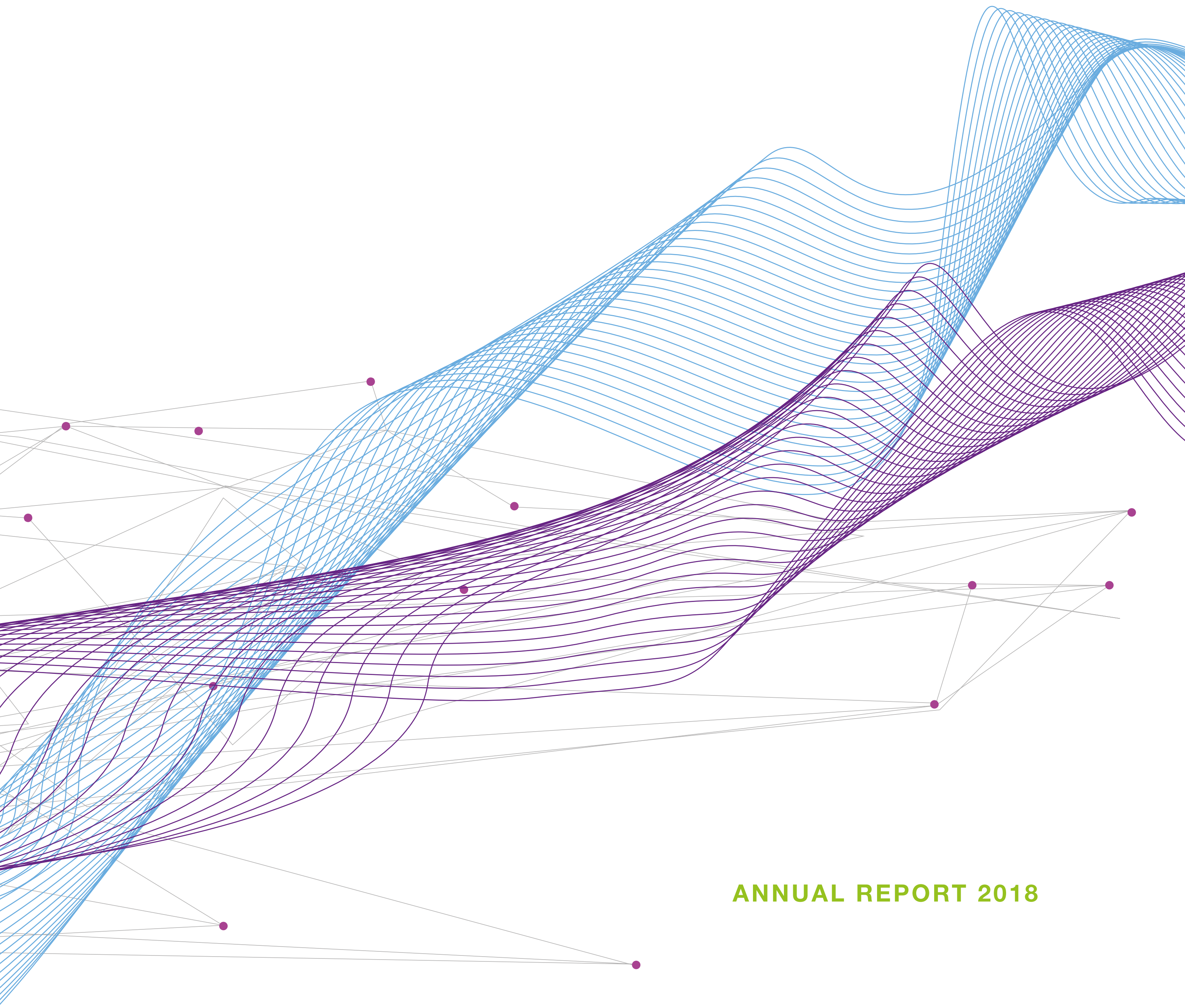
LUXCHEM

LUXCHEM CORPORATION BERHAD

(Company No.: 224414-D)

THE **TRUSTED NAME**
IN INDUSTRIAL CHEMICAL SUPPLIES



ANNUAL REPORT 2018

CONTENT

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

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

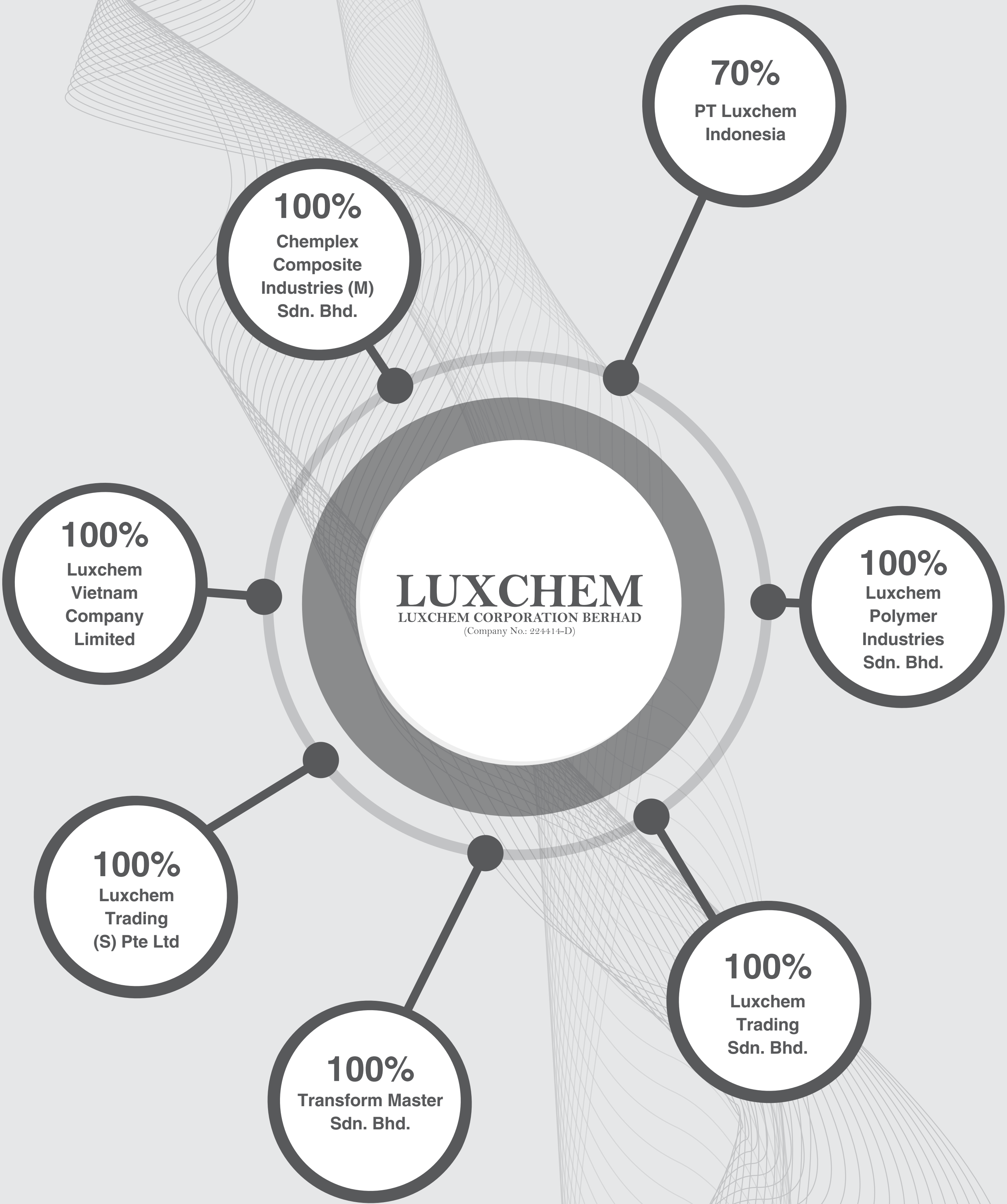
AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)
Level 8, BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Telephone No. : (03) 2616 2888
Facsimile No. : (03) 2616 3190, 2616 3191

STOCK EXCHANGE LISTING

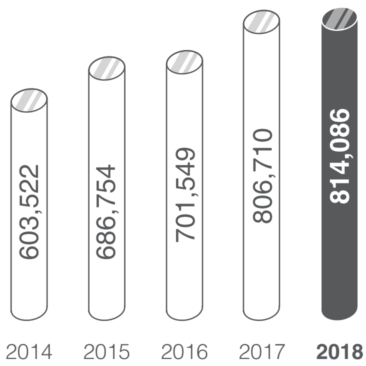
The Main Market of Bursa Malaysia
Securities Berhad
Stock Name : LUXCHEM
Stock Code : 5143
Date of listing : 27 June 2008

CORPORATE STRUCTURE

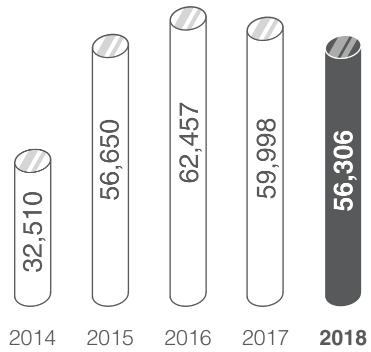


FINANCIAL HIGHLIGHTS

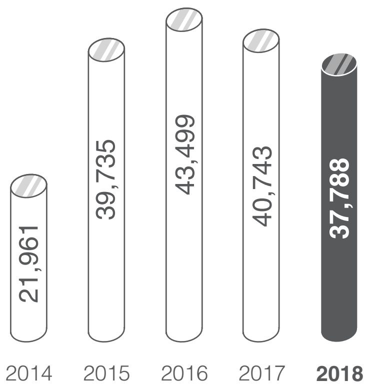
REVENUE (RM'000)



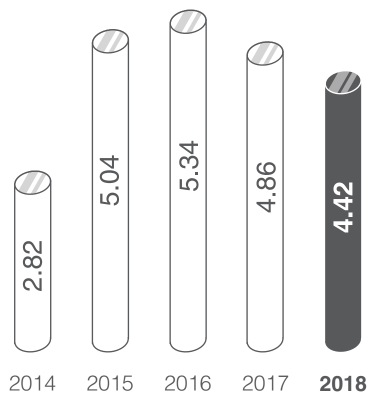
EBITDA (RM'000)



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



EARNING PER SHARE (SEN)



	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	603,522	686,754	701,549	806,710	814,086
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	32,510	56,650	62,457	59,998	56,306
Profit before taxation ("PBT")	29,578	54,397	59,078	55,781	49,880
Profit attributable to Owners of the Company	21,961	39,735	43,499	40,743	37,788
Earnings Per share - Basic (sen) *	2.82	5.04	5.34	4.86	4.42
Earnings Per share - Diluted (sen) *	-	4.88	5.11	4.67	4.31

FINANCIAL HIGHLIGHTS
cont'd

* ***FYE 2018:***
Earning Per Share - Basic
Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year ended 31 December 2018 of 855,857,346.

Earning Per Share - Diluted
Computed based on Profit Attributable to Owners of the Company and divided by the adjusted weighted average number of shares in issue during the financial year ended 31 December 2018 of 876,393,664.

* ***FYE 2017:***
Earning Per Share - Basic
Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year ended 31 December 2017 of 837,810,471.

Earning Per Share - Diluted
Computed based on Profit Attributable to Owners of the Company and divided by the adjusted weighted average number of shares in issue 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 share. The share split involved as subdivision of one (1) existing ordinary share into three (3) ordinary shares.

* **FYE2014 to FYE 2016:**
The weighted average number of ordinary shares in issue during the financial year 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.

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 2018 AND OUTLOOK FOR THE YEAR 2019.

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. Trading

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

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

18% of trading segment revenue for FYE 2018 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 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. Manufacturing

Manufacturing activities comprised the following:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

B. OVERVIEW OF LCB BUSINESS ACTIVITIES *cont'd*

2. Manufacturing *cont'd*

These activities are carried out by LPI and TMSB respectively.

73% of our manufacturing segment revenue for FYE 2018 was contributed by export sales. Our major exporting countries for our manufacturing segment are Vietnam, Thailand, Indonesia (via PTLI which is under trading segment), Australia and Bangladesh.

Having expanded our plant capacities in LPI and TMSB during FYE 2018, 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 further if it is justified.

C. GROUP FINANCIAL PERFORMANCE

Financial performance of the Group

	2018	2017	CHANGES	CHANGES
	RM	RM	RM	%
Revenue	814,086,419	806,709,568	7,376,851	0.91%
Cost of sales	(732,986,928)	(720,293,589)	(12,693,339)	1.76%
Gross profit	81,099,491	86,415,979	(5,316,488)	-6.15%
Other operating income	3,347,454	3,724,464	(377,010)	-10.12%
Selling and distribution costs	(6,208,715)	(6,158,016)	(50,699)	0.82%
Administrative expenses	(21,702,885)	(21,141,614)	(561,271)	2.65%
Administrative expenses - share option expenses	(1,161,284)	(2,657,953)	1,496,669	-56.31%
Other operating expenses	(1,185,553)	(1,393,457)	207,904	-14.92%
Operating profit	54,188,508	58,789,403	(4,600,895)	-7.83%
Finance costs	(4,308,936)	(3,008,726)	(1,300,210)	43.21%
Profit before Tax	49,879,572	55,780,677	(5,901,105)	-10.58%
Taxation	(12,501,085)	(14,812,039)	2,310,954	-15.60%
Profit after Tax	37,378,487	40,968,638	(3,590,151)	-8.76%

Revenue

The Group's revenue for FYE 2018 has increased by RM7.38 million or 0.91% as compared to FYE 2017. This revenue growth was mainly contributed by TMSB and PTLI.

Gross profit

Gross profit decreased by RM5.32 million for FYE 2018. This decrease was from the manufacturing segment.

Operating profit

Operating profit dropped RM4.60 million in FYE 2018. This was mainly due to lower gross profits in FYE 2018, which was however partially offset by lower share option expense.

The share option expenses in FYE 2018 of RM1.16 million is lower than the share option expenses in FYE 2017 of RM2.66 million due to the lower number of options granted in FYE 2018, compared to FYE 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

C. GROUP FINANCIAL PERFORMANCE *cont'd*

Profit after tax

The Group achieved profit after tax of RM37.38 million, a decrease of RM3.59 million from FYE 2017. This decrease was mainly due to the lower gross profit margin.

