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**LUXCHEM**

**LUXCHEM CORPORATION BERHAD**  
Registration No. 199101014102 (224414-D)

No. 6, Jalan SS21/58, Damansara Utama,  
47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel : (603) 7728 2155 Fax : (603) 7728 2806

LUXCHEM CORPORATION BERHAD REGISTRATION NO. 199101014102 (224414-D)

ANNUAL REPORT 2022



**2022**

ANNUAL REPORT





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**DATUK KWAN FOH KWAI**

*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*

**TAUFIQ AHMAD @  
AHMAD MUSTAPHA BIN GHAZALI**

*Independent Non-Executive Director*

**TAN TECK KIONG**

*Independent Non-Executive Director*

## COMPANY SECRETARIES

Wong Wai Foong

SSM PC No. 202008001472 (MAICSA 7001358)

Chen Moi Kew

SSM PC No. 202008001043 (MIA 6359)

Lim You Jing

SSM PC No. 202108000369 (MAICSA 7075638)

## AUDIT AND RISK MANAGEMENT COMMITTEE

Taufig Ahmad @

Ahmad Mustapha Bin Ghazali

*Chairman*

Datuk Kwan Foh Kwai

*Member*

Tan Teck Kiong

*Member*

## NOMINATING COMMITTEE

Tan Teck Kiong

*Chairman*

Taufig Ahmad @

Ahmad Mustapha Bin Ghazali

*Member*

Datuk Kwan Foh Kwai

*Member*

## REMUNERATION COMMITTEE

Datuk Kwan Foh Kwai

*Chairman*

Taufig Ahmad @

Ahmad Mustapha Bin Ghazali

*Member*

Tan Teck Kiong

*Member*

# CORPORATE INFORMATION

cont'd

## SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.  
*Registration No. 197101000970 (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 : [www.luxchem.com.my](http://www.luxchem.com.my)

## PRINCIPAL BANKERS

CIMB Bank Berhad [197201001799 (13491-P)]  
Citibank Berhad [199401011410 (297089-M)]  
HSBC Bank Malaysia Berhad [198401015221 (127776-V)]  
Malayan Banking Berhad [196001000142 (3813-K)]  
United Overseas Bank (Malaysia) Berhad  
[199301017069 (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  
201906000013 (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

