate guarantees to banks for facilities granted to subsidiaries. The Company monitors on an ongoing basis the performance of the subsidiaries and their ability to fulfill the financial obligations. The Company's maximum exposure to credit risk arising from the corporate guarantees provided is represented by the outstanding banking facilities utilised by the subsidiaries as at 31 December 2017 amounting to RM78,120,371 (2016 : RM55,649,498). As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

(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 2017

Cont'd

33. 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 RM	More than 1 year and less than 5 years RM	More than 5 years RM	Total RM	Effective interest rate %
Group					
2017					
Trade payables	**65,980,383**	**-**	**-**	**65,980,383**	**-**
Other payables	**8,554,188**	**-**	**-**	**8,554,188**	**-**
Hire purchase payables	**400,248**	**264,481**	**-**	**664,729**	**4.83 to 18.83**
Bank borrowings	**77,450,162**	**-**	**-**	**77,450,162**	**2.30 to 11.01**
2016					
Trade payables	68,063,644	-	-	68,063,644	-
Other payables	9,147,942	-	-	9,147,942	-
Hire purchase payables	345,567	564,968	-	910,535	4.83 to 18.83
Bank borrowings	55,649,498	-	-	55,649,498	1.74 to 11.15
Company					
2017					
Other payables	**295,363**	**-**	**-**	**295,363**	**-**
2016					
Other payables	260,369	-	-	260,369	-

Notes to the Financial Statements

31 December 2017

Cont'd

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(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.

(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:-

2017	USD RM	SGD RM	CNY RM	Total RM
Trade and other receivables	**10,070,072**	**22,685**	**-**	**10,092,757**
Deposits, cash and bank balances	**30,475,084**	**358,902**	**-**	**30,833,986**
Trade and other payables	**(43,494,265)**	**(20,751)**	**(277,562)**	**(43,792,578)**
Bank borrowings	**(8,903,802)**	**-**	**-**	**(8,903,802)**
	(11,852,911)	**360,836**	**(277,562)**	**(11,769,637)**

2016	USD RM	SGD RM	CNY RM	EURO RM	Total RM
Trade and other receivables	33,438,196	246,949	-	644	33,685,789
Deposits, cash and bank balances	40,347,493	175,560	-	-	40,523,053
Trade and other payables	(45,466,127)	(10,918)	(200,961)	-	(45,678,006)
Bank borrowings	(13,607,005)	-	-	-	(13,607,005)
	14,712,557	411,591	(200,961)	644	14,923,831

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.

Notes to the Financial Statements

31 December 2017

Cont'd

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iv) Currency risk cont'd

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	
	2017	**2016**
	RM	**RM**
USD	**(1,185,291)**	1,471,256
SGD	**36,084**	41,159
CNY	**(27,756)**	(20,096)
EURO	**-**	64

(v) Interest rate risk

The Group has interest rate risk in respect of its borrowings and deposits with financial institutions.

The Group's bank borrowings, hire purchase financing and interest bearing 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 deposits are restructured and reduced.

Interest rate risk sensitivity analysis

As all the Group's borrowings and deposits as at 31 December 2017 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.

Notes to the Financial Statements
31 December 2017
Cont'd

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(vi) Other price risk *cont'd*

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	
	2017	**2016**
	RM	**RM**
Available-for-sale financial assets	**167,194**	84,718

(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.

(iv) The carrying amounts of deposits with financial institutions, 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.

(vi) The fair value on initial recognition of financial liability in respect of unsecured corporate guarantees provided to banks for facilities granted to subsidiaries has not been recognised in the Company's financial statements as such fair value was not material due to the short-term nature of the banking facilities utilised and the borrowing rates imposed by the banks are not significantly different from those without such guarantees.