D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS

1. SEGMENT : MANUFACTURING

Overview - Manufacturing

The performance of the Manufacturing segment in FYE 2018 as compared to FYE 2017 is summarised below:

	MANUFACTURING SEGMENT		
	2018	2017	VARIANCE
	RM	RM	RM
Total revenue	281,634,078	245,526,518	36,107,560
Inter-segment revenue	(124,688,451)	(92,392,691)	(32,295,760)
External sales	156,945,627	153,133,827	3,811,800
Results			
Segment results	23,740,073	27,696,289	(3,956,216)
Dividend,interest & rental income	227,439	253,276	(25,837)
Operating profit/(loss)	23,967,512	27,949,565	(3,982,053)
Finance costs	(282,647)	(178,417)	(104,230)
Profit/(Loss) before taxation	23,684,865	27,771,148	(4,086,283)
Taxation	(5,224,792)	(6,212,852)	988,060
Profit/(Loss) for the year	18,460,073	21,558,296	(3,098,223)

Manufacturing revenue, net of inter-company transactions, increased to RM156.95 million in FYE 2018, an increase of RM3.81 million or 2.50% as compared to FYE 2017. This increase was attributable to contribution by TMSB.

Profit after tax from the Manufacturing segment for FYE 2018 reduced RM3.10 million as compared to FYE 2017 due to lower margins, which resulted in lower operating profit.

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.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS *cont'd*

1. SEGMENT : MANUFACTURING *cont'd*

Manufacturing Unsaturated Polyester Resin ("UPR") *cont'd*

LPI started operations in 1997 and is located in Taman Teknologi Cheng, Melaka. We have obtained the following certifications:

- ISO9001:2015
- ISO14001:2015
- OHSAS18001:2007

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.

During Q2 2018, we expanded our production capacity from 30,000 MT to 40,000 MT. Base on 40,000 MT, our average utilisation for FYE 2018 was about 65%. We are targeting to increase our utilisation in FYE 2019 through increased exports.

In order to sustain our business growth, LPI's 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. We have obtained the following certification:

- ISO9001: 2015

During FYE 2017, TMSB annual production capacity was 9,600 MT. As it was operating near full capacity, TMSB commenced its expansion plans during Q4 2017. Installation of the additional machineries was completed during Q1 2018. Its production capacity in FYE 2018 was 13,800 MT. TMSB capacity utilisation in FYE 2018 was about 80%.

TMSB will focus on product development to meet new customers' requirements.

2. SEGMENT : TRADING

Marketing and distribution of industrial chemicals and materials

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

FYE 2018 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.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS *cont'd*

2. SEGMENT : TRADING *cont'd*

Marketing and distribution of industrial chemicals and materials *cont'd*

The performance of Trading segment in FYE 2018 as compared to FYE 2017 is summarised below:

	TRADING SEGMENT		
	2018	2017	VARIANCE
	RM	RM	RM
Total revenue	668,610,209	666,903,932	1,706,277
Inter-segment revenue	(11,469,417)	(13,328,191)	1,858,774
External sales	657,140,792	653,575,741	3,565,051
Results			
Segment results	29,320,868	30,347,054	(1,026,186)
Dividend,interest & rental income	1,163,388	937,853	225,535
Operating profit/(loss)	30,484,256	31,284,907	(800,651)
Finance costs	(4,026,289)	(2,830,309)	(1,195,980)
Profit/(Loss) before taxation	26,457,967	28,454,598	(1,996,631)
Taxation	(7,188,293)	(8,536,243)	1,347,950
Profit/(Loss) for the year	19,269,674	19,918,355	(648,681)

Under this Trading segment, our activities are import, export and distribution of petrochemical and other related products to the Rubber, Latex, FRP, Coating 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 2018, revenue from Trading segment was higher by RM3.57 million or 0.55% as compared to FYE 2017.

The increase was mainly contributed by higher sales from PTLI. Profit after tax decreased by RM0.65 million or 3.26%, mainly due to lower margins.

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

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

E. REVENUE BY GEOGRAPHICAL SEGMENTS

In FYE 2018, LCB derived export revenue of RM235.89 million, an increase of RM8.13 million or 3.57% compared to FYE 2017. The increase came from exports to Indonesia, via PTLI.

Countries	FYE 2018 RM	FYE 2017 RM	Variance RM
Malaysia	**578,197,764**	**578,946,876**	**(749,112)**
Indonesia	105,640,282	99,136,173	6,504,109
Vietnam	87,434,557	89,524,854	(2,090,297)
Thailand	15,032,287	16,684,244	(1,651,957)
Australia	4,974,776	7,822,866	(2,848,090)
Bangladesh	4,565,738	4,487,033	78,705
Cambodia	3,640,258	831,166	2,809,092
Singapore	3,539,313	3,603,421	(64,108)
British Virgin Islands	2,958,109	-	2,958,109
Phillippines	2,799,793	533,797	2,265,996
New Zealand	2,415,178	2,470,145	(54,967)
Japan	1,555,709	1,317,074	238,635
Korea	-	605,625	(605,625)
Others	1,332,655	746,294	586,361
Total Export	**235,888,655**	**227,762,692**	**8,125,963**
Total	**814,086,419**	**806,709,568**	**7,376,851**

F. OUTLOOK

For FYE 2019, 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 improve our productivity and efficiency to achieve better results. In our trading segment, we will strive to improve our quality of service to customers by providing technical advice to 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 2019 will remain to be challenging. However, we are optimistic that our Group will continue to expand steadily.

SUSTAINABILITY REPORT 2018

To summarise our sustainability efforts in 2018, the Group has analysed the stakeholders' expectations, in the process of finalising sustainability framework and structure, and carried out meaningful action plans towards meeting the sustainability objectives in 2018.

STAKEHOLDERS' EXPECTATIONS

To ensure the relevancy of sustainability management in the Group, we have established our stakeholders' expectations as follows:

Stakeholder / Interested Party	Engagement Mode	Sustainability Management		
		Environment Interest	Economic Interest	Social Interest
Customers	Regular sales visits, goodwill & appreciation visits, compliance audits, customer satisfaction surveys and exhibitions	Alignment to / Compliance with statutory and regulatory requirements pertaining to environment protection.	Product pricing, technical and after sales support.	Alignment to / Compliance with human rights and labour movement, compliance to business integrity.
Employees	Appraisals, orientation programme, open-door communication, meetings, appreciation and recreational events.	Alignment to / Compliance with statutory and regulatory requirements pertaining to environment protection.	Financial stability, job stability and career progression.	Safety and health at workplace.
Suppliers, Principals/agencies	Regular visits, correspondences, product training and meeting.	Alignment to / Compliance with statutory and regulatory requirements pertaining to environment protection.	Financial stability, product sales performance and brand awareness.	Compliance to Business integrity.
Government Agencies	Correspondences, audit / inspection, seminar and dialogue sessions.	Alignment to / Compliance with statutory and regulatory requirements pertaining to environment protection.	Regulatory compliance, national labour productivity and investment trend, regulatory compliance.	Occupational safety and health standards and business integrity.
Shareholders & Investors	Annual / Extraordinary General Meetings, analysts' briefing, interviews, company website, annual reports.	Alignment to / Compliance with statutory and regulatory requirements pertaining to environment protection.	Returns on investment, sustainable growth and business results improvement.	Social responsibility improvement.

The Group has also determined that the scope of sustainability management shall apply to Luxchem Trading Sdn. Bhd. ("LTSB"), Luxchem Polymer Industries Sdn. Bhd. ("LPI") and Transform Master Sdn. Bhd. ("TMSB") and PT Luxchem Indonesia ("PTLI").

SUSTAINABILITY REPORT 2018
cont'd

GROUP SUSTAINABILITY MANAGEMENT

The functions of the key management members are defined in sustainability management. The Group has the intention to formalise the structure below in 2019.

Board of Directors of LCB
• Review the Group's sustainability matters and provide advice and direction of sustainability in the Group when necessary. • Approve sustainability report.

Managing Director / Chief Executive Officer of LCB
• Lead and drive the sustainability initiatives in the Group. • Discuss, review and monitor the progress of sustainability matters regularly. • Report to the Board of Directors on sustainability matters.

Sustainability Managers (Heads of Subsidiary / Division / Branch / Department)
• Be responsible for assessing and identifying material sustainability factors. • Undertake actions necessary to address sustainability concerns. • Report progress to the Managing Director or Board of Directors as and when necessary.

SUSTAINABILITY MATTERS OF ENVIRONMENT INTEREST

In the past financial years, LTSB has been consistently recycling its office waste and disposal through charitable organisation. LPI, on the other hand, is in compliance with the Environment Quality Act, 1974. 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 the Environmental Quality (Clean Air) Regulation 2014.

During the financial year, the Group has set and accomplished the following sustainability projects:

- LPI has successfully transitioned ISO 14001:2008 to the latest standard, ISO 14001:2015.
- Moving towards reducing paper usage, greener environment and efficient process flow, e-Leave system was successfully implemented for LTSB and LPI after successful implementation of e-Payslip and e-EA forms in the previous years.
- LPI has installed a new equipment in its production which will reduce production waste.
- LPI has also installed automated machines and equipment for a safer working environment.

The Group will also continue to seek opportunity to automate its service and production processes for a greater result in the protection of environment.

SUSTAINABILITY REPORT 2018
cont'd

SUSTAINABILITY MATTERS OF SOCIAL INTEREST

In supporting the sustainability management in the aspect of social interest, the Group has completed the following projects and initiatives during the financial year:

- Establishment of Workforce Policy for the Group that supports no child labour, no forced labour, no discrimination, fair labour practices and human rights within the Group. This move has officialised the Group's stand in aligning with the international labour movements.
- Establishment of Whistleblowing Policy for the Group which provides an avenue and proper channel for stakeholders to voice legitimate concerns. This move echoes the Group's aspiration to conduct its business and operation with high integrity and transparency.
- Completion of Job Evaluation project for LTSB and LPI led to the establishment and implementation of competitive job grading and salary range. This will lead to structural management of the workforce's career and maintain a sufficient and healthy number of manpower to support the Group's operations and expansion. In addition, the salary structure established in this project is above the minimum wages order that is currently in force.
- Organised its Annual Dinner in the month of March 2018. The event was attended by approximately 70% of the Group's employees from national and overseas. The Group has been consistently recognising and rewarding the contributions of its long-serving employees. In the same year, the Group also organised its biennial trips to Seam Reap in July and August for its employees.
- Organised an educational trip for PTLI employees in December 2018. The trip covered visitation to Head office, warehouse and LPI. The trip enabled better work communication and bonding between employees of Malaysia and Indonesia.
- Helped undergraduates to gain valuable industrial and manufacturing experience through their internship with LPI.
- Constructed covered motorbike parking and walkway in LPI which improves employees' safety and welfare.

The Group has registered the following training hours in the past 3 years:

Year	2018	2017	2016
Average Training Hours Per Employee	10.77	15.29	8.93

The Group commits that for the coming years, focus would be given on strengthening and enhancing the safety and health matters as well as consistently training and developing its employees on skills and knowledge to meet the changing requirements of the business and operations.

SUSTAINABILITY MATTERS OF ECONOMIC INTEREST

Prior to financial years, the Group regularly evaluated its customers satisfaction towards the products and services rendered by the Group. The Group also undertaken annual assessment of the performance of its suppliers to ensure quality were maintained and enhanced. During the financial year, the following projects and initiatives were set and completed:

- Analyst Briefing was held on 14 February 2018 for networking and discussion with analyst and potential investors on the Group's business performance and direction. In addition, the Group also met analysts quarterly for update on the company performance.
- LTSB and LPI have both successfully transitioned from ISO 9001:2008 to ISO 9001:2015. The Group demonstrates its commitment in meeting the changing standards and maintaining its quality services to the customers.
- LTSB and TMSB participated in the 9th International Rubber Glove Conference and Exhibition 2018 on 4 September 2018, the largest rubber glove exhibition in Malaysia that gathered the local, regional and international rubber glove makers. This event has good platform for the companies to showcase its products and services to potential customers from all over the world.
- The Group has expanded its Enterprise Resource Planning ("ERP") System to TMSB and is currently working to upgrade its ERP system in LPI. By deploying the ERP System to the subsidiaries, the Group is able to improve productivity, increase efficiencies, decrease costs and streamline processes.

SUSTAINABILITY REPORT 2018
cont'd

SUSTAINABILITY MATTERS OF ECONOMIC INTEREST *cont'd*

Dividend

Year	2017	2016
Dividend Payout expressed in percentage to Profit After Tax	49%	45%

The Group will continue its efforts in the coming years meeting the sustainability economic interest through automation of its processes.

CONCLUSION

The Group is of view that it has taken reasonable steps in addressing sustainability issues in the financial year. Moving forward, the Group will improve its sustainability efforts.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board') of Luxchem Corporation Berhad ("the Company") 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 of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") that explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2018 ("FY 2018") 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 Practice in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 4 April 2019. Shareholders may obtain this CG Report by accessing this link www.luxchem.com.my for further details.

Except for detailed disclosures on a named basis for the remuneration of top five (5) senior management in bands of RM50,000, overall, the Board is of the view that the Company has, in all material aspect, 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 CG Report under Practices 7.2 of the MCCG. During the FY 2018, the company has established its whistleblowing policy.

A. BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Board continues to ensure its effectiveness and to provide strong leadership to the 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 annually and makes 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 arising from the 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 ensures that the control in the Group is retained in the Board.

Nonetheless, the Board may, at its 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

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 FY 2018 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 Company 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

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 advance to facilitate the Directors in planning their meeting schedule for the year. During the FY 2018, five (5) Board meetings were held and the details of attendance of each Director at the meetings were as follows:

Name of Directors	Designation	Attendance
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	4/5
Mr. Tang Ying See	Managing Director/Chief Executive Officer	5/5
Madam Chin Song Mooi	Executive Director	5/5
Madam Chen Moi Kew	Executive Director/Chief Financial Officer	5/5
Mr. Chan Wan Siew	Senior Independent Non-Executive Director	4/5
Mr. Au Chun Choong	Independent Non-Executive Director	5/5

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 FY 2018 were as below:

Name of Directors	Course Title
Dato' Haji Mokhtar Bin Haji Samad	Seminar Pemantapan Peranan Lembaga Penggerak Ke Arah Keberkesanan Tadbir Urus Korporat Syarikat
Mr. Tang Ying See	The 18th International Exhibition on Rubber Technology
Madam Chin Song Mooi	1. Annual Seminar On Year 2019 Budget And Other Tax Developments 2. Goods & Service Tax Training
Madam Chen Moi Kew	1. Annual Seminar On Year 2019 Budget And Other Tax Developments 2. Local Currency Settlement Framework Conference 3. Enterprise Risk Management Workshop 4. Sales & Service Tax Briefing 5. HSBC Optimising Working Capital Forum 2018 6. Goods & Service Tax Training
Mr. Chan Wan Siew	1. World Capital Market Symposium, KL 2. Japanese Institute of CPAs' Annual Conference, Tokyo 3. Bursa-MCCG Seminar: Malaysian Code of Corporate Governance 2017 4. Ascend Pinnacle Pan Asian Corporate Directors Conference, San Francisco 5. Asia Pacific Business Forum-ESCAP Conference 2018, Hong Kong 6. NACD Global Cyber Summit 2018, Geneva 7. Cross Border Dialogue: Gender Diversity, Singapore 8. Institute of Corporate Director Canada Annual Conference 2018, Vancouver 9. International Corporate Directors Forum, Los Angeles

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	10. Thai Institute of Directors National Conference 2018, Bangkok 11. Leading in Digital Age, Kuala Lumpur 12. MAICSA Annual Conference 13. NACD Advanced Directors Professionalism Program, Los Angeles 14. International Strategy Institute: Corporate Malaysia Summit 2018 15. Singapore Institute of Directors: Rebooting Globalisation 16. Global Governance & Leadership Forum, Mumbai, India 17. NACD Global Board Leaders' Summit, Washington, DC 18. ASEAN Board of Directors Conference: Future-Proof Boardroom
Mr. Au Chun Choong	1. Constructing and Managing a Fixed Income Portfolio

(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 and Guidance 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 on the Company's website at www.luxchem.com.my for shareholders' reference.