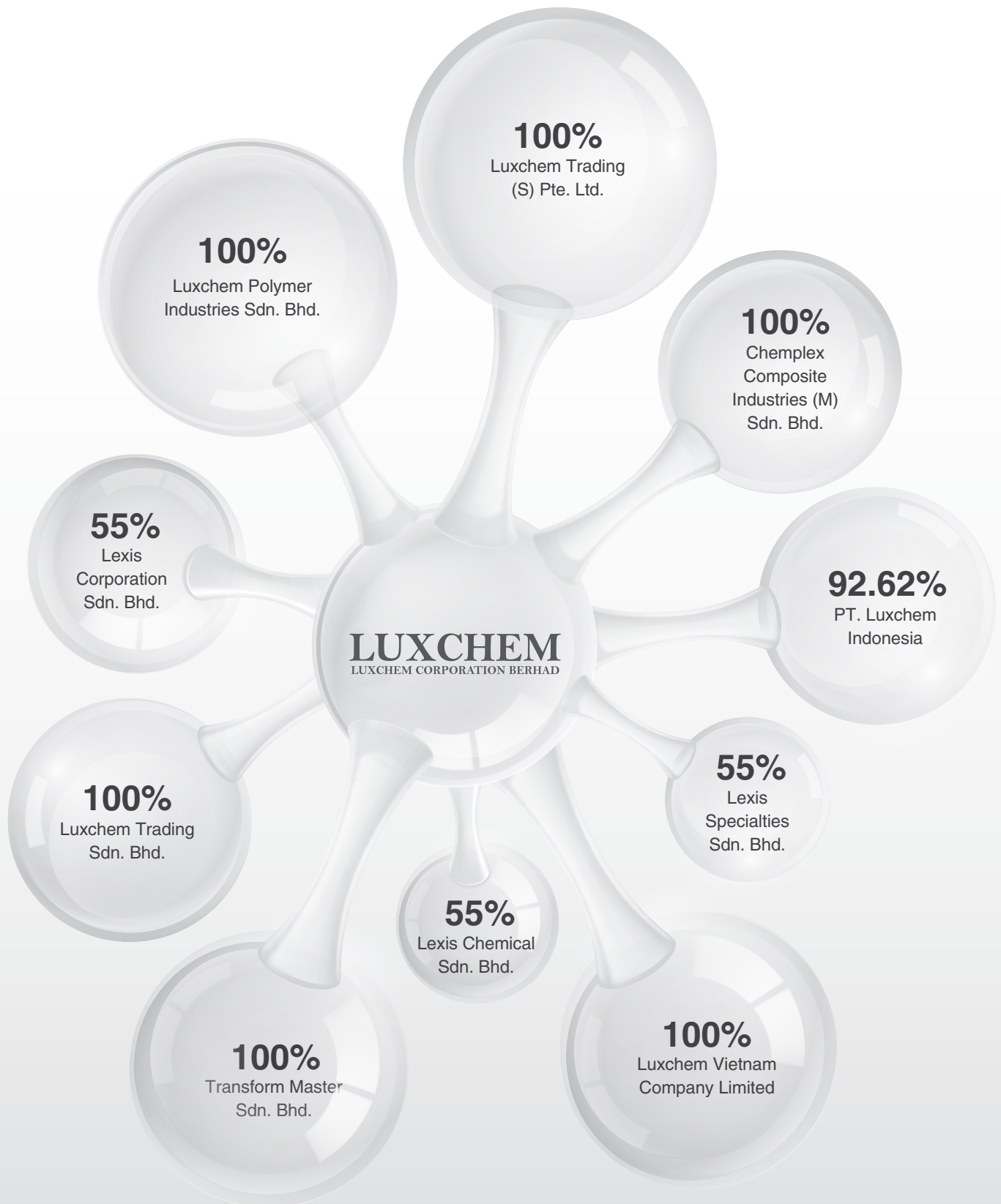
## STOCK EXCHANGE LISTING

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



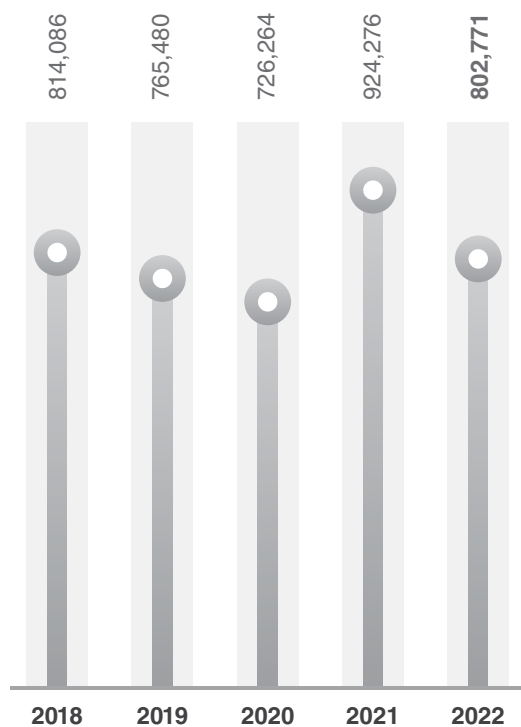


# CORPORATE STRUCTURE

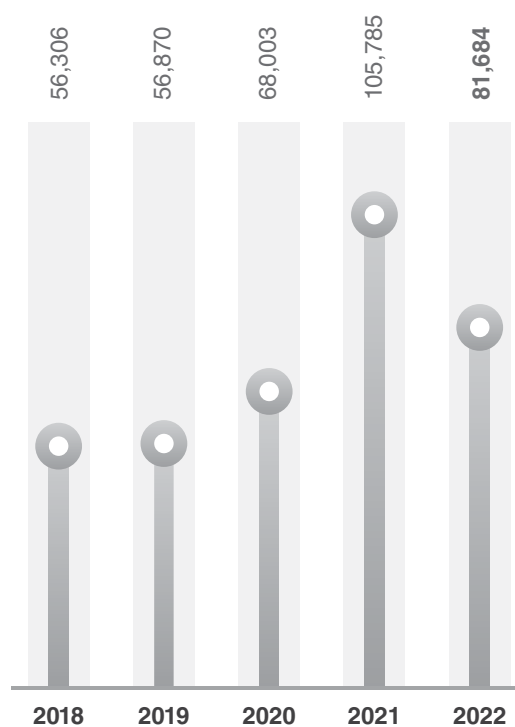


# FINANCIAL HIGHLIGHTS

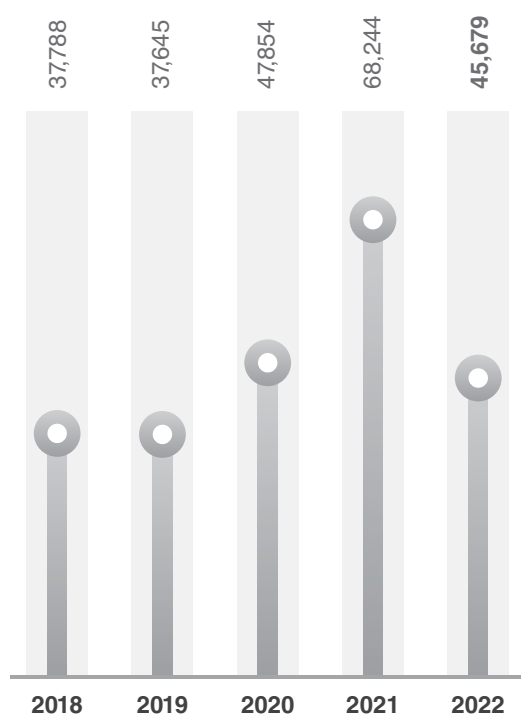
REVENUE (RM'000)