Notes to the Financial Statements

31 December 2017

Cont'd

33. FINANCIAL INSTRUMENTS *cont'd*

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

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 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
2017				
Financial assets				
Available-for-sale investments	**1,671,941**	**-**	**-**	**1,671,941**
Derivative financial assets	**-**	**39,507**	**-**	**39,507**
Financial liabilities				
Derivative financial liabilities	**-**	**(193,527)**	**-**	**(193,527)**
2016				
Financial assets				
Available-for-sale investments	847,179	-	-	847,179
Financial liabilities				
Derivative financial liabilities	-	(3,754)	-	(3,754)

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 2017, the Group's strategy, which was unchanged from 2016, was to maintain the debt-to-equity ratio below 0.5. The debt-to-equity ratio as at 31 December 2017 and 31 December 2016 were as follows:-

	Group	
	2017 RM	**2016 RM**
Trade and other payables	**74,534,571**	77,211,586
Bank borrowings	**77,450,162**	55,649,498
Hire purchase payables	**623,714**	832,789
Less : Deposits, cash and bank balances	**(109,091,987)**	(88,494,750)
Total net debt	**43,516,460**	45,199,123
Total equity	**260,477,146**	231,105,222
Debt-to-equity ratio	**0.17**	0.20

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

Statement by Directors

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

We, TANG YING SEE and CHEN MOI KIEW, being the two of the Directors of LUXCHEM CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 51 to 140 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Board of Directors dated 16 March 2018.

TANG YING SEE
Director

CHEN MOI KEW
Director

Petaling Jaya

Date: 16 March 2018

Statutory Declaration

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

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 51 to 140 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 16 March 2018)

CHEN MOI KEW
Before me,

Commissioner for Oaths

Independent Auditors' Report

to the Members of Luxchem Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LUXCHEM CORPORATION BERHAD, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 140.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report

to the Members of Luxchem Corporation Berhad

Cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

Key audit matters	How our audit addressed the key audit matters
1. Goodwill - assessment of impairment As disclosed in Note 9 to the financial statements, the Group has a goodwill of RM35,802,888 which arose from the acquisition of Transform Master Sdn. Bhd. The goodwill has been allocated to Transform Master Sdn Bhd as the cash generating unit ("CGU"). This CGU has been tested for impairment before the end of the financial year to assess the recoverability of the carrying amount of the goodwill. The management assessed the recoverable amount of the goodwill by determining the CGU's value in use using the discounted future cash flows method. As disclosed in Note 3(b)(ii) on Critical Accounting Judgement and Key Sources of Estimation Uncertainty, the determination of value in use is highly subjective as significant judgement is required to determine the appropriate future cash flow forecast and projections, EBITDA margin, discount rate and growth rate. Accordingly, due to the high estimation uncertainty, the impairment assessment of the CGU is considered to be a key audit matter.	Our procedures include the following: ▪ We evaluated whether the cash flow forecast and projections prepared by the management are in accordance with the requirements of MFRS 136 *Impairment of Assets*. ▪ We assessed the reasonableness of the growth rate used by the management in forecasting and projecting the future cash flows by comparing it against the subsidiary's past performance and also the achievability of future projections against its maximum production capacity. ▪ We assessed the management's determination of discount rate by evaluating the appropriateness of the models used and the reasonableness of inputs thereon against other comparable companies. ▪ We have performed sensitivity analyses around the key assumptions within the cash flow forecast and projections.

Independent Auditors' Report

to the Members of Luxchem Corporation Berhad

Cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters cont'd

Key audit matters	How our audit addressed the key audit matters
2. Share options expense As explained in Note 3(b)(v) to the financial statements on Critical Accounting Judgement and Key Sources of Estimation Uncertainty, the determination of fair value of share options granted was made using the Trinomial Option Pricing Model. This model uses various inputs some of which are required to be estimated as disclosed in Note 16(e)(iv) to the financial statements. In addition, since there is a service vesting condition attached to the share options granted, the fair value of the options granted is recognised as an expense over the vesting period and this requires an estimate of the number of share options that is expected to vest. Due to the high estimation uncertainty with regard to the determination of the fair value of share options and the number of share options that are expected to vest, we considered this to be a key audit matter.	Our procedures include the following: ■ We evaluated whether the model used complies with the requirements of MFRS 2 *Share-based Payment*. ■ We validated the inputs used against historical information and market available data. ■ We checked whether the inputs obtained by the management were correctly applied to the valuation model. ■ In estimating the number of share options that are expected to vest, the management has estimated the number of employees that would leave over the vesting period based on the Group's historical payroll records over the same length of period. We checked the estimate of the number of employees that would leave against the Group's historical payroll records. We have also checked whether the estimate has been appropriately applied in arriving at the number of share options that are expected to vest.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

Independent Auditors' Report
to the Members of Luxchem Corporation Berhad
Cont'd

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report
to the Members of Luxchem Corporation Berhad
Cont'd

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7(a) to the financial statements.