The Nominating Committee assisted the Board in conducting performance evaluation and providing constructive feedback to Board Members of their performance during the FY 2018. In this way, the Board ensured its effectiveness is maintained and enhanced continuously.

The Nominating Committee is 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.

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 "independence directors" prescribed by the MMLR. Nominating Committee also carries out the evaluation on the independence of each independent Director on an annual basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(II) Board Composition *cont'd*

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 FY 2018:

- 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 its 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 FY 2018 is listed on a named basis with the detailed remuneration breakdown available under Practice 7.1 of the CG Report.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

The Board has established an effective and independent Audit Committee. All the members of Audit Committee are Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the Board. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

(I) Audit Committee *cont'd*

The amount of audit fees and non-audit fees paid/payable to the Messrs BDO PLT ("BDO") by the Company and by the Group for the FY 2018 were as follows:

	Company RM	Group RM
Statutory audit fees paid /payable to BDO	72,000	234,000
Non-audit fees paid /payable to BDO	5,000	5,000
Total	77,000	239,000

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 for ensuring 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 disclosure and ensuring the Group's financial statements comply with applicable financial reporting standards.

(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. 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 24 to 27 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 28 to 31 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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 shareholders with a greater understanding of the Company's business and performance.

In addition, the Board and Management had conducted analyst 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.

Separately, disclosures on management of material economic, environmental and social risk and opportunities are reported in the Sustainability Report on pages 12 to 15 of this Annual Report 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-Sixth 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-Sixth 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-Sixth 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 14 February 2019.

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 2018, 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 the 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 2018 ("FY 2018") 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 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)

The AC Chairman, Mr. Au Chun Choong is not the Chairman of the Board. Both Mr. Au Chun Choong and Mr. Chan Wan Siew are fellow members of the Association of Chartered Certified Accountants, members of Malaysian Institute of Accountants and members of Malaysian Institute of Chartered Secretaries and Administrators.

2. TERMS OF REFERENCE

The Terms of Reference of the AC is included in the Board Charter and available on the Company's website at www.luxchem.com.my.

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 its Corporate Governance ("CG") standards during the FY 2018.

3. MEETING AND ATTENDANCE

During the FY 2018, five (5) meetings were held. The details of attendance of each member at the meetings were as follows:

Name of Committee Members	Attendance
Mr. Au Chun Choong	5/5
Mr. Chan Wan Siew	4/5
Dato' Haji Mokhtar Bin Haji Samad	5/5

AUDIT COMMITTEE REPORT
cont'd

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the FY 2018, the AC carried 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 interim financial results 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.

d) Reviewed the change of auditors. BDO PLT was selected as the Company's External Auditors based on their independence and expertise. AC had recommended it to the Board to table to shareholders' approval at the Annual General Meeting held on 7 May 2018.

iii. Overseeing the Governance Practices in the Company

a) Reviewed the CG Overview Statement, CG Report, 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 and conflict of interest situation that may arise within the Group, 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 Risk Management Committee's presentation and internal audit reports and report to the Board accordingly.

AUDIT COMMITTEE REPORT
cont'd

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE *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.

All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in the firm are required to complete the Independence Declaration Form on annually basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct And Ethics Declaration on assignment basis. The internal audit department consists of 23 permanent internal audit personnel and 1 admin personnel.

Name :	Amos Law, Executive Director
Professional Qualification:	Certified Internal Auditor ("CIA"), Chartered Institute of Internal Auditors ("CMIA") and Certification in Risk Management Assurance ("CRMA")

All the internal audit functions carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia in carrying out the internal audit function.

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 three (3) AC meetings during the FY2018 and had conducted their reviews for the following areas:

i. Production, Quality Assurance and Inventory Management;
ii. Enterprise Risk Management; and
iii. Information Technology General Control.

The fee incurred for the internal audit function in respect of the FY2018 was RM80,000 (2017:RM80,000).

AUDIT COMMITTEE REPORT
cont'd

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 1,869,000 options granted to and accepted by the eligible employees of the Group for the FY2018 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 14 February 2019.

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 2018 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 systems of internal control presented by the Internal Auditors; and
- Management assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

Group's Risk Management and Internal Control Systems

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:

- **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 Key Senior Management and 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.

  Profiles of Key Senior Management is published on the Company's website at www.luxchem.com.my.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD RESPONSIBILITIES *cont'd*

Group's Risk Management and Internal Control Systems *cont'd*

- **Risk Management** *cont'd*

  During the financial year under review, risk awareness workshops were conducted within the organisation. The RMC has established an Enterprise-Wide Risk Management framework. Sources of risk were identified from nine areas as listed below:

  i. External factors;

  ii. Market factors;

  iii. Interest rate;

  iv. Legal;

  v. Operational risk;

  vi. Strategic;

  vii. Reputation;

  viii. Credit risk; and

  ix. Liquidity

- **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 with the written Terms of Reference 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 systems back up procedures;

  viii. ISO 9001:2015 Quality Management Systems in Luxchem Trading Sdn. Bhd. and Transform Master Sdn. Bhd.; ISO 9001:2015, ISO14001:2015 and OHSAS18001:2007 management systems in Luxchem Polymer Industries Sdn. Bhd. forming the basis of production, operational and management procedures;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD RESPONSIBILITIES *cont'd*

Group's Risk Management and Internal Control Systems *cont'd*

- **Key Element of Internal Control** *cont'd*

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

  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 systems of the Group; and

  xi. The board had established Whistleblowing Policy during the financial year under review, which are available on the Company's website at www.luxchem.com.my. The Whistleblowing Policy provides a structured reporting channel and guidance to all stakeholders to provide information on fraud, wrongdoings or non-compliance to any rule or procedure by stakeholders within the Group.

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 systems that would require separate disclosure in the 2018 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 2018 Annual Report. Their review was performed in accordance with Audit Assurance and Practice Guide 3 ["AAPG 3"] issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS *cont'd*

AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 14 February 2019.

ADDITIONAL COMPLIANCE INFORMATION

- **UTILISATION OF PROCEEDS**

  There were no proceeds raised from corporate proposals during the financial year ended 31 December 2018.

- **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 2018.

- **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 2018.

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

  The Directors and Senior Management were granted 33,750,000 options out of 117,000,000 options and 4,830,000 were exercised during the financial year ended 31 December 2018.

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

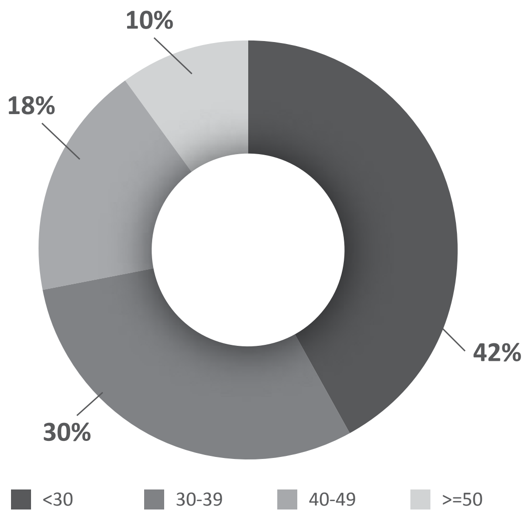
  There were no options granted to the Directors and Senior Management during the financial year ended 31 December 2018.

ADDITIONAL COMPLIANCE INFORMATION
cont'd

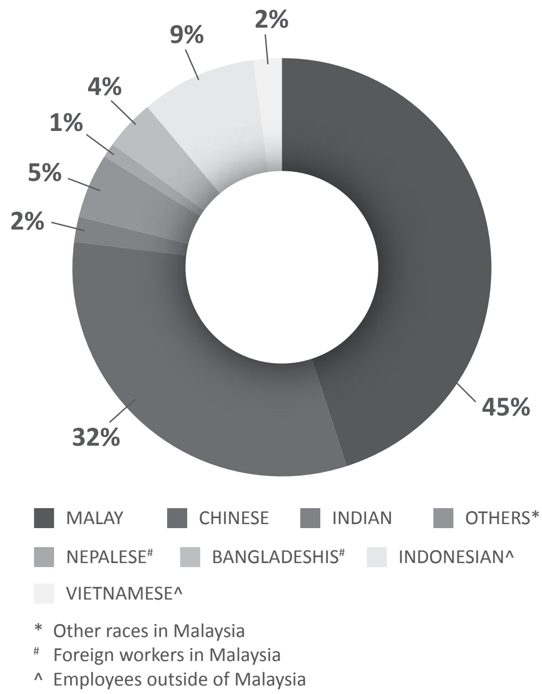
- **WORKFORCE DIVERSITY**

  The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2018 are disclosed below:

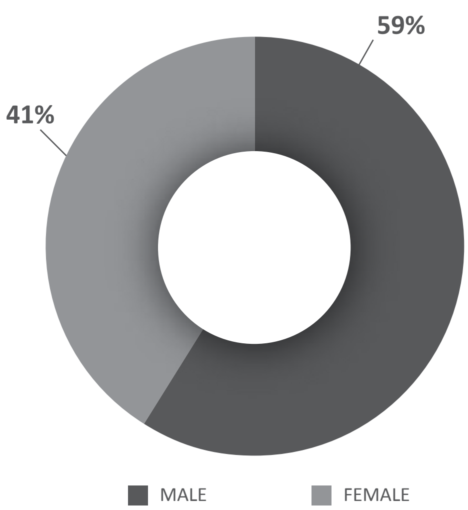
i) AGE GROUP



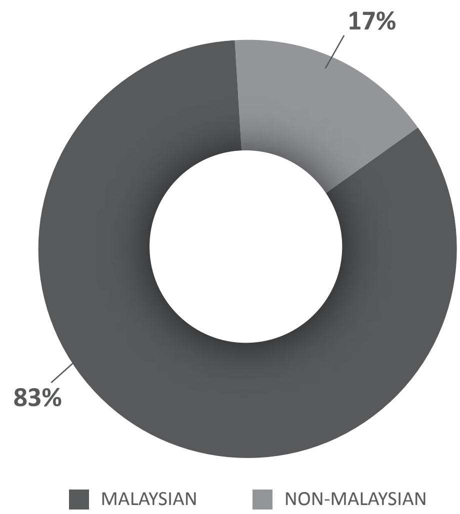
ii) ETHNICITY



iii) GENDER



iv) NATIONALITY



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company is an investment holding. The principal activities and the details of the subsidiaries are set out in Note 9 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	37,378,487	21,548,740
Attributable to:		
Owners of the parent	37,788,172	21,548,740
Non-controlling interests	(409,685)	-
	37,378,487	21,548,740

DIVIDENDS

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

	RM
Second single-tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 15 May 2018	12,823,450
First single-tier interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 29 September 2018	8,614,736
	21,438,186

Subsequent to the financial year, on 15 February 2019, the Board of Directors of the Company had declared a second single-tier dividend of 1.25 sen per ordinary share amounting to RM10,793,271 for the financial year ended 31 December 2018. The financial statements for the current financial year do not reflect this interim dividend. Such dividend, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

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

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
cont'd

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company had increased from 844,852,653 to 863,461,653 by way of issuance of 18,609,000 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options at exercise prices ranging from RM0.24 to RM0.59 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the 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				
Grant date	**Exercise price**	**Balance as at 1.1.2018**	**Granted**	**Exercised**	**Forfeited**	**Balance as at 31.12.2018**
22.01.2015	RM0.24	44,376,900	-	(14,046,000)	(150,000)	30,180,900
22.06.2015	RM0.34	2,547,000	-	(1,053,000)	-	1,494,000
22.06.2016	RM0.49	6,573,000	-	(2,076,000)	-	4,497,000
22.06.2017	RM0.53	8,526,000	-	(1,290,000)	(648,000)	6,588,000
22.05.2018	RM0.59	-	1,869,000	(144,000)	(180,000)	1,545,000
		62,022,900	1,869,000	(18,609,000)	(978,000)	44,304,900

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) 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.

DIRECTORS' REPORT
cont'd

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

The salient features of the ESOS as contained in the By-Laws are as follows: *cont'd*

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

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

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

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

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

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

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

DIRECTORS

The Directors who have held office since the date of the last 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

Subsidiaries of Luxchem Corporation Berhad (excluding those who are already listed above)

Tew Kar Wai @ Teoh Kar Wai
Joseph Tjendra
Trisia Claudia
Ng Chai Teik
Pok Jiun Lim
Fan Kock Keong

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2018	**Acquired**	**Disposed**	**Balance as at 31.12.2018**
Shares in the Company				
Tang Ying See				
- Direct	5,400,000	1,200,000	-	6,600,000
- Indirect*	431,146,500	1,140,000	-	432,286,500
Chin Song Mooi				
- Direct	5,291,700	750,000	-	6,041,700
- Indirect**	431,254,800	1,590,000	-	432,844,800
Au Chun Choong				
- Direct	4,182,600	-	-	4,182,600
Dato' Haji Mokhtar Bin Haji Samad				
- Direct	1,560,000	300,000	-	1,860,000
Chen Moi Kew				
- Direct	2,385,000	-	-	2,385,000
Chan Wan Siew				
- Direct	1,050,000	300,000	-	1,350,000

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS *cont'd*

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: *cont'd*

* 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.

Interest in options over ordinary shares of the Company

	Number of options over ordinary shares			
	Balance as at 1.1.2018	**Granted**	**Exercised**	**Balance as at 31.12.2018**
Tang Ying See	2,400,000	-	(1,200,000)	1,200,000
Chin Song Mooi	1,500,000	-	(750,000)	750,000
Au Chun Choong	600,000	-	-	600,000
Dato' Haji Mokhtar Bin Haji Samad	600,000	-	(300,000)	300,000
Chen Moi Kew	4,800,000	-	-	4,800,000
Chan Wan Siew	600,000	-	(300,000)	300,000
	Number of ordinary shares			
Shareholdings in holding company, Chemplex Resources Sdn. Bhd.				
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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remunerations received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS as mentioned in Note 30 to the financial statements.