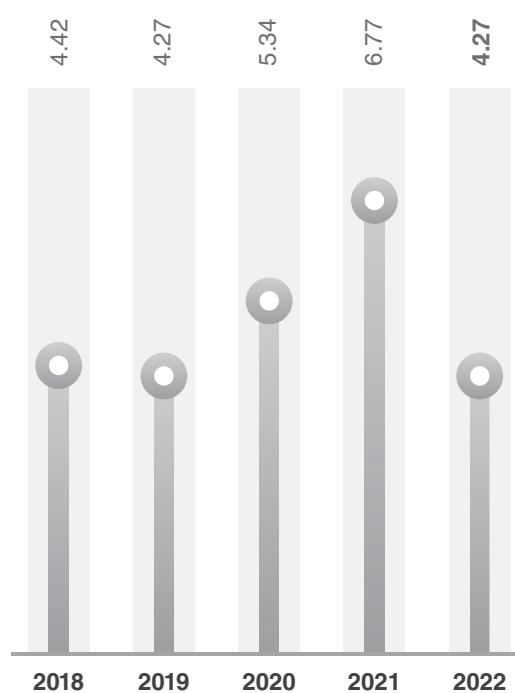
EBITDA (RM'000)



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



EARNINGS PER SHARE (SEN)





# FINANCIAL HIGHLIGHTS

cont'd

	2018 RM'000	2019 RM'001	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	814,086	765,480	726,264	924,276	802,771
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	56,306	56,870	68,003	105,785	81,684
Profit Before Taxation ("PBT")	49,880	50,121	62,523	98,391	68,616
Profit Attributable to Owners of the Company	37,788	37,645	47,854	68,244	45,679
Earnings Per Share - Basic (sen) *	4.42	4.27	5.34	6.77	4.27
Earnings Per Share - Diluted (sen) *	4.31	-	-	-	-

**\* FYE 2022**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 2022 of 1,069,766,119.

Earning Per Share - Diluted

Fully diluted earnings per share were not computed as at 31 December 2022 as there were no outstanding potential ordinary shares to be issued.

**\* FYE 2021**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 2021 of 1,008,140,289.

Earning Per Share - Diluted

Fully diluted earnings per share were not computed as at 31 December 2021 as there were no outstanding potential ordinary shares to be issued.

**\* FYE 2020:**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 2020 of 895,808,553.

Earning Per Share - Diluted

Fully diluted earnings per share were not computed as at 31 December 2020 as there were no outstanding potential ordinary shares to be issued.

**\* FYE 2019:**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 2019 of 881,864,209.

Earning Per Share - Diluted

The Employee's Share Option Scheme with a tenure of five (5) years have expired on 30 November 2019. Fully diluted earnings per share were not computed as at 31 December 2019 as there were no outstanding potential ordinary shares to be issued.

**\* 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.



# DIRECTORS' PROFILE

## DATUK KWAN FOH KWAI

*Independent Non-Executive Chairman  
Male, Malaysian, 71 year-old*

Datuk Kwan Foh Kwai was appointed as the Independent Non-Executive Chairman of the Company on 13 March 2020.

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

He holds a Bachelor of Engineering (Hons) from University Malaya in 1977.

Datuk Kwan has over 40 years of working experience in the construction industry in both public and private sectors. He began his career as a Contract Engineer in 1977 with Department of Public Works, Malaysia. In 1980, he joined Promet Construction Sdn. Bhd. as Site Manager and in 1984, he was appointed as General Manager of Alam Baru Sdn. Bhd.. From 1986 to 1996, he was the General Manager of Taisei (Malaysia) Sdn. Bhd..

Datuk Kwan joined Sungei Way Construction Berhad in 1996 as Executive Director. He was subsequently promoted to Managing Director of Sunway Construction Berhad in 2001. In 2014 he was appointed as Senior Managing Director of Sunway Construction Group Berhad until his retirement in December 2015. After his retirement, he was appointed as the Non-Independent Non-Executive Director of Sunway Construction Group Berhad until 31 December 2017. He remained as Advisor of Sunway Construction Group Berhad until March 2020.

Datuk Kwan has served as the President (2010-2012), Immediate Past President (2012-2016) and Honorary Advisor (2016-2018) of Master Builders Association of Malaysia (MBAM). In addition, he is currently:

- Member of the Institution of Engineers, Malaysia (IEM);
- Fellow of the Chartered Institute of Building (FCIOB);
- President of Perak Chinese Assembly Hall;
- Deputy Chairman of the Board of Governors, SMJK Yuk Choy, Ipoh, Perak;
- Executive Committee Member of the Federation of Chinese Associations Malaysia (Hua Zong).

On 4 June 2016, Datuk Kwan was conferred the Panglima Jasa Negara (PJN) by the Honourable DYMM Almu'tasimu Billahi Muhibbuddin Tuanku AlHaj Abdul Halim Mu'adzam Shah ibni Almarhum Sultan Badhisshah.