OTHER MATTERS

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

FOLKS DFK & CO.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/18(J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur

Date : 16 March 2018

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 2017 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 Darul Ehsan	41 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	434,316.94
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor Darul Ehsan	23 years/ freehold	-	Warehouse	80,150/ 32,400	RM2,978,359/ August 30, 1991	2,066,065.92
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 Darul Ridzuan	33 years/ leasehold/ March 22, 2045	28	Office/Store	10,000/ 6,500	RM519,816/ February 06, 1992	280,347.01
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	20 years/ leasehold August 14, 2096	79	Industrial land/ factory warehouse	190,112/ 74,237	RM7,577,597/ February 04, 1997 RM2,876,575/ November 30, 2014 RM15,000/ November 09, 2015 RM29,300/ February 27, 2017	8,136,594.77
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	8 years/ leasehold/ November 03, 2058	41	Industrial land/ factory warehouse	87,120/ 49,776	RM3,856,664/ March 28, 1997 RM2,525,526/ June 01, 2017	5,575,843.60
6.	No. 4, Jalan Bistari 4, Taman Industri Jaya, 81300 Skudai, Johor Darul Takzim/ PN 13419, Lot 56749, Mukim of Pulai, Johor Bahru, Johor Darul Takzim	20 years/ leasehold/ September 03, 2911	894	1 1/2 storey semi-detached factory	21,780/ 17,403	RM1,468,495/ March 28, 2005	1,271,084.31
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	41 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,701,332.84

List of Properties

Cont'd

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 2017 RM
8.	Lot P2, Lumut Port Industrial Park, 32000 Sitiawan, Perak Darul Ridzuan/ PN 296183 Lot 15592, Mukim of Lumut District of Manjung, Perak Darul Ridzuan	12 years/ leasehold/ July 09, 2105	88	Industrial land/ factory warehouse office building	67,608/ 45,302	RM3,900,000/ July 15, 2011	3,708,505.89
9.	Lot 23, Phase 3A, Pulau Indah Industrial Park P.N 7935, Lot No. 74078, District and Mukim of Klang, Selangor Darul Ehsan	81 years/ leasehold/ February 24, 2097	80	Industrial land	366,775.20	RM14,671,008/ September 14, 2017	14,609,481.44

Analysis of Shareholdings
as at 9 March 2018

Class of Shares	:	Ordinary Shares
Issued Share Capital	:	845,692,653
Amount of Shares issued as fully paid	:	RM163,765,126.61
Voting Rights	:	One (1) vote per ordinary share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	4	0.079	69	0.000
100 - 1,000	511	10.185	344,531	0.040
1,001 - 10,000	2,091	41.678	12,398,300	1.466
10,001 - 100,000	1,944	38.748	66,265,500	7.835
100,001 - 42,284,631 (*)	465	9.268	286,332,053	33.857
42,284,632 AND ABOVE (**)	2	0.039	480,352,200	56.799
Total	**5,017**	**100.000**	**845,692,653**	**100.000**

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.	411,420,000	48.648	-	-
TANG YING SEE	5,400,000	0.638	416,711,700 [(a)]	49.275
CHIN SONG MOOI	5,291,700	0.625	416,820,000 [(a)]	49.287
CHOW CHENG MOEY	68,932,200	8.150	600,000 [(b)]	0.071

Note:

(a) Deemed interested by virtue of their substantial shareholdings in Chemplex Resources Sdn. Bhd. and shares held by spouse pursuant to Section 8 of the Companies Act, 2016.