DIRECTORS' REPORT
cont'd

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 25 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM14,440.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

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

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

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

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

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature 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; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) 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 as and when they fall due.

DIRECTORS' REPORT
cont'd

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY *cont'd*

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

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

HOLDING COMPANY

The Directors regard Chemplex Resources Sdn. Bhd., a company incorporated in Malaysia as the holding company.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 are disclosed in Note 25 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Tang Ying See
Director

Chen Moi Kew
Director

Kuala Lumpur
8 March 2019

STATEMENT BY DIRECTORS

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

We, Tang Ying See and Chen Moi Kew, being two of the Directors of Luxchem Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 47 to 106 have been 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 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Tang Ying See
Director

Chen Moi Kew
Director

Kuala Lumpur
8 March 2019

STATUTORY DECLARATION

I, Chen Moi Kew (CA 6359), being the Director primarily responsible for the financial management of Luxchem Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 47 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur)
this 8 March 2019)

……………………
Chen Moi Kew

Before me:

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 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 106.

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 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) 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 (“ISAs”). 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.

a) Impairment assessment of goodwill

As disclosed in Note 7 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 on yearly basis 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 cash flows method.

The determination of value-in-use is highly subjective as significant judgement is required to determine the appropriate future cash flow forecast and projections, earnings before interest, tax, depreciation and amortisation (“EBITDA”) margin, discount rate and growth rate.

INDEPENDENT AUDITORS' REPORT
to the members of Luxchem Corporation Berhad
cont'd

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

a) Impairment assessment of goodwill *cont'd*

Audit response

Our audit procedures include the following:

(a) compared prior period projection to actual outcome to assess reliability of management forecasting process;

(b) compared cash flow projection against recent performance, and assessed and challenged the key assumptions in projection;

(c) verified growth rates and EBITDA margin to support the key assumptions in projection;

(d) verified pre-tax discount rate for the CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(e) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

b) Impairment assessment of investments in subsidiaries

As at 31 December 2018, the carrying amount of the investments in subsidiaries were RM157,321,242 as disclosed in Note 9 to the financial statements.

We have focused on this impairment assessment as it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of these subsidiaries in determining the recoverable amount. These key assumptions include forecast growth in future revenues and EBITDA margins, as well as determining an appropriate pre-tax discount rate.

Audit response

Our audit procedures included the following:

(a) compared prior period projection to actual outcome to assess reliability of management forecasting process;

(b) compared cash flow projection against recent performance, and assessed and challenged the key assumptions in projection;

(c) verified growth rates and EBITDA margin to support the key assumptions in projection;

(d) verified pre-tax discount rate for the CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(e) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the 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.

INDEPENDENT AUDITORS' REPORT
to the members of Luxchem Corporation Berhad
cont'd

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON *cont'd*

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

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

RESPONSIBILITIES OF 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 MFRSs, IFRSs, 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 ability of the Group and of the Company 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- 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 ability of the Group or of the Company 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*

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: *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 9 to the financial statements.

OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were audited by another firm of chartered accountants, whose report dated 16 March 2018 expressed an unqualified opinion on those statements.

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.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2019 J
Chartered Accountant

8 March 2019
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	48,196,322	47,349,019	-	-
Investment property	6	2,800,000	-	-	-
Goodwill	7	35,802,888	35,802,888	-	-
Intangible assets	8	4,448,937	342,192	-	-
Investments in subsidiaries	9	-	-	157,321,242	152,183,722
Right-of-use assets	10(a)	1,159,801	-	-	-
Other investments	11	1,990,649	1,781,941	-	-
Deferred tax assets	12	280,330	279,130	-	-
		94,678,927	85,555,170	157,321,242	152,183,722
Current assets					
Inventories	13	84,357,493	79,865,531	-	-
Trade and other receivables	14	145,430,161	138,850,039	7,182	7,072
Current tax assets		4,241,096	2,108,714	-	-
Cash and bank balances	15	107,676,548	109,091,987	12,579,267	10,949,644
		341,705,298	329,916,271	12,586,449	10,956,716
TOTAL ASSETS		436,384,225	415,471,441	169,907,691	163,140,438
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	163,377,293	156,055,848	163,377,293	156,055,848
Reserves	17	119,848,376	103,937,515	6,243,882	6,778,529
		283,225,669	259,993,363	169,621,175	162,834,377
Non-controlling interests		71,338	483,783	-	-
TOTAL EQUITY		283,297,007	260,477,146	169,621,175	162,834,377

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

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	18	94,931	253,202	-	-
Retirement benefits	21	409,821	414,669	-	-
Lease liabilities	10(b)	558,410	-	-	-
Deferred tax liabilities	12	1,586,706	1,224,789	-	-
		2,649,868	1,892,660	-	-
Current liabilities					
Trade and other payables	22	62,955,879	74,728,098	286,516	295,363
Lease liabilities	10(b)	657,603	-	-	-
Borrowings	18	86,823,868	77,820,674	-	-
Current tax liabilities		-	552,863	-	10,698
		150,437,350	153,101,635	286,516	306,061
TOTAL LIABILITIES		153,087,218	154,994,295	286,516	306,061
TOTAL EQUITY AND LIABILITIES		436,384,225	415,471,441	169,907,691	163,140,438

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	23	814,086,419	806,709,568	21,900,000	20,041,000
Cost of sales		(732,986,928)	(720,293,589)	-	-
Gross profit		81,099,491	86,415,979	21,900,000	20,041,000
Other income		3,347,454	3,724,464	371,545	276,682
Selling and distribution costs		(6,208,715)	(6,158,016)	-	-
Administration expenses		(22,864,169)	(23,799,567)	(493,272)	(556,779)
Other operating expenses		(1,185,553)	(1,393,457)	(141,533)	(164,972)
Finance costs	24	(4,308,936)	(3,008,726)	-	-
Profit before tax	25	49,879,572	55,780,677	21,636,740	19,595,931
Tax expense	26	(12,501,085)	(14,812,039)	(88,000)	(62,944)
Profit for the financial year		37,378,487	40,968,638	21,548,740	19,532,987
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		(68,650)	(342,149)	-	-
Changes in fair value of available-for-sale financial assets, net of tax		-	824,763	-	-
		(68,650)	482,614	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligations		63,258	(49,907)	-	-
Fair value gain on equity investments at fair value through other comprehensive income		208,708	-	-	-
		271,966	(49,907)	-	-
Total other comprehensive income for the financial year, net of tax		203,316	432,707	-	-
Total comprehensive income for the financial year		37,581,803	41,401,345	21,548,740	19,532,987

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2018
cont'd

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**RM**	**RM**	**RM**	**RM**
Profit attributable to:					
Owners of the Company		37,788,172	40,742,906	21,548,740	19,532,987
Non-controlling interests		(409,685)	225,732	-	-
		37,378,487	40,968,638	21,548,740	19,532,987
Total comprehensive income attributable to:					
Owners of the parent		37,994,248	41,239,526	21,548,740	19,532,987
Non-controlling interests		(412,445)	161,819	-	-
		37,581,803	41,401,345	21,548,740	19,532,987
Earnings per ordinary share attributable to owners of the Company (sen):					
- Basic	27	4.42	4.86		
- Diluted	27	4.31	4.67		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

		← Non-distributable			→	Distributable			
		Share capital	Exchange translation reserve	Fair value reserve	Share options reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance as at 1 January 2018		156,055,848	(183,427)	1,486,599	5,191,827	97,442,516	259,993,363	483,783	260,477,146
Profit for the financial year		-	-	-	-	37,788,172	37,788,172	(409,685)	37,378,487
Foreign currency translations		-	(46,913)	-	-	-	(46,913)	(21,737)	(68,650)
Fair value gain on equity investments		-	-	208,708	-	-	208,708	-	208,708
Remeasurement of defined benefit obligations		-	-	-	-	44,281	44,281	18,977	63,258
Total comprehensive income		-	(46,913)	208,708	-	37,832,453	37,994,248	(412,445)	37,581,803
Transactions with owners									
Share options vested under ESOS		-	-	-	1,161,284	-	1,161,284	-	1,161,284
Ordinary shares issued pursuant to ESOS		7,321,445	-	-	(1,806,485)	-	5,514,960	-	5,514,960
Share options forfeited		-	-	-	(117,109)	117,109	-	-	-
Dividends paid	28	-	-	-	-	(21,438,186)	(21,438,186)	-	(21,438,186)
Total transactions with owners		7,321,445	-	-	(762,310)	(21,321,077)	(14,761,942)	-	(14,761,942)
Balance as at 31 December 2018		163,377,293	(230,340)	1,695,307	4,429,517	113,953,892	283,225,669	71,338	283,297,007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018
cont'd

		← Non-distributable				→	Distributable			
		Share capital	Share premium	Exchange translation reserve	Fair value reserve	Share options reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance as 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 financial year		-	-	-	-	-	40,742,906	40,742,906	225,732	40,968,638
Foreign currency translations		-	-	(293,208)	-	-	-	(293,208)	(48,941)	(342,149)
Fair value gain on equity investments		-	-	-	824,763	-	-	824,763	-	824,763
Remeasurement of defined benefit obligations		-	-	-	-	-	(34,935)	(34,935)	(14,972)	(49,907)
Total comprehensive income		-	-	(293,208)	824,763	-	40,707,971	41,239,526	161,819	41,401,345
Transactions with owners										
Transfer pursuant to Companies Act 2016*		11,777,238	(11,777,238)	-	-	-	-	-	-	-
Share options vested under ESOS		-	-	-	-	2,657,953	-	2,657,953	-	2,657,953
Ordinary shares issued pursuant to ESOS		6,617,834	17,575	-	-	(1,722,729)	-	4,912,680	-	4,912,680
Share options forfeited		-	-	-	-	(72,416)	72,416	-	-	-
Dividends paid	28	-	-	-	-	-	(19,600,054)	(19,600,054)	-	(19,600,054)
Total transactions with owners		18,395,072	(11,759,663)	-	-	862,808	(19,527,638)	(12,029,421)	-	(12,029,421)
Balance as 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

* *Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.*

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

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

Company	Note	Non-distributable Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2018		156,055,848	5,191,827	1,586,702	162,834,377
Profit for the financial year		-	-	21,548,740	21,548,740
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	21,548,740	21,548,740
Transactions with owners					
Share options vested under ESOS		-	1,161,284	-	1,161,284
Ordinary shares issued pursuant to ESOS		7,321,445	(1,806,485)	-	5,514,960
Share options forfeited		-	(117,109)	117,109	-
Dividends paid	28	-	-	(21,438,186)	(21,438,186)
Total transactions with owners		7,321,445	(762,310)	(21,321,077)	(14,761,942)
Balance at 31 December 2018		163,377,293	4,429,517	1,814,365	169,621,175

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018
cont'd

		← Non-distributable		→	Distributable	
Company	**Note**	**Share capital RM**	**Share premium RM**	**Share options reserve RM**	**Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2017		137,660,776	11,759,663	4,329,019	1,581,353	155,330,811
Profit for the financial year		-	-	-	19,532,987	19,532,987
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	-	-	19,532,987	19,532,987
Transactions with owners						
Transfer pursuant to Companies Act 2016*		11,777,238	(11,777,238)	-	-	-
Share options vested under ESOS		-	-	2,657,953	-	2,657,953
Ordinary shares issued pursuant to ESOS		6,617,834	17,575	(1,722,729)	-	4,912,680
Share options forfeited		-	-	(72,416)	72,416	-
Dividends paid	28	-	-	-	(19,600,054)	(19,600,054)
Total transactions with owners		18,395,072	(11,759,663)	862,808	(19,527,638)	(12,029,421)
Balance at 31 December 2017		156,055,848	-	5,191,827	1,586,702	162,834,377

* *Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.*

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		49,879,572	55,780,677	21,636,740	19,595,931
Adjustments for:					
Amortisation of intangible assets	8	149,158	165,755	-	-
Amortisation of right-of-use assets	10	645,125	-	-	-
Bad debts written off		59,665	14,574	-	-
Depreciation of property, plant and equipment	5	2,965,716	2,384,169	-	-
Defined benefit obligations	21	102,942	107,928	-	-
Dividend income		(119,788)	(126,287)	(21,900,000)	(20,041,000)
Net (gain)/loss on changes in fair value of forward exchange contracts		(50,585)	150,462	-	-
Net gain on disposal of property, plant and equipment		(149,290)	(59,040)	-	-
Impairment losses on trade receivables	14(h)	999,737	1,035,318	-	-
Interest income		(1,642,043)	(1,341,498)	(371,004)	(276,657)
Interest expense	24	4,308,936	3,008,726	-	-
Inventories written down	13	266,685	657,097	-	-
Inventories written off		71,984	-	-	-
Property, plant and equipment written off	5	33,498	17,193	-	-
Net unrealised (gain)/loss on foreign exchange		(230,644)	96,122	409	520
Reversal of impairment loss on trade receivables	14(h)	(429,518)	(538,105)	-	-
Reversal of inventories written down	13	(606,836)	(736,054)	-	-
Share options vested under ESOS		1,161,284	2,657,953	23,764	51,612
Operating profit/(loss) before working capital changes		57,415,598	63,274,990	(610,091)	(669,594)
Increase in inventories		(4,481,817)	(7,659,212)	-	-
(Increase)/Decrease in trade and other receivables		(10,048,786)	(10,283,278)	(519)	549
(Decrease)/Increase in trade and other payables		(11,575,788)	(1,615,862)	(8,847)	34,474
Cash generated from/(used in) operations		31,309,207	43,716,638	(619,457)	(634,571)
Tax paid		(14,914,205)	(18,111,759)	(98,698)	(60,000)
Tax refunded		-	-	-	15,281
Interest received		1,642,043	1,341,498	371,004	276,657
Interest paid		(4,308,936)	(3,008,726)	-	-
Retirement benefits paid	21	(9,656)	(24,075)	-	-
Net cash from/(used in) operating activities		13,718,453	23,913,576	(347,151)	(402,633)

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5(c)	(3,826,493)	(10,643,240)	-	-
Purchase of intangible assets	8	(4,255,903)	(214,607)	-	-
Proceeds from disposal of property, plant and equipment		213,397	61,371	-	-
Advances to subsidiaries		-	-	(4,000,000)	-
Dividend received		119,788	126,287	21,900,000	20,041,000
Deposits placed with licensed banks with original maturity of more than three (3) months		(6,122,218)	(1,331,834)	(6,106,361)	(893,639)
Net cash (used in)/from investing activities		(13,871,429)	(12,002,023)	11,793,639	19,147,361
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued pursuant to share options exercised		5,514,960	4,912,680	5,514,960	4,912,680
Repayment on lease liabilities		(589,017)	-	-	-
Net drawndown of trade finance		9,960,325	23,576,985	-	-
Repayments of hire purchase creditors		(412,710)	(336,720)	-	-
Dividend paid		(21,438,186)	(19,600,054)	(21,438,186)	(19,600,054)
Net cash (used in)/from financing activities		(6,964,628)	8,552,891	(15,923,226)	(14,687,374)
Net (decrease)/increase in cash and cash equivalents		(7,117,604)	20,464,444	(4,476,738)	4,057,354
Cash and cash equivalents at beginning of financial year		107,760,153	88,494,750	10,056,005	5,998,651
Effect of changes in exchange rates		(420,053)	(1,199,041)	-	-
Cash and cash equivalents at end of financial year		100,222,496	107,760,153	5,579,267	10,056,005

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018
cont'd

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	48,512,154	68,183,053	71,925	210,905
Deposits placed with licensed banks	59,164,394	40,908,934	12,507,342	10,738,739
Less:				
Deposits placed with licensed banks with original maturity of more than three (3) months	(7,454,052)	(1,331,834)	(7,000,000)	(893,639)
	100,222,496	107,760,153	5,579,267	10,056,005

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Hire purchase creditors (Note 19) RM	Trade finance (Note 20) RM	Total RM
At 1 January 2017	832,789	55,649,498	56,482,287
Net drawndown of trade finance	-	325,035,315	325,035,315
Repayments of hire purchase creditors	(336,720)	(301,458,330)	(301,795,050)
Acquisition of property, plant and equipment (Note 5(c))	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
At 1 January 2018	623,714	77,450,162	78,073,876
Net drawndown of trade finance	-	353,689,523	353,689,523
Repayments of hire purchase creditors	(412,710)	(343,729,198)	(344,141,908)
Acquisition of property, plant and equipment (Note 5(c))	103,893	-	103,893
Net exchange differences	(10,924)	(795,661)	(806,585)
At 31 December 2018	303,973	86,614,826	86,918,799

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 6, Jalan SS 21/58, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2018 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 8 March 2019.