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

He attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

#### 1. Conviction of Offences (other than traffic offences)

*Datuk Kwan Foh Kwai has not convicted of any offences within the past five years.*

#### 2. Public Sanction or Penalty imposed

*There were no public sanction or penalties imposed on Datuk Kwan Foh Kwai by any relevant regulatory bodies during the financial year ended 31 December 2022.*



# DIRECTORS' PROFILE

cont'd

## MR TANG YING SEE

*Managing Director/Chief Executive Officer  
Male, Malaysian, 71-year-old*

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

As the founder of the Company, he has been instrumental in our development, growth and success. He brings with him approximately 42 years of experience in the industrial chemicals industry and he is mainly responsible for the overall strategic business direction of the Group.

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

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

He is the spouse of Madam Chin Song Mooi, a director and substantial shareholder of the Company. He does not have any conflict of interest with the Company and its subsidiaries.

He attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

**1. Conviction of Offences (other than traffic offences)**

*Mr Tang Ying See has not convicted of any offences within the past five years.*

**2. Public Sanction or Penalty imposed**

*There were no public sanction or penalties imposed on Mr Tang Ying See by any relevant regulatory bodies during the financial year ended 31 December 2022.*

# DIRECTORS' PROFILE

cont'd

## MADAM CHIN SONG MOOI

*Executive Director  
Female, Malaysian, 71-year-old*

Madam Chin Song Mooi is an Executive Director of the Company. She is one of the First Directors appointed to the Board of the Company on 4 September 1991.

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

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

She is the spouse of Mr Tang Ying See, a director and substantial shareholder of the Company. She does not have any conflict of interest with the Company and its subsidiaries.

She attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

#### 1. Conviction of Offences (other than traffic offences)

*Madam Chin Song Mooi has not convicted of any offences within the past five years.*

#### 2. Public Sanction or Penalty imposed

*There were no public sanction or penalties imposed on Madam Chin Song Mooi by any relevant regulatory bodies during the financial year ended 31 December 2022.*





# DIRECTORS' PROFILE

cont'd

## MADAM CHEN MOI KEW

*Executive Director/Chief Financial Officer*  
*Female, Malaysian, 60-year-old*

Madam Chen Moi Kew was appointed as an Executive Director/Chief Financial Officer of the Company on 2 January 2008.

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

In January 2023, she obtained the Six Sigma Master Black Belt™ certification from the International Six Sigma Institute™.

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

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

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

She attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

**1. Conviction of Offences (other than traffic offences)**

*Madam Chen Moi Kew has not convicted of any offences within the past five years.*

**2. Public Sanction or Penalty imposed**

*There were no public sanction or penalties imposed on Madam Chen Moi Kew by any relevant regulatory bodies during the financial year ended 31 December 2022.*

# DIRECTORS' PROFILE

cont'd

## ENCIK TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI

*Independent Non-Executive Director  
Male, Malaysian, 75-year-old*

Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali was appointed as an Independent Non-Executive Director of the Company on 13 March 2020.

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

He is a member of the Malaysian Institute of Accountants, a Fellow of the Chartered Association of Certified Accountants (UK), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Master's degree in Business Administration (MBA) from the University of Leicester, England and MSc degree in International Business Administration from the School of Oriental and African Studies, University of London, England.

He has more than 30 years of professional working experience, including being a partner of a Big Four accounting firm. His areas of specialisation are audit and financial advisory services and currently is a partner of an accounting practice.

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

He attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

#### **Conviction of Offences (other than traffic offences), Public Sanction or Penalty imposed**

With reference to the public sanction by the Securities Commission Malaysia ("SC") against Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, being a former Director of a Public Listed Company listed on Bursa Malaysia Securities Berhad for breach of Section 354(1) of the Capital Markets and Services Act 2007, the SC had on 2 September 2022 dismissed the review application against the sanction imposed on him. Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali has fully settled the penalty imposed by the SC.

# DIRECTORS' PROFILE

cont'd

## MR TAN TECK KIONG

*Independent Non-Executive Director  
Male, Malaysian, 65-year-old*

Mr Tan Teck Kiong was appointed as an Independent Non-Executive Director of the Company on 13 March 2020.

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

He holds a B.A. Accounting Degree from the University of Kent, Canterbury, United Kingdom and a Degree in Law from the Polytechnic of Central London. He is a Barrister-at-law (Lincoln's Inn) and was called to the Malaysian Bar on 29 October 1983.

With over 30 years of working experience in legal services, he specialises in Corporate Banking and Commercial Litigation as well as Divorce matters. He began with Messrs Abdul Aziz, Ong & Co as legal assistant in 1983. Subsequently, he held the position as Senior Litigation Lawyer of Messrs Kadir, Tan & Ramli in 1985 and thereafter the Litigation Partner of Messrs Tunku Mukhrizah & Partners in 1991. He was appointed as the Independent and Non-Executive Director of Golden Land Berhad on 13 October 2016. Subsequently, he was re-designated as the Chairman of Golden Land Berhad on 24 November 2017 until 12 October 2022. He is currently the Litigation Partner of Messrs Heiley Hassan, Tan & Partners since 1999.

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

He attended all five Board of Directors' meetings held during the financial year ended 31 December 2022.