(b) Deemed interested by virtue of shares held by spouse, Mr. Lim Kuang Sia pursuant to Section 59(11)(c) of the Companies Act, 2016.

Analysis of Shareholdings

as at 9 March 2018

Cont'd

LIST OF DIRECTORS' SHAREHOLDINGS

	Shareholdings			
Directors	**Direct**	**%**	**Indirect**	**%**
TANG YING SEE	5,400,000	0.638	431,146,500 [(a)]	50.981
CHIN SONG MOOI	5,291,700	0.625	431,254,800 [(b)]	50.994
CHEN MOI KEW	2,385,000	0.282	-	-
MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MOKHTAR BIN SAMAD*	1,560,000	0.184	-	-
CHAN WAN SIEW	900,000	0.106		
CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN WAN SIEW*	150,000	0.017	-	-
AU CHUN CHOONG	300,000	0.035	-	-
HLB NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG*	3,882,600	0.459	-	-

Notes:

(a) *Deemed interested by virtue of his substantial shareholdings in Chemplex Resources Sdn. Bhd. and his spouse, Chin Song Mooi's shareholdings in the Company pursuant to Section 8 of the Companies Act, 2016 and his son, Tang Chii Shyan's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.*

(b) *Deemed interested by virtue of her substantial shareholdings in Chemplex Resources Sdn. Bhd. and her spouse, Tang Ying See's shareholdings in the Company pursuant to Section 8 of the Companies Act, 2016 and her son, Tang Chii Shyan's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.*

LIST OF TOP 30 HOLDERS AS AT 9 MARCH 2018

Without aggregating securities from different securites accounts belonging to the same registered holder

No	Holder Name	Shares Held	Percentage
1	CHEMPLEX RESOURCES SDN. BHD.	411,420,000	48.648
2	CHOW CHENG MOEY	68,932,200	8.150
3	TANG CHII SHYAN	14,434,800	1.706
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	13,597,500	1.607
5	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND*	10,100,000	1.194
6	LIM LENG BUNG	8,595,000	1.016
7	OH WEI WAH	8,299,875	0.981
8	LIM JEE SOON	5,500,000	0.650
9	TANG YING SEE	5,400,000	0.638
10	CHIN SONG MOOI	5,291,700	0.625
11	TABUNG AMANAH MELAKA	4,500,000	0.532
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEAH LEE SENG (CHE0461C)*	4,200,000	0.496

Analysis of Shareholdings
as at 9 March 2018
Cont'd

LIST OF TOP 30 HOLDERS AS AT 9 MARCH 2018 *cont'd*
Without aggregating securities from different securites accounts belonging to the same registered holder

No	Holder Name	Shares Held	Percentage
13	LIM HUI GUAN	3,900,000	0.461
14	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG*	3,882,600	0.459
15	NG AH KIEW	3,794,700	0.448
16	MISA SDN BHD	3,674,400	0.434
17	LEE CHEE SIAN	3,373,165	0.398
18	FOO KHON PU	3,000,000	0.354
19	LEE CHOONG ONN	3,000,000	0.354
20	CHANG YOON CHOY	2,700,000	0.319
21	KWAN FOH KWAI	2,530,000	0.299
22	CHEN MOI KEW	2,385,000	0.282
23	LEE PEI PEI	2,333,184	0.275
24	FONG AH CHAI	2,300,000	0.271
25	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,297,900	0.271
26	CH'NG CHAN SENG	2,170,800	0.256
27	LEE HUNG KUEN	2,100,000	0.248
28	CHEN TAM CHAI	2,079,600	0.245
29	NG CHAI TEIK	2,058,600	0.243
30	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEH CHEE TONG*	2,046,000	0.241
		609,897,024	72.118

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting ("AGM") of the Company will be held at Casuarina and Dillenia Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 7 May 2018 at 10.00 a.m. to transact the following business:

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of Directors' fees of RM106,000.00 for the financial year ended 31 December 2017. ***Ordinary Resolution 1***

3. To approve the payment of Directors' remuneration (excluding Directors' fee) to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM29,760.00 for the period from the Twenty-Sixth Annual General Meeting up to the date of the next Annual General Meeting of the Company. ***Ordinary Resolution 2***