2. PRINCIPAL ACTIVITIES

The principal activity of the company is an investment holding. The principal activities and the details of the subsidiaries are set out in Note 9 to the financial statements.

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 35.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The Group has elected to early adopt MFRS 16 *Leases* which is mandatory for financial periods beginning on or after 1 January 2019.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

4. OPERATING SEGMENTS

(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 "Other".

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.

2018	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Revenue				
Total revenue	668,610,209	281,634,078	-	950,244,287
Inter-segment revenue	(11,469,417)	(124,688,451)	-	(136,157,868)
External sales	657,140,792	156,945,627	-	814,086,419
Results				
Segment results	29,320,868	23,740,073	(634,264)	52,426,677
Dividend, interest and rental income	1,163,388	227,439	371,004	1,761,831
Operating profit	30,484,256	23,967,512	(263,260)	54,188,508
Finance costs	(4,026,289)	(282,647)	-	(4,308,936)
Profit before tax	26,457,967	23,684,865	(263,260)	49,879,572
Tax expense	(7,188,293)	(5,224,792)	(88,000)	(12,501,085)
Profit for the financial year	19,269,674	18,460,073	(351,260)	37,378,487
Segment assets	289,573,943	134,229,015	12,581,267	436,384,225
Segment liabilities	122,828,641	29,972,061	286,516	153,087,218

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

2018	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Other segment information				
Additions to non-current assets:				
- property, plant and equipment	1,344,142	2,586,244	-	3,930,386
- investment property	2,800,000	-	-	2,800,000
- intangible asset	45,595	4,210,308	-	4,255,903
Depreciation and amortisation	1,833,368	1,926,631	-	3,759,999
Non cash expenses other than depreciation and amortisation:				
- Impairment losses on trade receivables, net of reversals	570,219	-	-	570,219
- Bad debts written off	59,665	-	-	59,665
- Property, plant and equipment written off	180	33,318		33,498
- Inventories written down	25,483	241,202	-	266,685
- Inventories written off	71,984	-	-	71,984
- Reversal of inventories written down	(377,000)	(229,836)	-	(606,836)
- Defined benefit obligations	102,942	-	-	102,942
- Net unrealised (gain)/loss foreign exchange	(66,896)	(164,157)	409	(230,644)
- Net (gain)/loss on changes in fair value of forward exchange contracts	(54,868)	4,283	-	(50,585)
- Net gain on disposal of property, plant and equipment	(39,792)	(109,498)	-	(149,290)
- Share options vested under ESOS	1,008,308	129,212	23,764	1,161,284

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

2017	Trading RM	Manufacturing RM	Other 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	31,284,907	27,949,565	(445,069)	58,789,403
Finance costs	(2,830,309)	(178,417)	-	(3,008,726)
Profit before tax	28,454,598	27,771,148	(445,069)	55,780,677
Tax expense	(8,536,243)	(6,212,852)	(62,944)	(14,812,039)
Profit for the financial year	19,918,355	21,558,296	(508,013)	40,968,638
Segment assets	278,201,539	126,318,258	10,951,644	415,471,441
Segment liabilities	127,719,766	26,968,468	306,061	154,994,295
Other segment information				
Additions to non-current assets:				
- property, plant and equipment	7,611,271	3,192,495	-	10,803,766
- intangible asset	8,000	206,607	-	214,607
Depreciation and amortisation	1,212,090	1,337,834	-	2,549,924
Non cash expenses 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	2,770	14,423	-	17,193
- 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)	385,817	520	96,122
- 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 vested under ESOS	2,361,947	244,394	51,612	2,657,953

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

4. OPERATING SEGMENTS *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 other investments and deferred tax assets.

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	578,197,764	91,669,635	578,946,876	82,815,765
Indonesia	105,640,282	569,160	99,136,173	535,781
Vietnam	87,434,557	169,153	89,524,854	142,553
Thailand	15,032,287	-	16,684,244	-
Australia	4,974,776	-	7,822,866	-
Bangladesh	4,565,738	-	4,487,033	-
Cambodia	3,640,258	-	831,166	-
Singapore	3,539,313	-	3,603,421	-
British Virgin Islands	2,958,109	-	-	-
Phillipines	2,799,793	-	533,797	-
New Zealand	2,415,178	-	2,470,145	-
Japan	1,555,709	-	1,317,074	-
Others	1,332,655	-	1,351,919	-
	814,086,419	92,407,948	806,709,568	83,494,099

(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. As such, information for major customers is not presented.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

5. PROPERTY, PLANT AND EQUIPMENT

2018 Group	Balance as at 1.1.2018 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Translation adjustments RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount								
Freehold land	2,411,942	-	-	-	-	-	-	2,411,942
Long term leasehold land	20,072,492	444,099	-	-	-	-	(256,897)	20,259,694
Buildings	15,299,140	-	-	-	-	-	(386,467)	14,912,673
Renovation	454,092	104,290	-	-	-	(1,724)	(118,632)	438,026
Furniture and fittings	307,322	75,805	-	(4)	44,130	(62)	(65,801)	361,390
Plant, machinery and equipment	4,985,937	1,752,347	-	(33,494)	2,137,975	(1,546)	(1,411,496)	7,429,723
Motor vehicles	1,957,117	1,232,717	(64,107)	-	-	(16,430)	(726,423)	2,382,874
Capital work-in-progress	1,860,977	321,128	-	-	(2,182,105)	-	-	-
	47,349,019	3,930,386	(64,107)	(33,498)	-	(19,762)	(2,965,716)	48,196,322

	As at 31 December 2018 Cost RM	 Accumulated depreciation RM	 Carrying amount RM
Freehold land	2,411,942	-	2,411,942
Long leasehold land	21,705,661	(1,445,967)	20,259,694
Building	19,156,700	(4,244,027)	14,912,673
Renovation	1,597,463	(1,159,437)	438,026
Furniture and fittings	1,492,444	(1,131,054)	361,390
Plant, machinery and equipment	21,631,484	(14,201,761)	7,429,723
Motor vehicles	5,641,183	(3,258,309)	2,382,874
	73,636,877	(25,440,555)	48,196,322

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

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

2017 Group	Balance as at 1.1.2017 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Translation adjustments RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount								
Freehold land	2,411,942	-	-	-	-	-	-	2,411,942
Long term leasehold land	5,535,910	-	-	-	14,671,008	-	(134,426)	20,072,492
Buildings	13,109,614	91,860	-	-	2,462,966	-	(365,300)	15,299,140
Renovation	509,961	80,800	-	-	-	(6,913)	(129,756)	454,092
Furniture and fittings	322,042	48,000	-	(5,066)	-	(1,306)	(56,348)	307,322
Plant, machinery and equipment	4,632,151	1,042,342	-	(12,127)	333,600	(6,603)	(1,003,426)	4,985,937
Motor vehicles	2,351,429	359,745	(2,331)	-	-	(56,813)	(694,913)	1,957,117
Capital work-in-progress	10,147,532	9,181,019	-	-	(17,467,574)	-	-	1,860,977
	39,020,581	10,803,766	(2,331)	(17,193)	-	(71,635)	(2,384,169)	47,349,019

	As at 31 December 2017		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	2,411,942	-	2,411,942
Long leasehold land	21,261,562	(1,189,070)	20,072,492
Building	19,156,700	(3,857,560)	15,299,140
Renovation	1,500,289	(1,046,197)	454,092
Furniture and fittings	1,373,639	(1,066,317)	307,322
Plant, machinery and equipment	17,884,348	(12,898,411)	4,985,937
Motor vehicles	4,964,903	(3,007,786)	1,957,117
Capital work-in-progress	1,860,977	-	1,860,977
	70,414,360	(23,065,341)	47,349,019

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

(b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods and annual rates used are as follows:

Long term leasehold land	41 to 904 years
Buildings	50 years
Renovation	5 to 50 years
Furniture and fittings	5 to 10 years
Plant, machinery and equipment	2 to 10 years
Motor vehicles	5 years

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

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

(b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods and annual rates used are as follows: *cont'd*

Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress representing machinery under installation and renovation-in-progress are stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

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

	Group	
	2018	**2017**
	RM	**RM**
Purchase of property, plant and equipment	3,930,386	10,803,766
Financed by hire purchase arrangements	(103,893)	(160,526)
Cash payments on purchase of property, plant and equipment	3,826,493	10,643,240

(d) The carrying amount of property, plant and equipment of the Group under hire purchase arrangements at the end of the reporting period is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Motor vehicles	630,231	885,947

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 19 to the financial statements.

6. INVESTMENT PROPERTY

	Group	
	2018	**2017**
Group	**RM**	**RM**
Cost/Carrying amount		
At 1 January	-	-
Addition during the year	2,800,000	-
At 31 December	2,800,000	-

(a) Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

6. INVESTMENT PROPERTY *cont'd*

(b) Depreciation is calculated to write down the cost of the investment properties to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal depreciation period for the investments property is 99 years.

(c) Investment property comprised a Semi Detached 3-storey 4-in-1 Corporate Office, Showroom, Factory and Warehouse in Big Wheel Industrial Park, Sabah.

(d) The Level 3 fair value of investment properties is RM2,800,000 (2017: RM Nil). The fair value is determined by the Directors based on market values for similar properties in the same vicinity. There is no transfer between levels in the hierarchy during the financial year.

7. GOODWILL

	Group	
	2018	**2017**
	RM	**RM**
Balance as at 1 January/31 December	35,802,888	35,802,888

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(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 the estimated growth rate as disclosed in Note 7(b). The key assumptions for the computation of value-in-use are further described in Note 7(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	
	2018	**2017**
Sales volume (annual growth rate)	9.02%	11.39%
Earnings before interest, tax, depreciation and amortisation ("EBITDA") margin	12.82%	10.84%
Long term growth rate	0.00%	0.00%
Pre-tax discount rate	9.02%	8.03%

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

7. **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 materially exceed its recoverable amount.

8. **INTANGIBLE ASSETS**

Group	Balance as at 1.1.2018 RM	Additions RM	Amortisation RM	Balance as at 31.12.2018 RM
Carrying amount				
Computer software	342,192	255,903	(149,158)	448,937
Brand equity	-	4,000,000	-	4,000,000
	342,192	4,255,903	(149,158)	4,448,937

	At 31.12.2018		
Group	Cost RM	Accumulated amortisation RM	Carrying amount RM
Computer software	1,607,818	(1,158,881)	448,937
Brand equity	4,000,000	-	4,000,000
	5,607,818	(1,158,881)	4,448,937

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

8. INTANGIBLE ASSETS *cont'd*

Group	Balance as at 1.1.2017 RM	Additions RM	Amortisation RM	Balance as at 31.12.2017 RM
Carrying amount				
Computer software	293,340	214,607	(165,755)	342,192

Group	At 31.12.2017 Cost RM	Accumulated amortisation RM	Carrying amount RM
Computer software	1,351,915	(1,009,723)	342,192

Intangible assets are initially measured at cost. After initial recognition, intangible assets, excluding brand equity are carried at cost less accumulated amortisation and any accumulated impairment losses.

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 (2017: 5 years).

Brand equity represents industrial property rights acquired. The brand equity is measured at cost less any accumulated impairment losses. It is assessed to have indefinite useful life as management believes that there is no foreseeable limit to the period over which the brand equity is expected to generate net cash flows to the Group.

(a) Impairment assessment on brand equity

For the purpose of annual impairment assessment, the recoverable amount is determined based on its value-in-use. The value-in-use is determined 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 the estimated growth rate as disclosed in Note 8(b). The key assumptions for the computation of value-in-use are further described in Note 8(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 2018
Sales volume (annual growth rate)	5.00%
EBITDA margin	9.30%
Long term growth rate	0.00%
Pre-tax discount rate	9.72%

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

8. INTANGIBLE ASSETS *cont'd*

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

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 Luxchem Trading Sdn. Bhd. 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	Reflect specific risks relating to the brand equity and the country in which the entity operates.

(c) Impact of possible changes in key assumptions

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 brand equity to materially exceed its recoverable amount.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Unquoted equity shares, at cost	113,179,613	113,179,613
Equity loans	33,704,973	29,704,973
Equity contributions in subsidiaries in respect of ESOS	10,436,656	9,299,136
	157,321,242	152,183,722

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

The Directors of the Company have reassessed the nature of the amount owing by subsidiaries and determined that the outstanding balance amounting to RM33,704,973 (2017: RM29,704,973) shall constitute equity loans to the subsidiaries, which are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the investments of the Company in providing the subsidiaries with a long term source of additional capital.

(b) The Company has assessed whether there were any indicators of impairment during the financial year. The Company determines whether an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on the value-in-use. Value-in-use is the net present value of the projected future cash flows, which involve judgements in estimating the key assumptions, including different growth rates, EBITDA margin as well as determining an appropriate pre-tax discount rate used for each subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

9. INVESTMENTS IN SUBSIDIARIES *cont'd*

(c) Details of the subsidiaries are as follows:

Name of company	Country of Incorporation/ Principal place of business	Effective interest in equity 2018	Effective interest in equity 2017	Principal activities
Luxchem Trading Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Luxchem Polymer Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and trading of unsaturated polyester resin and related products.
Luxchem Trading (S) Pte. Ltd.*	Republic of Singapore	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Chemplex Composite Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
PT Luxchem Indonesia #	Indonesia	70%	70%	Distributor of chemicals and petrochemical products.
Luxchem Vietnam Company Limited*	Vietnam	100%	100%	Distributor of chemicals and petrochemical products.
Transform Master Sdn. Bhd.	Malaysia	100%	100%	Manufacturer of chemical products.