### Notes :

**1. Conviction of Offences (other than traffic offences)**

*Mr Tan Teck Kiong has not convicted of any offences within the past five years.*

**2. Public Sanction or Penalty imposed**

*There were no public sanction or penalties imposed on Mr Tan Teck Kiong by any relevant regulatory bodies during the financial year ended 31 December 2022.*



## KEY SENIOR MANAGEMENT'S PROFILE

### **MR TEW KAR WAI @ TEOH KAR WAI**

*Director/Commercial Director, PVC Division of Luxchem Trading Sdn. Bhd. ("LTSB")  
Male, Malaysian, 61-year-old*

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

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

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

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

### **MR NG CHAI TEIK**

*Director/Commercial Director, Latex Division of Luxchem Trading Sdn. Bhd. ("LTSB")  
Male, Malaysian, 50-year-old*

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

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

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

He has also been appointed as a director of Transform Master Sdn. Bhd. on 29 April 2016. On 24 August 2021, he was appointed as a Director of Lexis Corporation Sdn. Bhd., Lexis Specialties Sdn. Bhd. and Lexis Chemical Sdn. Bhd..

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



# KEY SENIOR MANAGEMENT'S PROFILE

cont'd

## MR JOSEPH TJENDRA

*President Director of PT. Luxchem Indonesia ("PTLI")*

*Male, Indonesian, 49-year-old*

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

He obtained his Bachelor of Business – Management from the University of Tarumanagara, Jakarta in 1997 and began his career in 1997 when he joined Mitsui & Co., Ltd. as a Sales Executive of First Plastic Division. In year 2003, he took up the position in PT. Ustrada Sakti Supplies as a Sales Manager of PVC Division and under the same group company, he was also assigned as Sales Manager of PT. Indo Lysaght until the end of 2011. In 2012, he decided to join PTLI as a Marketing Director. On 1 August 2017, he was appointed as President Director of PTLI.

He is currently responsible for daily operations in PTLI, and leading the Company to achieve its direction, vision and mission.

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

## MS TRISIA CLAUDIA

*Finance Director of PT. Luxchem Indonesia ("PTLI")*

*Female, Indonesian, 50-year-old*

---

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

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

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

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

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

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

# KEY SENIOR MANAGEMENT'S PROFILE

cont'd

## MR PANG TEE KING

*Director of Luxchem Polymer Industries Sdn. Bhd. ("LPI")  
Male, Malaysian, 57-year-old*

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Mr Pang Tee King was appointed as a Director of LPI on 25 March 2019.

He obtained his Bachelor of Business Administration – Marketing in 1989 and Master of Arts – Economics in 1992 from Eastern Michigan University, United States of America.

He began his career in 1992 when he joined Southern Products Marketing Sdn. Bhd. as Marketing Executive. He left the Company in 1996 as Marketing Manager and joined Equal Definite Sdn. Bhd. as a Business Development Manager. In 1999, he started an import and export trading company, Jed Timur Import-Export Sdn. Bhd. as a Managing Director. He took up the position as a Business Development Manager in Luxchem Trading Sdn. Bhd. in 2001. He is currently responsible for overseeing and managing the sales performance and operations of the FRP and Coating Division.

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

## MR CHUAH KIM PIEW

*Company Director of Lexis Chemical Sdn. Bhd. ("Lexis Chemical"), Lexis Specialties Sdn. Bhd. ("Lexis Specialties") and Lexis Corporation Sdn. Bhd. ("Lexis Corporation")  
Male, Malaysian, 51-year-old*

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Mr Chuah Kim Piew is the co-founder and Director of Lexis Chemical, Lexis Specialties and Lexis Corporation respectively, which are 55%-owned subsidiaries of Luxchem Corporation Berhad.

As the key person of the Company, he is responsible for the overall strategic business direction and growth of the Company.

He obtained his Bachelor of Science Degree, majoring in Chemistry from University of Malaya in 1996. He started his career as a R&D chemist with a Japanese brand's paint manufacturing company.

In 2002, he joined a multinational specialties chemical company as the regional Technical Service Manager. He was later promoted as the Technical Service Director of Asia in 2008 and was based in Shanghai, China. After 10 years with the specialties chemical company, he returned to Malaysia to join a chemical company as a Senior Technical Service Manager.

Armed with his technical knowledge and more than 20 years of experience in the chemical manufacturing industry, he had successfully built the Company to become one of the specialties chemical market leader for rubber gloves industry in less than five years, together with another co-founder, Mr Lee Juinn Yong.

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



# KEY SENIOR MANAGEMENT'S PROFILE

cont'd

## MR LEE JUINN YONG

*Executive Director of Lexis Chemical Sdn. Bhd. ("Lexis Chemical"), Lexis Specialties Sdn. Bhd. ("Lexis Specialties") and Lexis Corporation Sdn. Bhd. ("Lexis Corporation")*  
*Male, Malaysian, 45-year-old*

---

Mr Lee Juinn Yong is the co-founder and Director of Lexis Chemical, Lexis Specialties and Lexis Corporation respectively, which are 55%-owned subsidiaries of Luxchem Corporation Berhad.

He obtained his Bachelor Degree (Honours) In Technology Management majoring in Marketing from Universiti Teknologi Malaysia in 2001.