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 77 of the Constitution of the Company and, who being eligible, offer themselves for re-election:

   (a) Chan Wan Siew ***Ordinary Resolution 3***
   (b) Au Chun Choong ***Ordinary Resolution 4***

5. To appoint Messrs BDO as Auditors of the Company in place of Messrs Folks DFK & Co. for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 5***

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions, with or without modifications:

6. **RETENTION OF DATO' HAJI MOKHTAR BIN HAJI SAMAD AS INDEPENDENT NON-EXECUTIVE DIRECTOR** ***Ordinary Resolution 6***

   "THAT approval be and is hereby given to Dato' Haji Mokhtar Bin Haji Samad, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company."

7. **RETENTION OF CHAN WAN SIEW AS INDEPENDENT NON-EXECUTIVE DIRECTOR** ***Ordinary Resolution 7***

   "THAT subject to passing of the Ordinary Resolution 3, approval be and is hereby given to Chan Wan Siew, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting
Cont'd

8. **RETENTION OF AU CHUN CHOONG AS INDEPENDENT NON-EXECUTIVE DIRECTOR** ***Ordinary Resolution 8***

"THAT subject to passing of the Ordinary Resolution 4, approval be and is hereby given to Au Chun Choong, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company."

9. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 9***

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory authorities, where such approval is necessary, authority be and is hereby given to the Directors of the Company, pursuant to Sections 75 and 76 of the Act, to allot shares in the Company from time to time, at such price upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

By Order of the Board

WONG WAI FOONG *(MAICSA 7001358)*
CHEN MOI KEW *(MIA 6359)*
NG HARN SHIN *(MIA 22427)*
Company Secretaries

Petaling Jaya
5 April 2018

Notes on the Appointment of Proxy:

1. *For the purpose of determining a member who shall be entitled to attend this Twenty-Sixth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 54(2) of the Constitution of the Company and Section 34(l) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 27 April 2018. Only a depositor whose name appears on the Record of Depositors as at 27 April 2018 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 one (1) proxy or more proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

Notice of Annual General Meeting

Cont'd

3. *Where a member appoints more than one (1) proxy, 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 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, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meetings i.e. before 10.00 a.m. on Saturday, 5 May 2018 or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.*

Explanatory Notes to Ordinary Business:

1. ***Item 1 of the Agenda – Receipt of Report and Audited Financial Statements***

   Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from the shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. ***Item 3 of the Agenda – Directors' Remuneration (excluding Directors' fee)***

   Pursuant to Section 230(1) of the Act, Directors' remuneration (excluding Directors' fee) to the Non-Executive Chairman and Non-Executive Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is seeking shareholders' approval for the payment of Directors' benefits for the period from the Twenty-Sixth Annual General Meeting up to the date of the next Annual General Meeting of the Company.

   The details of the Directors' Remuneration can be found on Practice 7.1 of CG Report.

Explanatory Notes to Special Business:

3. ***Ordinary Resolution 6 – Retention of Dato' Haji Mokhtar bin Haji Samad as Independent Non-Executive Director***

   In line with Practice 4.2 of the Malaysian Code on Corporate Governance, the Nominating Committee has assessed the independence of Dato' Haji Mokhtar bin Haji Samad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director of the Company. The justifications of the Board of Directors for recommending and supporting the resolutions for his continuing in office as Independent Non-Executive Directors are set out under the Corporate Governance Overview Statement in the Company's Annual Report 2017.

4. ***Ordinary Resolution 7 – Retention of Chan Wan Siew as Independent Non-Executive Director***

   In line with Practice 4.2 of the Malaysian Code on Corporate Governance, the Nominating Committee has assessed the independence of Chan Wan Siew, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director of the Company. The justifications of the Board of Directors for recommending and supporting the resolutions for his continuing in office as Independent Non-Executive Directors are set out under the Corporate Governance Overview Statement in the Company's Annual Report 2017.