* *Not audited by BDO Malaysia or BDO Member Firm*
\# *Audited by BDO Member Firm*

(d) The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group for both financial years ended 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Land RM	Building RM	Total RM
Cost			
At 1 January 2018	-	-	-
Effects of early adoption of MFRS 16 *Leases* (Note 35.1(c))	474,208	1,345,312	1,819,520
Exchange translation	-	(11,167)	(11,167)
At 31 December 2018	474,208	1,334,145	1,808,353
Accumulated amortisation			
At 1 January 2018	-	-	-
Amortisation charged for the year	(46,104)	(599,021)	(645,125)
Exchange translation	-	(3,427)	(3,427)
At 31 December 2018	(46,104)	(602,448)	(648,552)
Net carrying amount as at 31 December 2018	428,104	731,697	1,159,801

(i) The right-of-use assets comprise leasehold industrial land and building and they are initially recorded at cost.

Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

(ii) Depreciation is calculated on a straight-line basis over the estimated useful lives of the right-of-use assets. The principal depreciation periods and annual rates used are as follows:

Land	6 years
Building	2 to 2.5 years

(b) Lease liabilities

	Group RM
Non-current	
Lease liabilities	558,410
Current	
Lease liabilities	657,603
Total lease liabilities	1,216,013

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

10. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES *cont'd*

(b) Lease liabilities *cont'd*

(i) The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(ii) The movement of lease liabilities during the financial year is as follows:

	Group RM
At 1 January 2018	
Effects of MFRS 16 *Leases* adoption (Note 35.1(c))	1,819,520
Interest charged (Note 24)	143,312
Payments of:	
- Principal	(589,017)
- Interest	(143,312)
Exchange translation	(14,490)
At 31 December 2018	1,216,013

(iii) The weighted average incremental borrowing rate applied to the lease liabilities as at 1 January 2018 is 9.65%. The sensitivity analysis of the effect of the changes in interest rate is not significant, hence it is not presented.

11. OTHER INVESTMENTS

	Group 2018 RM	Group 2017 RM
Equity securities:		
- Quoted shares in Malaysia	1,880,648	1,671,941
- Unquoted shares in Malaysia	110,001	110,000
	1,990,649	1,781,941

(a) On 1 January 2018, the equity securities were classified as financial assets at fair value through other comprehensive income pursuant to MFRS 9 *Financial Instruments*. Comparatives were not restated in accordance with the transition requirements in paragraph 7.2.15 of this Standard.

Equity securities which are not held for trading for which the Group has irrevocably elected at initial recognition to recognise at fair value through other comprehensive income. These are strategic investments for which the Group considers this classification to be appropriate and relevant.

(b) Prior to 1 January 2018, the equity securities were classified as available-for-sale financial assets pursuant to MFRS 139 *Financial Instruments: Recognition and Measurement*.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

11. OTHER INVESTMENTS *cont'd*

(c) Quoted shares and unquoted shares of the Group are categorised as Level 1 and Level 3 in the fair value hierarchy respectively.

(d) The fair value of the unquoted investment approximate carrying amount. Management believes that the estimated fair value is the most appropriate at the end of the reporting period.

(e) There is no transfer between levels in the hierarchy during the financial year.

(f) As the Group does not have the intention, nor historical trend of active trading in these financial instruments, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

12. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the followings:

	Group	
	2018	**2017**
	RM	**RM**
Balance at 1 January	945,659	1,045,676
Recognised in profit or loss (Note 26)	330,412	(112,935)
Recognised in other comprehensive income	21,086	(16,636)
Exchange differences	9,219	29,554
Balance at 31 December	1,306,376	945,659

Presented after appropriate offsetting:

	Group	
	2018	**2017**
	RM	**RM**
Deferred tax assets, net	(280,330)	(279,130)
Deferred tax liabilities, net	1,586,706	1,224,789
	1,306,376	945,659

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment	**Other temporary differences**	**Set off of tax**	**Total**
	RM	**RM**	**RM**	**RM**
Balance as at 1 January 2018	1,252,251	385,866	(413,328)	1,224,789
Recognised in profit or loss	368,757	(6,840)	-	361,917
Balance as at 31 December 2018	1,621,008	379,026	(413,328)	1,586,706

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

12. DEFERRED TAX *cont'd*

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows: *cont'd*

Deferred tax liabilities of the Group *cont'd*

	Property, plant and equipment RM	Other temporary differences RM	Set off of tax RM	Total RM
Balance as at 1 January 2017	1,188,412	458,600	(379,026)	1,267,986
Recognised in profit or loss	63,839	(72,734)	(34,302)	(43,197)
Balance as at 31 December 2017	1,252,251	385,866	(413,328)	1,224,789

Deferred tax assets of the Group

	Other temporary differences RM	Set off of tax RM	Total RM
Balance as at 1 January 2018	(692,458)	413,328	(279,130)
Recognised in profit or loss	(31,505)	-	(31,505)
Recognised in other comprehensive income	21,086	-	21,086
Exchange differences	9,219	-	9,219
Balance as at 31 December 2018	(693,658)	413,328	(280,330)
Balance as at 1 January 2017	(601,336)	379,026	(222,310)
Recognised in profit or loss	(104,040)	34,302	(69,738)
Recognised in other comprehensive income	(16,636)	-	(16,636)
Exchange differences	29,554	-	29,554
Balance as at 31 December 2017	(692,458)	413,328	(279,130)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

13. INVENTORIES

	Group	
	2018	**2017**
	RM	**RM**
At cost		
Raw materials	20,052,030	18,765,201
Consumables	569,358	203,235
Finished goods	10,908,861	9,858,496
Trading goods	52,529,097	50,113,239
	84,059,346	78,940,171
At net realisable value		
Raw materials	298,147	164,758
Trading goods	-	760,602
	84,357,493	79,865,531

(a) Inventories are stated at the lower of cost or net realisable value.

(b) Cost of trading goods is determined using the weighted average method while for manufacturing division, cost of raw materials and finished goods is determined on first-in, first-out basis. The cost of raw materials comprises all costs of purchase, plus the cost of bringing the inventories to their present location and condition. The cost of finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

(c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM718,476,544 (2017: RM702,658,821).

(d) During the financial year, the amounts of inventories written down recognised as expenses amounted to RM266,685 (2017: RM657,097).

(e) During the financial year, the Group has recognised a reversal of RM606,836 (2017: RM736,054), being part of an inventories written down in previous financial years, as the inventories were sold above the carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Third parties	141,263,362	133,060,594	-	-
Less: Impairment losses	(2,459,611)	(1,961,682)	-	-
Total trade receivables	138,803,751	131,098,912	-	-
Other receivables				
Amount owing by a subsidiary	-	-	5,182	5,072
Other receivables	5,600,399	7,086,036	2,000	2,000
Total other receivables	5,600,399	7,086,036	7,182	7,072
Total receivables	144,404,150	138,184,948	7,182	7,072
Derivative assets	-	39,507	-	-
Prepayments	1,026,011	625,584	-	-
	145,430,161	138,850,039	7,182	7,072

(a) Total receivables are classified as financial assets measured at amortised costs. Derivative assets are classified as financial assets at fair value through profit or loss.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 0 to 180 days (2017: 0 to 180 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) Non-trade amount owing by a subsidiary is unsecured, interest free and payable within next twelve (12) months in cash and cash equivalents.

(d) The currency exposure profile of trade and other receivables (excluding prepayments) is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia	112,312,994	117,006,043
United States Dollar	13,849,887	10,070,072
Indonesian Rupiah	18,075,604	11,079,537
Singapore Dollar	73,603	22,685
Vietnamese Dong	4,949	6,611
Euro	676	-
Chinese Yuan Renminbi	86,437	-
	144,404,150	138,184,948

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

14. TRADE AND OTHER RECEIVABLES *cont'd*

(e) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018	2017
	RM	RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	1,052,591	765,325
- Indonesian Rupiah	1,373,746	835,843

The exposure to other currencies is not significant, hence the effect of the changes in the exchange rates is not presented.

(f) Impairment for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses.

The Group and the Company consider credit lost experience and observable data such as current changes and future forecasts in economic conditions of the Group to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

(g) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2018	2017
	RM	RM
Current	91,957,789	88,582,776
Past due		
1 to 30 days	32,870,533	31,427,621
31 to 60 days	8,587,506	7,352,644
61 to 90 days	3,147,250	2,319,591
91 to 120 days	1,620,712	740,445
More than 120 days	3,079,572	2,637,517
	49,305,573	44,477,818
Impaired	(2,459,611)	(1,961,682)
	138,803,751	131,098,912

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

14. TRADE AND OTHER RECEIVABLES *cont'd*

(h) The reconciliation of movements in allowance for impairment accounts is as follows:

	Group RM
At 1 January 2018 under MFRS 9	1,961,682
Charge for the year	999,737
Reversal of impairment loss	(429,518)
Written off	(59,665)
Net exchange differences	(12,625)
At 31 December 2018 under MFRS 9	2,459,611
At 1 January 2017 under MFRS 139	1,661,240
Charge for the year	1,035,318
Reversal for the year	(538,105)
Written off	(14,574)
Net exchange differences	(182,197)
At 31 December 2017 under MFRS 139	1,961,682

(i) The credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:

	Group			
	2018		2017	
	RM	% of total	RM	% of total
By country				
Malaysia	29,046,788	21	32,720,407	25
Thailand	2,710,999	2	2,344,846	2
Australia	-	-	2,185,234	1
	31,757,787	23	37,250,487	28

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 7 major customers representing approximately 23% (2017: 9 major customers representing approximately 28%) 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.

(j) No expected credit loss is recognised arising from other receivables of the Group and the Company as it is negligible.

(k) Derivative assets of the Group was categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the previous financial year.

(l) Fair value of a forward foreign exchange contract was the amount that would be payable or receivable upon termination of the outstanding position arising and was determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

15. CASH AND BANK BALANCES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	48,512,154	68,183,053	71,925	210,905
Deposits with licensed banks	59,164,394	40,908,934	12,507,342	10,738,739
	107,676,548	109,091,987	12,579,267	10,949,644

(a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 35 and 96 days respectively (2017: 44 and 98 days).

(b) Foreign currency exposure of cash and bank balances are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	73,185,291	74,114,272	12,579,267	10,949,644
United States Dollar	25,813,620	30,671,001	-	-
Indonesian Rupiah	8,166,631	3,906,217	-	-
Singapore Dollar	180,001	358,902	-	-
Vietnamese Dong	116,391	41,595	-	-
Euro	214,614	-	-	-
	107,676,548	109,091,987	12,579,267	10,949,644

(c) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	1,961,835	2,330,996
- Indonesian Rupiah	620,664	296,872
- Singapore Dollar	13,680	27,277
- Vietnamese Dong	8,846	3,161
- Euro	16,311	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

15. CASH AND BANK BALANCES *cont'd*

(d) Weighted average effective interest rates of the Group's and the Company's deposits with licensed banks as at the end of the reporting period are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Fixed rates	2.79 %	2.30 %	3.53 %	3.38 %

Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments is not affected by changes in interest rates.

(e) No expected credit loss were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

16. SHARE CAPITAL

	Group and Company			
	2018		**2017**	
	Number of shares	**RM**	**Number of shares**	**RM**
Issued and fully paid up ordinary shares				
Balance as at 1 January	844,852,653	156,055,848	275,321,551	137,660,776
Ordinary shares issued pursuant to the exercise of ESOS	18,609,000	7,321,445	6,296,000	6,617,834
Subdivision of one (1) existing share into three (3) shares	-	-	563,235,102	-
Transfer from share premium pursuant to Companies Act 2016	-	-	-	11,777,238
Balance as at 31 December	863,461,653	163,377,293	844,852,653	156,055,848

(a) During the financial year, the issued and paid-up ordinary share capital of the Company had increased from 844,852,653 to 863,461,653 by way of issuance of 18,609,000 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options at exercise prices ranging from RM0.24 to RM0.59 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

16. SHARE CAPITAL *cont'd*

(b) During the financial year ended 31 December 2017, the issued and paid-up ordinary share capital of the Company was increased from 275,321,551 to 844,852,653 by way of the followings:

(i) Prior to the Split Shares

6,296,000 new ordinary shares of cash consideration pursuant to the exercise of share options granted by the Company.

(ii) 563,235,102 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") on 8 September 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. The share split exercise was approved by the shareholders on 21 August 2017.

(c) Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(d) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM11,777,238 was transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

17. RESERVES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Non-distributable:				
Exchange translation reserve	(230,340)	(183,427)	-	-
Fair value reserve	1,695,307	1,486,599	-	-
Share options reserve	4,429,517	5,191,827	4,429,517	5,191,827
	5,894,484	6,494,999	4,429,517	5,191,827
Distributable:				
Retained earnings	113,953,892	97,442,516	1,814,365	1,586,702
	119,848,376	103,937,515	6,243,882	6,778,529

(a) Exchange translation reserve

Exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items, which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

17. RESERVES *cont'd*

(b) Fair value reserve

Fair value reserve comprises net changes in fair value of financial assets at fair value through other comprehensive income.

(c) Share options reserve

Share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. Share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

18. BORROWINGS

		Group	
		2018	**2017**
	Note	**RM**	**RM**
Current liabilities			
Hire purchase creditors	19	209,042	370,512
Trade finance	20	86,614,826	77,450,162
		86,823,868	77,820,674
Non-current liabilities			
Hire purchase creditors	19	94,931	253,202
		86,918,799	78,073,876
Total borrowings			
Hire purchase creditors	19	303,973	623,714
Trade finance	20	86,614,826	77,450,162
		86,918,799	78,073,876

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings of the Group are denominated in the following currencies:

	Group	
	2018	**2017**
	RM	**RM**
Ringgit Malaysia	47,592,369	52,614,692
United States Dollar	10,639,531	8,903,802
Indonesia Rupiah	28,686,899	16,555,382
	86,918,799	78,073,876

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

18. BORROWINGS *cont'd*

(c) Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(d) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	808,604	676,689
- Indonesia Rupiah	2,180,204	1,235,667

(e) The table below summarises the maturity profile of the borrowings at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year	Two to five years	Over five years	Total
	RM	**RM**	**RM**	**RM**
Group				
As at 31 December 2018				
Financial liabilities				
Borrowings	86,837,255	98,496	-	86,935,751
As at 31 December 2017				
Financial liabilities				
Borrowings	77,850,410	264,481	-	78,114,891

(f) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	2018		2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	RM	**RM**	**RM**	**RM**
Group				
Hire purchase creditors	303,973	320,926	623,714	664,729

Fair values of the borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

Carrying amounts of hire purchase creditors are reasonable approximation of fair values due to the current rates offered to the Group approximate the market rates for similar borrowing of the same remaining maturities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

18. BORROWINGS *cont'd*

(g) Sensitivity analysis for fixed rate loans and borrowings as at the end of the reporting period was not presented as fixed rate instruments as it is not affected by change in interest rates.