He started his career in 2001 as Sales Engineer for a US based company focusing in sales of industrial products. For career advancement, he left the Company in 2005 and joined a multinational company as Country Manager, specialized in the sales of chemicals for coating business. In 2009, after accumulated many years of sales management experience, he joined another Company as Business Development Manager with focus in the sales of specialty chemical for rubber glove industry. During these years, he accelerated sales management, operation and development experience, gained invaluable knowledge of the rubber glove market, and build his reputation and network in the industry.

Pursuing his entrepreneurial dream, he then decided in year 2016 to start his own business and co-founded Lexis Chemical together with Mr Chuah Kim Piew. Both Mr Lee and Mr Chuah Kim Piew also jointly set up Lexis Specialties and Lexis Corporation in the later years.

With his vast experience in sales & marketing, proven track performance, leadership and passion for continuous improvement, Mr Lee now plays an important role in accelerating sales growth and transforming Lexis Chemical from a new setup to a recognisable player in the rubber glove industry within a short period of time.

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

## MR TAN BOON CHAI

*Chief Operating Officer/Chief Sustainability Officer of Luxchem Group*  
*Male, Malaysian, 52-year-old*

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Mr Tan Boon Chai was recruited as Chief Operating Officer of LTSC on 1 May 2022.

He graduated from Universiti Sains Malaysia in year 1996 with Bachelor of Social Science, major in Political Science, minor in management.

He began his career in 1996 as Sales Executive in Diethelm (M) Sdn. Bhd.. He worked in Kodak Malaysia for 11 years from 1997 to 2008. He then grew from Key Account Manager to Regional Manager for Asia Pacific. He also elevated his career from Regional Sales Manager to Country Managing Director in Dupont Malaysia Sdn. Bhd. from 2008 to 2016.

Thereafter, he gained wide exposure and solid experience in managing and leading reputable chemical plants with his subsequent appointments in pivotal, strategic and leadership roles in Synthomer (M) Sdn. Bhd., Texchem Materials Sdn. Bhd. and DIC Malaysia Sdn. Bhd. respectively from 2016 to 2022.

His appointment as Chief Operating Officer covers overseeing, steering and leading of Luxchem Group towards operational and business excellence. On 16 February 2023, Mr Tan Boon Chai was appointed by the Board to take on additional role as Chief Sustainability Officer towards Environmental, Social and Corporate Governance and sustainability issues.

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

# KEY SENIOR MANAGEMENT'S PROFILE

cont'd

## MS LAU SOK CHING

*General Manager, Factory of Luxchem Polymer Industries Sdn. Bhd. ("LPI")*

*Female, Malaysian, 55-year-old*

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Ms Lau Sok Ching graduated from University of Malaya in 1994 with a Bachelor Degree in Science (Hons) – Chemistry.

She began her career with Cosmo Polyurethane (M) Sdn. Bhd. in 1994 as Quality Control / Research & Development Executive. In 2019, she joined Central Cables Berhad as Production Planner cum ISO Coordinator.

Ms Lau Sok Ching was recruited by LPI in 2000 as Technical Manager and over the last 22 years, her career has progressed steadily in LPI and she has critical roles in the field of technical support, quality assurance / control, research & development as well as operational compliance. She was promoted to General Manager, Factory in year 2022 and has since entrusted with the leadership role leading and managing the plant.

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

### Notes :

**1. Conviction of Offences (other than traffic offences)**

None of the Key Senior Management has convicted of any offences within the past five years.

**2. Public Sanction or Penalty imposed**

There were no public sanction or penalties imposed on the Key Senior Management by any relevant regulatory bodies during the financial year ended 31 December 2022.

# MANAGEMENT DISCUSSION & ANALYSIS

**Dear Valued Shareholders,**

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 2022 AND OUTLOOK FOR THE YEAR 2023.

## 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")
- Transform Master Sdn. Bhd. ("TMSB")
- Chemplex Composite Industries (M) Sdn. Bhd. ("CCI")
- PT Luxchem Indonesia ("PTLI")
- Luxchem Trading (S) Pte Ltd ("LTSPL")
- Luxchem Vietnam Company Limited ("LVCL")
- Lexis Corporation Sdn. Bhd. ("LCORP")
- Lexis Chemical Sdn. Bhd. ("LCSB")
- Lexis Specialties Sdn. Bhd. ("LSSB")

## 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, PTLI, LTSPL, LSSB and LVCL.

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

28% of trading revenue (before inter-segment revenue) for FYE 2022 was contributed by export sales.

Our objectives are to remain focused on the Latex, FRP, PVC, Rubber and Coating industries. Within these industries, we will expand our product range, to continuously source from 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.  
This activity is carried out by LPI.
- (ii) Manufacturing and trading of latex chemical dispersions, latex processing chemicals and specialty chemicals for the rubber gloves industry.  
This activity is carried out by TMSB.
- (iii) Manufacturing and trading of former cleaning agents, powder free coagulants and polymer coatings. These chemicals are mostly used in the rubber gloves industry.  
This activity is carried out by LCSB.