Notice of Annual General Meeting
Cont'd

5. Ordinary Resolution 8 – Retention of Au Chun Choong as Independent Non-Executive Director

In line with Practice 4.2 of the Malaysian Code on Corporate Governance, the Nominating Committee has assessed the independence of Au Chun Choong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director of the Company. The justifications of the Board of Directors for recommending and supporting the resolutions for his continuing in office as Independent Non-Executive Directors are set out under the Corporate Governance Overview Statement in the Company's Annual Report 2017.

6. Ordinary Resolution 9 - Authority to issue and allot shares pursuant to Sections 75 and 76 of the Act

The proposed Ordinary Resolution 9 is a renewal of the previous year's general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The Ordinary Resolution, if passed, will empower the Directors of the Company, from the date of the Twenty-Sixth Annual General Meeting, to issue and allot new ordinary shares of the Company of up to ten percent (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors of the Company consider would be in the best interest of the Company. This authority, unless earlier revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The authority to issue shares pursuant to Sections 75 and 76 of the Act will provide flexibility and expediency to the Company for any possible fund raising activities involving the issuance or placement of shares to facilitate business expansion or strategic merger and acquisition opportunities involving equity deals or part equity or to fund future investment project(s) or for working capital requirements, which the Directors of the Company consider to be in the best interest of the Company. The approval is sought to avoid any delay and cost in convening a general meeting to approve such issuance of shares.

As at the date of this Notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the Twenty-Fifth Annual General Meeting of the Company held on 5 May 2017 and the mandate will lapse at the conclusion of the Twenty-Sixth Annual General Meeting. A renewal of this authority is being sought at the Twenty-Sixth Annual General Meeting.

Notice of Annual General Meeting
Cont'd

Statement Accompanying Notice of Annual General Meeting
Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

There is no director standing for election at the twenty-sixth Annual General Meeting of the Company.

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

PROXY FORM

*I/We ______________________ NRIC/Passport/Company No. ______________ Tel/Hp No. ______________ of ______________________ being member(s) of Luxchem Corporation Berhad, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Full Name (in Block and as per NRIC/Passport)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at Casuarina and Dillenia Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Monday**, **7 May 2018** at **10.00 a.m.** and at any adjournment thereof, and to vote as indicated below:

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.			
		Resolution	**For**	**Against**
2.	Payment of Directors' fees of RM106,000.00 for the financial year ended 31 December 2017	Resolution 1		
3.	Payment of Directors' remuneration (excluding Directors' fee) to the Non-Executive Chairman and Non-Executive Director up to an amount of RM 29,760.00 for the period from the Twenty-Sixth Annual General Meeting up to the date of the next annual general meeting of the Company	Resolution 2		
4.	Re-election of Chan Wan Siew as Director	Resolution 3		
5.	Re-election of Au Chun Choong as Director	Resolution 4		
6.	Appointment of Messrs BDO as Auditors of the Company in place of Messrs Folks DFK & Co. for the financial year ending 31 December 2018	Resolution 5		
Special Business				
7.	Retention of Dato' Haji Mokhtar bin Haji Samad as Independent Non-Executive Director of the Company	Resolution 6		
8.	Retention of Chan Wan Siew as Independent Non-Executive Director of the Company	Resolution 7		
9.	Retention of Au Chun Choong as Independent Non-Executive Director of the Company	Resolution 8		
10.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016	Resolution 9		

[Please indicate with an "X" in the spaces provided on how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.]

Dated this day __________ of ____________________ 2018

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-Sixth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 54(2) of the Constitution of the Company and Section 34(l) of the Securities Industry (Central Depositories) Act 1991 of Malaysia to issue a General Meeting Record of Depositors as at 27 April 2018. Only a depositor whose name appears on the Record of Depositors as at 27 April 2018 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 one (1) proxy or more proxies to attend and vote instead of him. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member appoints more than one (1) proxy, 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 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, Tricor Investor & Issuing House Services Sdn Bhd at, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meetings, i.e. before 10.00 a.m. on Saturday, 5 May 2018 or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Share Registrar
LUXCHEM CORPORATION BERHAD (224414-D)
c/o Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

1st Fold Here

www.luxchem.com.my

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47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia
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