Sensitivity analysis of interest rates for the floating rate instruments at the end of the reporting period is not significant, hence the effect of the changes in the interest rate is not presented.

19. HIRE PURCHASE PAYABLES

	Group	
	2018	**2017**
	RM	**RM**
Minimum hire purchase payments:-		
Not later than 1 year	222,429	400,248
Later than 1 year and not later than 5 years	98,496	264,481
Total minimum hire purchase payables	320,925	664,729
Less: Future interest charges	(16,952)	(41,015)
Present value of hire purchase payables	303,973	623,714
Repayable as follows:		
Current liabilities	209,042	370,512
Non-current liabilities	94,931	253,202
	303,973	623,714

The weighted average effective interest rates of hire purchase payables as at the end of reporting period is 9.45% (2017: 9.45%).

20. TRADE FINANCE

(a) The trade finance are secured by a corporate guarantee given by the Company to bankers for credit facilities granted to certain subsidiaries as disclosed in Note 33 to the financial statements.

(b) The weighted average effective interest rates of trade finance of the Group is 5.96% (2017: 5.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

21. RETIREMENT BENEFITS

	Group	
	2018	2017
	RM	RM
Present value of unfunded defined benefit obligations	409,821	414,669

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 movements during the financial year in the amount recognised in the statement of financial position in respect of the retirement benefit obligation are as follows:-

	Group	
	2018	2017
	RM	RM
Balance as at 1 January	414,669	307,354
Recognised in profit or loss (Note 29)		
Current service costs	73,129	83,518
Interest on obligation	27,663	23,702
Past service costs	2,150	708
	102,942	107,928
Recognised in other comprehensive income		
Actuarial (gain)/loss arising from changes in financial assumptions	(84,345)	66,543
Benefits paid	(9,656)	(24,075)
Net exchange differences	(13,789)	(43,081)
Balances as at 31 December	409,821	414,669

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	
	2018	2017
	%	%
Discount rate	9.00	7.00
Expected rate of average salary increases	9.00	9.00

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

21. RETIREMENT BENEFITS *cont'd*

The sensitivity analysis of the defined benefit obligations to changes in the significant actuarial assumptions, with all other assumptions held constant, is shown below:

	Group	
	Increase/(Decrease) in defined benefit obligations	
	2018	2017
	RM	RM
Discount rate increases by 1%	(36,332)	(42,547)
Discount rate decreases by 1%	41,233	49,269
Future average salary growth increases by 1%	38,984	45,865
Future average salary growth decreases by 1%	(35,122)	(40,614)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade payables				
Third parties	54,495,769	65,980,383	-	-
Other payables				
Other payables	3,679,351	6,604,286	78,846	18,403
Accruals	4,677,443	1,949,902	207,670	276,960
Total other payables	8,356,794	8,554,188	286,516	295,363
Total payable	62,852,563	74,534,571	286,516	295,363
Derivative liabilities	103,316	193,527	-	-
	62,955,879	74,728,098	286,516	295,363

(a) Trade and other payables are classified as financial liabilities measured at amortised cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 0 to 90 days (2017: 0 to 90 days) from date of invoice.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

22. TRADE AND OTHER PAYABLES *cont'd*

(c) The currency exposure profile of total payables is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	28,803,132	28,462,799	286,516	295,363
United States Dollar	32,431,409	43,494,265	-	-
Indonesian Rupiah	1,525,198	2,248,243	-	-
Chinese Yuan Renminbi	-	277,562	-	-
Singapore Dollar	23,212	20,751	-	-
Vietnam Dong	31,803	30,951	-	-
Japanese Yen	37,809	-	-	-
	62,852,563	74,534,571	286,516	295,363

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

(e) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018	2017
	RM	RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	2,464,787	3,305,564
- Indonesian Rupiah	115,915	170,866
- Chinese Yuan Renminbi	-	21,095
- Singapore Dollar	1,764	1,577
- Vietnam Dong	2,417	2,352
- Japanese Yen	2,873	-

(f) Fair value of derivative liabilities of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

23. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contract with customers	814,086,419	806,709,568	-	-
Other revenue:-				
- Dividend income	-	-	21,900,000	20,041,000
	814,086,419	806,709,568	21,900,000	20,041,000

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the products have been transferred to the customer and coincides with the delivery of products and acceptance by customers.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve months.

(b) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(c) Disaggregation of revenue from contract with customers has been presented in the operating segments, Note 4 to the financial statements. No revenue was recognised over time.

24. FINANCE COSTS

	Group	
	2018	2017
	RM	RM
Lease liability (Note 10(b))	143,312	-
Hire purchase interest	32,580	49,816
Trade finance interest	4,133,044	2,958,910
	4,308,936	3,008,726

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

25. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	296,936	265,086	72,000	70,000
- over provision in prior year	-	(14,565)	-	-
- Non statutory audit				
- current year	5,000	11,649	5,000	8,000
- under provision in prior year	-	250	-	-
Share option expense:				
- Executive Directors of the Company	83,185	180,646	-	-
- Non-executive Directors of the Company	23,764	51,612	23,764	51,612
- Executive Directors of subsidiaries	73,111	137,635	-	-
- employees	981,224	2,288,060	-	-
Directors' remuneration:				
- Executive Directors of the Company				
- fees	10,000	10,000	-	-
- salaries and other remuneration	2,289,711	2,321,962	-	-
- benefits-in-kind	45,400	45,400	-	-
Directors' remuneration:				
- Non-executive Directors of the Company				
- fees	96,000	96,000	96,000	96,000
- other remuneration	19,760	20,760	19,760	20,760
- Executive Directors of subsidiaries				
- fees	48,870	49,653	-	-
- salaries and other remuneration	2,703,611	2,656,732	-	-
- benefits-in-kind	50,321	39,881	-	-
Loss on foreign exchange:				
- realised	1,540,546	2,448,343	-	30
- unrealised	63,703	485,672	409	520
Net loss on changes in fair value of forward exchange contracts	-	150,462	-	-
Rental expenses:				
- premises	776,305	1,417,421	-	-
- office equipment	8,842	7,517	-	-
- factory equipment	53,396	15,750	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

25. PROFIT BEFORE TAX *cont'd*

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at: *cont'd*

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
And crediting:				
Bad debt recovered	46,990	1,180	-	-
Dividend income:				
- quoted investment	28,488	16,287	-	-
- unquoted investment	91,300	110,000	-	-
- subsidiaries	-	-	21,900,000	20,041,000
Gain on foreign exchange:				
- realised	228,689	4,981	520	-
- unrealised	294,347	389,550	-	-
Net gain on changes in fair value of forward exchange contracts	50,585	-	-	-
Net gain on disposal of property, plant and equipment	149,290	59,040	-	-
Interest income from deposits with financial institutions	1,642,043	1,341,498	371,004	276,657

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

26. TAX EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current tax expense based on profit for the financial year:				
Malaysian income tax	12,188,000	14,425,798	88,000	65,698
Foreign income tax	310,493	572,536	-	-
Over provision in prior years	(327,820)	(73,360)	-	(2,754)
	12,170,673	14,924,974	88,000	62,944
Deferred tax				
Relating to origination and reversal of temporary differences	337,252	(119,748)	-	-
Under provision in prior years	(6,840)	6,813	-	-
	330,412	(112,935)	-	-
	12,501,085	14,812,039	88,000	62,944

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

26. TAX EXPENSE *cont'd*

(a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2017: 24%) of the estimated taxable profits for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in these respective jurisdiction.

(c) Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	49,879,572	55,780,677	21,636,740	19,595,931
Tax expense at the rate of 24% (2017: 24%)	11,971,097	13,387,362	5,192,818	4,703,023
Tax effects in respect of:				
Differences in tax rates of foreign jurisdictions	(7,542)	12,518	-	-
Deferred tax asset not recognised	13,264	-	-	-
Non allowable expenses	1,344,233	1,529,618	151,182	172,515
Tax exempt income	(485,308)	(46,217)	(5,256,000)	(4,809,840)
Tax savings arising from utilisation of previously unrecognised deferred tax assets	-	(4,695)	-	-
	12,835,744	14,878,586	88,000	65,698
(Over)/Under provision in prior years:				
- current tax	(327,819)	(73,360)	-	(2,754)
- deferred tax	(6,840)	6,813	-	-
	12,501,085	14,812,039	88,000	62,944

(d) As at 31 December 2018, a foreign subsidiary has an estimated unabsorbed tax losses amounting to RM756,008 (2017: RM700,738) that can be carried forward for five (5) years to offset against future taxable income.

(e) Tax on each component of other comprehensive income is as follows:

	Group		
	Before tax	Tax effect	After tax
2018	**RM**	**RM**	**RM**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(68,650)	-	(68,650)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

26. TAX EXPENSE *cont'd*

(e) Tax on each component of other comprehensive income is as follows: *cont'd*

	Group		
	Before tax	**Tax effect**	**After tax**
2018	**RM**	**RM**	**RM**
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	84,344	(21,086)	63,258
Fair value gain on equity investments at fair value through other comprehensive income	208,708	-	208,708
	293,052	(21,086)	271,966
2017			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(342,149)	-	(342,149)
Changes in fair value of available-for-sale financial assets, net of tax	824,763	-	824,763
	482,614	-	482,614
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	(66,543)	16,636	(49,907)

27. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	**2017**
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	37,788,172	40,742,906
Weighted average number of ordinary shares in issue	855,857,346	837,810,471
Basic earnings per ordinary share (sen)	4.42	4.86

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

27. EARNINGS PER SHARE *cont'd*

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between average share price for the financial year and exercise price.

	Group	
	2018	**2017**
	RM	**RM**
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	37,788,172	40,742,906
Weighted average number of ordinary share in issue	855,857,346	837,810,471
Effect of dilution due to ESOS	20,536,318	34,213,920
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	876,393,664	872,024,391
Diluted earnings per ordinary share (sen)	4.31	4.67

28. DIVIDENDS

	Group	
	2018	**2017**
	RM	**RM**
Second single-tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017	12,823,450	-
First single-tier interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2018	8,614,736	-
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
	21,438,186	19,600,054

Subsequent to the financial year, on 15 February 2019, the Board of Directors of the Company had declared a second single-tier dividend of 1.25 sen per ordinary share amounting to RM10,793,271 for the financial year ended 31 December 2018. The financial statements for the current financial year do not reflect this interim dividend. Such dividend, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

29. EMPLOYEE BENEFITS

	Group	
	2018	**2017**
	RM	**RM**
Salaries, wages and bonuses	16,138,399	15,622,308
Defined contribution plan	1,779,472	1,702,801
Defined benefit obligations (Note 21)	102,942	107,928
Share options vested under ESOS		
- Directors	180,060	369,893
- Employees	981,224	2,288,060
Others employee benefits	756,878	589,642
	19,938,975	20,680,632

30. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

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

(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) 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

30. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") *cont'd*

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

The number of employees of the Group at end of the financial year was 226 (2017: 205). Employees include Executive Directors of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

30. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") *cont'd*

The salient features of the ESOS as contained in the By-Laws are as follows: *cont'd*

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:-

		Number of options over unissued ordinary shares					
		Balance	Movements during the financial year			Balance	Exercisable
	Exercise	as at				as at	as at
Grant date	**price**	**1.1.2018**	**Granted**	**Exercised**	**Forfeited**	**31.12.2018**	**31.12.2018**
22.01.2015	RM0.24	44,376,900	-	(14,046,000)	(150,000)	30,180,900	12,768,300
22.06.2015	RM0.34	2,547,000	-	(1,053,000)	-	1,494,000	662,400
22.06.2016	RM0.49	6,573,000	-	(2,076,000)	-	4,497,000	2,637,000
22.06.2017	RM0.53	8,526,000	-	(1,290,000)	(648,000)	6,588,000	4,454,100
22.05.2018	RM0.59	-	1,869,000	(144,000)	(180,000)	1,545,000	322,500
		62,022,900	1,869,000	(18,609,000)	(978,000)	44,304,900	20,844,300

Share options exercised during the financial year resulted in the issuance of 18,609,000 (2017: 6,290,000) ordinary shares at a weighted average price of RM0.30 (2017: RM0.78). The related weighted average ordinary share price at the date of exercise was RM0.66 (2017: RM1.71).

Fair value of the share options was measured by the Group using the Trinomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions used are as follows:

	2018	**2017**
Expected life (years)	1.52	2.44
Average share price at grant date (RM)	0.62	1.96
Exercise price (RM)	0.59	1.59
Fair value of share options (RM)	0.11	0.50
Risk free rate of interest (%)	3.51	3.28
Expected dividend yield (%)	3.08	4.39
Expected volatility (%)	32.56	33.60

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.

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has controlling related party relationship with its direct subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

31. RELATED PARTY DISCLOSURES *cont'd*

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transaction with related party during the financial year:

	Company	
	2018	**2017**
	RM	**RM**
Dividend income received from a subsidiary	21,900,000	20,041,000

The related party transaction described above was carried out based on negotiated terms and conditions and are mutually agreed with respective party.

(c) Compensation of key management personnel

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	
	2018	**2017**
	RM	**RM**
Short-term employee benefits	4,649,211	4,644,621
Contribution to Employees Provident Fund	500,286	490,759
Defined benefit obligations	51,580	58,111
Share options vested under ESOS	180,060	369,893
Others	18,455	19,727
	5,399,592	5,583,111
Benefits-in-kind	95,721	85,281
	5,495,313	5,668,392

Executive Directors of the Group have been granted the following number of options under the ESOS:

	Group	
	2018	**2017**
Balance as at 1 January	10,500,000	10,500,000
Exercised	(2,550,000)	-
Balance as at 31 December	7,950,000	10,500,000

The terms and conditions of the ESOS are detailed in Note 30 to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

32. CAPITAL COMMITMENT

	Group	
	2018	**2017**
	RM	**RM**
Approved and contracted for		
Purchase of:		
- property, plant and equipment	315,430	494,203
- intangible assets	322,545	160,378

33. CONTINGENT LIABILITIES

	Company	
	2018	**2017**
	RM	**RM**
Unsecured		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries:	86,614,826	77,450,162

The Company provides corporate guarantees up to a total amount of RM252,545,425 (2017: RM237,809,225) to licensed banks for banking facilities granted to certain subsidiaries. The amount of the banking facilities utilised by the said subsidiaries totalled RM86,614,826 as at 31 December 2018 (2017: RM77,450,162).