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

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

### 2. Manufacturing *cont'd*

Approximately 75% of our manufacturing segment revenue (before inter-segment revenue) for FYE 2022 was contributed by export sales. Our major exporting countries for our manufacturing segment are Vietnam, Indonesia, China, Thailand, Australia, New Zealand, Sri Lanka and Bangladesh.

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 in detail and expand our capacity further if it is justified.

## C. GROUP FINANCIAL PERFORMANCE

The Group's performance in FYE 2022 has declined compared to FYE 2021. However, the performance remains satisfactory for FYE 2022 despite the challenges caused by the on-going conflict between Russia and Ukraine as well as the fluctuation of USD/RM exchange rate in a rising interest rate environment.

### Financial performance of the Group

	2022 RM	2021 RM	CHANGES RM	CHANGES %
Revenue	802,770,754	924,276,387	(121,505,633)	-13.15%
Cost of sales	(689,075,882)	(786,474,586)	97,398,704	-12.38%
Gross profit	113,694,872	137,801,801	(24,106,929)	-17.49%
Other operating income	9,432,625	3,841,596	5,591,029	145.54%
Selling and distribution costs	(11,372,776)	(11,497,921)	125,145	-1.09%
Administrative expenses	(33,549,031)	(28,512,711)	(5,036,320)	17.66%
Other operating expenses	(6,286,715)	(3,419,147)	(2,867,568)	83.87%
Net (loss)/gain on impairment of financial assets	(655,724)	3,313,922	(3,969,646)	-119.79%
Operating profit	71,263,251	101,527,540	(30,264,289)	-29.81%
Finance costs	(2,647,733)	(3,136,781)	489,048	-15.59%
Profit before Tax	68,615,518	98,390,759	(29,775,241)	-30.26%
Taxation	(17,313,244)	(24,357,688)	7,044,444	-28.92%
Profit for the period	51,302,274	74,033,071	(22,730,797)	-30.70%

### Revenue

The Group's revenue for FYE 2022 has decreased by RM121.51 million or 13.15% as compared to FYE 2021. The decrease in Revenue was attributable to :

- i) Lower volumes from trading segment.

### Gross Profit

The Group's gross profit for FYE 2022 decreased RM24.11 million or 17.49% as compared to FYE 2021. The lower gross profit achieved was due to :

- i) Lower revenue during FYE 2022
- ii) Lower gross profit margin

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

## C. GROUP FINANCIAL PERFORMANCE *cont'd*

### Financial performance of the Group *cont'd*

#### Operating Profit

The Group's operating profit for FYE 2022 decreased RM30.26 million or 29.81% as compared to FYE 2021. The lower operating profit was mainly due to lower gross profit and higher expenses during FYE 2022.

#### Profit After Tax

The Group achieved profit after tax of RM51.30 million, a decrease of RM22.73 million from FYE 2021. This was mainly due to lower gross profit.

## D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS

### 1. SEGMENT : MANUFACTURING

#### Overview - Manufacturing

The performance of the Manufacturing segment in FYE 2022 as compared to FYE 2021 is summarised below:

	MANUFACTURING SEGMENT			
	2022 RM	2021 RM	CHANGES RM	CHANGES %
Total revenue	412,666,161	372,132,590	40,533,571	10.89%
Inter-segment revenue	(138,697,717)	(165,649,909)	26,952,192	-16.27%
External sales	273,968,444	206,482,681	67,485,763	32.68%
<b>Results</b>				
Segment results	36,977,553	41,260,535	(4,282,982)	-10.38%
Dividend, interest and rental income	551,827	548,986	2,841	0.52%
Operating profit	37,529,380	41,809,521	(4,280,141)	-10.24%
Finance costs	(569,539)	(570,252)	713	-0.13%
Profit before taxation	36,959,841	41,239,269	(4,279,428)	-10.38%
Taxation	(9,462,095)	(10,191,090)	728,995	-7.15%
Profit for the financial year	27,497,746	31,048,179	(3,550,433)	-11.44%

Manufacturing revenue, net of inter-company transactions, increased to RM273.97 million, an increase of RM67.49 million or 32.68% as compared to FYE 2021. This increase was due to increase in LPI revenue, as well as revenue from LCSB.

Profit after tax from the Manufacturing segment for FYE 2022 decreased RM3.55 million as compared to FYE 2021 mainly due to lower operating profit.



# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

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

### 1. SEGMENT : MANUFACTURING *cont'd*

#### **Manufacturing Unsaturated Polyester Resin ("UPR")**

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

Our various UPR grades are used in a wide range of applications such as FRP composites, land and sea transportation, industrial equipment and structures, construction, electricals, safety equipment, anti-corrosion vessels, household furniture, architectures, flooring, and coating applications.

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

- ISO9001:2015
- ISO14001:2015
- ISO45001:2018

Our products are sold locally and internationally.

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 exported directly by LPI.

Our production capacity now is 40,000MT, utilisation for FYE 2022 was about 65%.

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 certifications:

- ISO9001:2015
- ISO14001:2015

TMSB's production capacity in FYE 2022 was 18,000 MT and had achieved utilisation rate of 50%.