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

34. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The Group's objectives when managing capital are 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

34. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

(a) Capital management *cont'd*

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Borrowings comprise hire purchase creditors and trade finance. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Borrowings	86,918,799	78,073,876	-	-
Trade and other payables	62,852,563	74,534,571	286,516	295,363
Total liabilities	149,771,362	152,608,447	286,516	295,363
Less: Cash and bank balances	(107,676,548)	(109,091,987)	(12,579,267)	(10,949,644)
Net debt	42,094,814	43,516,460	(12,292,751)	(10,654,281)
Total capital	283,297,007	259,993,363	169,621,175	162,834,377
Net debt/(surplus)	42,094,814	43,516,460	(12,292,751)	(10,654,281)
Total	325,391,821	303,509,823	157,328,424	152,180,096
Gearing ratio	0.13	0.14	N/A	N/A

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Group and the Company has complied with this requirement for the financial year ended 31 December 2018.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The overall financial risk management objective of the Group is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk, liquidity and cash flow risk and market risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD") and Indonesian Rupiah ("IDR"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

34. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

(b) Financial risk management *cont'd*

(i) Foreign currency risk *cont'd*

The policy of the Group is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost. The Group also attempts to limit its exposure for all committed transactions by entering into foreign currency forward contracts. As such, the fluctuations in foreign currencies are not expected to have a significant financial impact to the Group.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the bank borrowings and deposits placed with licensed banks of the Group.

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 14 to the financial statements.

(iv) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

(v) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks arising from investments held by the Group. They are held for strategic rather than trading purposes. The Group does not actively trade these investments. These instruments are classified as financial assets designated at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

35.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS*	1 January 2018
IC Interpretation 2222 *Foreign Currency Transactions and Advance*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying* MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9, MFRS 15 and MFRS 16 described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *cont'd*

35.1 New MFRSs adopted during the financial year *cont'd*

(a) MFRS 9 *Financial Instruments* *cont'd*

(i) Classification of financial assets and financial liabilities *cont'd*

- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and

- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *cont'd*

35.1 New MFRSs adopted during the financial year *cont'd*

(a) MFRS 9 *Financial Instruments* *cont'd*

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

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139	New under MFRS 9
Group			**RM**	**RM**
Financial assets:				
Other investments	AFS	FVTOCI	1,781,941	1,781,941
Trade and other receivables, net of prepayments	L&R	AC	138,184,948	138,184,948
Cash and bank balances	L&R	AC	109,091,987	109,091,987
Financial liabilities:				
Trade and other payables	OFL	AC	74,534,571	74,534,571
Borrowings	OFL	AC	78,073,876	78,073,876
Company				
Financial assets:				
Trade and other receivables, net of prepayments	L&R	AC	7,072	7,072
Cash and bank balances	L&R	AC	10,949,644	10,949,644
Financial liabilities:				
Trade and other payables	OFL	AC	295,363	295,363

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *cont'd*

35.1 New MFRSs adopted during the financial year *cont'd*

(a) MFRS 9 *Financial Instruments* *cont'd*

(iii) Classification and measurement *cont'd*

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

	Existing under MFRS 139			New under MFRS 9
	Carrying amount as at 31 December 2017	Reclassification	Remeasurement	Carrying amount as at 1 January 2018
	RM	RM	RM	RM
Group				
Other investments - AFS	1,781,941	(1,781,941)	-	-
Other investments - FVTOCI for equity	-	1,781,941	-	1,781,941

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

(c) MFRS 16 *Leases*

The Group and the Company have early adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial year. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated.

As a result of the adoption of MFRS 16 *Leases*, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. This Standard introduces a single accounting model, requiring the leases to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 *Leases* continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of lease differently.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *cont'd*

35.1 New MFRSs adopted during the financial year *cont'd*

(c) MFRS 16 *Leases* *cont'd*

The following table presents the impact of changes to the statements of financial position of the Group and of the Company resulting from early adoption of MFRS 16 *Leases* as at 1 January 2018:

	Note	As at 31 December 2017 RM	Changes RM	As at 1 January 2018 RM
Non-current assets				
Right-of-use assets	(a)	-	1,819,520	1,819,520
Current liabilities				
Lease liabilities	(b)	-	474,208	474,208
Non-current liabilities				
Lease liabilities	(b)	-	1,345,312	1,345,312
Total lease liabilities		-	1,819,520	1,819,520

Note:

(a) The right-of-use assets comprise leasehold industrial land and building leased and recognised during the financial year. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

(b) The lease liabilities are recognised and discounted using the interest rate implicit in the lease ranging from 3.60% to 16.58%. Subsequent to initial recognition, the Group measures the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification.

(c) There is no impact to the Group's and the Company's retained earnings as at 1 January 2018.

Other than the above, the Group and the Company elected to apply exemption for the lease of equipment expiring within 12 months under the Appendix C, paragraph (1) of this Standard. The lease payments are recognised as an expense on a straight line basis over the remaining lease term during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018
cont'd

35. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs *cont'd*

35.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards and Amendments of the MFRS Framework that have been issued by MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to *References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

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 2018 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	42 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	427,680
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor Darul Ehsan	24 years/ freehold	-	Warehouse	80,150/ 32,400	RM2,978,359/ August 30, 1991	2,021,138
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	34 years/ leasehold/ March 22, 2045	27	Office/Store	10,000/ 6,500	RM519,816/ February 06, 1992	270,051
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	21 years/ leasehold August 14, 2096	78	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	7,953,645
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	9 years/ leasehold/ November 03, 2058	40	Industrial land/ factory warehouse	87,120/ 49,776	RM3,856,664/ March 28, 1997 RM2,525,526/ June 01, 2017	5,452,203
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	21 years/ leasehold/ September 03, 2911	893	1 1/2 storey semi-detached factory	21,780/ 17,403	RM1,468,495/ March 28, 2005	1,252,002
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	42 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,693,333

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 2018 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	13 years/ leasehold/ July 09, 2105	87	Industrial land/ factory warehouse office building	67,608/ 45,302	RM3,900,000/ July 15, 2011	3,644,675
9.	Lot 23, Phase 3A, Pulau Indah Industrial Park P.N 7935, Lot No. 74078, District and Mukim of Klang, Selangor Darul Ehsan	82 years/ leasehold/ February 24, 2097	79	Industrial land	366,775	RM14,671,008/ September 14, 2017	14,869,583
10.	Lot 23a (DBKK No.6) Bigwheel Industrial Park Mile 7 1/2, Menggatal Jalan Tuaran 88450 Kota Kinabalu, Sabah	99 years/ leasehold/ *December 3, 2117	99	Semi-detached 3-storey 4-in-1 corporate office, showroom, factory & warehouse	8,581/ 5,766	RM2,800,000 December 21, 2018	2,800,000

* Subject to change after issuance of strata title

ANALYSIS OF SHAREHOLDINGS
as at 8 March 2019

Class of Shares	: Ordinary Shares
Total number of Issued Shares	: 864,331,653
Amount of Shares issued as fully paid	: RM169,162,606.61
Voting Rights	: One vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	4	0.074	69	0.000
100 - 1,000	574	10.530	381,131	0.044
1,001 - 10,000	2,248	41.240	13,505,300	1.563
10,001 - 100,000	2,147	39.387	75,151,400	8.695
100,001 - 43,216,581 (*)	476	8.732	294,941,553	34.123
43,216,582 AND ABOVE (**)	2	0.037	480,352,200	55.574
Total	**5,451**	**100.000**	**864,331,653**	**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	47.599	-	-
Tang Ying See	6,600,000	0.763	417,461,700 (a)	48.299
Chin Song Mooi	6,041,700	0.699	418,020,000 (b)	48.363
Chow Cheng Moey	68,932,200	7.975	600,000 (c)	0.069

Note:

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

(b) Deemed interested by virtue of the shareholdings held by her spouse, Tang Ying See and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

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

ANALYSIS OF SHAREHOLDINGS
as at 8 March 2019
cont'd

LIST OF DIRECTORS' SHAREHOLDINGS

	Shareholdings			
Directors	**Direct**	**%**	**Indirect**	**%**
TANG YING SEE	6,600,000	0.763	432,286,500 [(a)]	50.014
CHIN SONG MOOI	6,041,700	0.699	432,844,800 [(b)]	50.079
CHEN MOI KEW	2,385,000	0.275	-	-
MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' HAJI MOKHTAR BIN SAMAD*	1,860,000	0.215	-	-
CHAN WAN SIEW	1,200,000	0.139		
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	0.449	-	-

Notes:

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

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

ANALYSIS OF SHAREHOLDINGS
as at 8 March 2019
cont'd

LIST OF TOP 30 HOLDERS AS AT 8 MARCH 2019

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

No	Holder Name	Shares Held	Percentage
1	CHEMPLEX RESOURCES SDN. BHD.	411,420,000	47.599
2	CHOW CHENG MOEY	68,932,200	7.975
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	16,151,600	1.868
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	14,857,900	1.719
5	TANG CHII SHYAN	14,824,800	1.715
6	LIM LENG BUNG	8,595,000	0.994
7	OH WEI WAH	8,325,875	0.963
8	TANG YING SEE	6,600,000	0.763
9	CHIN SONG MOOI	6,041,700	0.699
10	LIM JEE SOON	5,500,000	0.636
11	TABUNG AMANAH MELAKA	4,500,000	0.520
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEAH LEE SENG (CHE0461C)*	4,170,000	0.482
13	LIM HUI GUAN	3,900,000	0.451
14	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG*	3,882,600	0.449
15	NG AH KIEW	3,794,700	0.439
16	MISA SDN BHD	3,674,400	0.425
17	FAN KOCK KEONG	3,207,000	0.371
18	FOO KHON PU	3,000,000	0.347
19	LEE CHOONG ONN	3,000,000	0.347
20	FONG AH CHAI	2,600,000	0.300
21	KWAN FOH KWAI	2,576,600	0.298
22	LEE CHEE SIAN	2,546,265	0.294
23	CH'NG CHAN SENG	2,500,800	0.289
24	CHANG YOON CHOY	2,445,000	0.282
25	CHEN MOI KEW	2,385,000	0.275
26	LEE PEI PEI	2,333,184	0.269
27	FONG AH CHAI	2,300,000	0.266
28	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEO WHA*	2,100,000	0.242
29	LEE HUNG KUEN	2,100,000	0.242
30	CHEN TAM CHAI	2,079,600	0.240

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of the Company will be held at The Gallery, West Lobby, TPC Kuala Lumpur, 10, Jalan 1/70 D, Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on 3 May 2019, Friday 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 2018 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 2018. **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-Seventh 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) Chin Song Mooi **Ordinary Resolution 3**
   (b) Chen Moi Kew **Ordinary Resolution 4**

5. To appoint Messrs BDO PLT as Auditors of the Company for the financial year ending 31 December 2019 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 and special 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 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 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."

10. **PROPOSED AUTHORITY FOR SHARE BUY-BACK** **Ordinary Resolution 10**

"THAT subject always to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

NOTICE OF ANNUAL GENERAL MEETING
cont'd

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

NOTICE OF ANNUAL GENERAL MEETING
cont'd

11. **PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION ("PROPOSED ALTERATION")**

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in the Appendix A attached to the Annual Report 2018 with effect from the date of passing this special resolution. **Special Resolution**

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/ or amendment as may be required or imposed by the relevant authorities."

By Order of the Board

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

Petaling Jaya
4 April 2019

Notes on the Appointment of Proxy:

1. For the purpose of determining a member who shall be entitled to attend this Twenty-Seventh 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 30 April 2019. Only a depositor whose name appears on the Record of Depositors as at 30 April 2019 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 1 May 2019, Wednesday or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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 2 of the Agenda – Directors' Fees***

    The Board of Directors, upon Remuneration Committee's recommendation, has reviewed the Directors' fees after taking into consideration time commitment and responsibilities of the respective Director. Payment of the Directors' fees for the financial year ended 31 December 2018 amounting to RM106,000.00 will be made by the Company if the proposed Ordinary Resolution 1 is passed in the forthcoming Annual General Meeting.

3. ***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-Seventh 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:

1. ***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 2018.

2. ***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 2018.

3. ***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 2018.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

4. ***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-Seventh 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 (excluding treasury 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-Sixth Annual General Meeting of the Company held on 7 May 2018 and the mandate will lapse at the conclusion of the Twenty-Seventh Annual General Meeting. A renewal of this authority is being sought at the Twenty-Seventh Annual General Meeting.

5. ***Ordinary Resolution 10 – Proposed Authority for Share Buy-Back***

The proposed Ordinary Resolution 10, if passed will empower the Company to purchase its own ordinary shares up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 4 April 2019 for further information.

6. ***Special Resolution – Proposed Alteration***

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Act, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Securities and other provisions of laws and regulations that are applicable to the Company.

This proposed Special Resolution is required to be passed by a majority of not less than seventy-five percent (75%) of such members who are entitled to vote and do vote in person or by proxy at the Twenty-Seventh Annual General Meeting.

For further information on the Proposed Alteration, please refer to the Appendix A attached to the Annual Report 2018.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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

There is no Director standing for election at the Twenty-Seventh 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-Seventh Annual General Meeting of the Company to be held at The Gallery, West Lobby, TPC Kuala Lumpur, 10, Jalan 1/70 D, Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on 3 May 2019, Friday 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 2018 together with the Reports of the Directors and Auditors thereon			
		Ordinary Resolution ("OR") / Special Resolution ("SR")	For	Against
2.	Payment of Directors' Fees of RM106,000.00 for the financial year ended 31 December 2018	OR 1		
3.	Payment of Directors' remuneration (excluding Directors' fee) to the Non-Executive Chairman and Non-Executive Director up to an amount of RM29,760.00 for the period from the Twenty-Seventh Annual General Meeting up to the date of the next annual general meeting of the Company	OR 2		
4.	Re-election of Chin Song Mooi as Director	OR 3		
5.	Re-election of Chen Moi Kew as Director	OR 4		
6.	Appointment of Messrs BDO PLT as Auditors of the Company for the financial year ending 31 December 2019 and authorising the Directors to fix their remuneration	OR 5		
Special Business				
7.	Retention of Dato' Haji Mokhtar bin Haji Samad as Independent Non-Executive Director of the Company	OR 6		
8.	Retention of Chan Wan Siew as Independent Non-Executive Director of the Company	OR 7		
9.	Retention of Au Chun Choong as Independent Non-Executive Director of the Company	OR 8		
10.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016	OR 9		
11.	Proposed Authority for Share Buy-Back	OR10		
12.	Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution	SR		

[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 ____________________ 2019

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-Seventh 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 30 April 2019. Only a depositor whose name appears on the Record of Depositors as at 30 April 2019 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 1 May 2019, Wednesday 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

No. 6, Jalan SS21/58, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia
T | 03 7728 2155 F | 03 7729 9782