TMSB will focus on improvement of operational efficiencies and utilisation rates.

#### **Manufacturing of industrial cleaning agents, polymer coatings, coagulants, specialties chemicals and additives for the rubber glove industry**

This manufacturing of industrial cleaning agents, polymer coatings, coagulants, specialties chemicals and additives for the rubber glove industry are carried out by LCSB.

LCSB was established in early year 2016 as a total solution provider for rubber glove industries in Malaysia and international markets. LCSB is located at Kapar, Selangor.

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

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

### 1. SEGMENT : MANUFACTURING *cont'd*

**Manufacturing of industrial cleaning agents, polymer coatings, coagulants, specialties chemicals and additives for the rubber glove industry *cont'd***

LCSB have obtained the following certification: -

- ISO 9001:2015

LCSB production capacity in FYE 2022 was 47,710 MT and had achieved the utilisation rate of 41%.

In order to sustain its business growth, LCSB strategies include the following:-

- Product development
- Continue to expand on local and overseas markets.

### 2. SEGMENT : TRADING

**Marketing and distribution of industrial chemicals and materials**

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

The performance of Trading segment in FYE 2022 as compared to FYE 2021 is summarised below:

	TRADING SEGMENT			
	2022	2021	CHANGES	CHANGES
	RM	RM	RM	%
Total revenue	545,295,581	725,575,466	(180,279,885)	-24.85%
Inter-segment revenue	(16,493,271)	(7,781,760)	(8,711,511)	111.95%
External sales	528,802,310	717,793,706	(188,991,396)	-26.33%
<b>Results</b>				
Segment results	32,838,837	59,248,645	(26,409,808)	-44.57%
Dividend, interest and rental income	1,011,232	1,232,527	(221,295)	-17.95%
Operating profit	33,850,069	60,481,172	(26,631,103)	-44.03%
Finance costs	(2,078,194)	(2,566,529)	488,335	-19.03%
Profit before taxation	31,771,875	57,914,643	(26,142,768)	-45.14%
Taxation	(7,729,469)	(13,974,362)	6,244,893	-44.69%
Profit for the financial year	24,042,406	43,940,281	(19,897,875)	-45.28%

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

The major products are as follows:

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

# MANAGEMENT DISCUSSION & 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*

In FYE 2022, revenue from Trading segment decreased RM188.99 million or 26.33% as compared to FYE 2021.

The decrease was mainly due to lower revenue from LTSB and PTIL.

Profit after tax ("PAT") decreased RM19.90 million due to lower PAT from LTSB and PTIL.

#### 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

## E. REVENUE BY GEOGRAPHICAL SEGMENTS

Country	2022	2021	Changes	
	RM	RM	RM	%
<b>Malaysia</b>	<b>518,096,081</b>	<b>608,777,164</b>	<b>(90,681,083)</b>	<b>-14.90%</b>
Vietnam	104,952,847	86,602,307	18,350,540	21.19%
Indonesia	59,816,750	99,921,743	(40,104,993)	-40.14%
China	49,476,944	24,986,712	24,490,232	98.01%
Thailand	20,233,867	38,942,790	(18,708,923)	-48.04%
Australia	12,829,750	11,444,475	1,385,275	12.10%
New Zealand	6,802,600	4,223,785	2,578,815	61.05%
Bangladesh	6,288,099	6,745,416	(457,317)	-6.78%
Sri Lanka	6,056,440	6,986,264	(929,824)	-13.31%
Singapore	4,973,056	25,497,722	(20,524,666)	-80.50%
Philippines	2,583,429	2,957,144	(373,715)	-12.64%
India	1,937,931	436,327	1,501,604	>100%
United Arab Emirates	1,885,485	884,716	1,000,769	>100%
Hong Kong	1,848,966	1,776,817	72,149	4.06%
Others	4,988,509	4,093,005	895,504	21.88%
<b>Total exports</b>	<b>284,674,673</b>	<b>315,499,223</b>	<b>(30,824,550)</b>	<b>-9.77%</b>
<b>Total</b>	<b>802,770,754</b>	<b>924,276,387</b>	<b>(121,505,633)</b>	<b>-13.15%</b>

In FYE 2022, local sales decreased RM90.68 million or 14.90%. This was mainly due to lower sales from LTSB and TMSB, offset by higher sales from LCSB.

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

## E. REVENUE BY GEOGRAPHICAL SEGMENTS *cont'd*

Export revenue decreased RM30.82 million or 9.77% as compared with FYE 2021.

The decrease in export revenue was due to decrease in PTLI sales and exports from LTSB, offset by increase in exports from LPI and LCSB.

## F. OUTLOOK

For FYE 2023, we expect similar challenging factors to continue to affect our operations due to USD/RM fluctuations, raw material price fluctuations, raw material demand and supply situations, stiff competitions as well as on-going conflict between Russia and Ukraine.

While the Group is closely monitoring 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 closely monitoring raw materials prices as well as supply and demand trends.

In our manufacturing segment, we will focus on product development to increase our product range to existing customers as well as to increase our customer base.

The Group also continues to upgrade the IT system to improve operational efficiency.

The prospects for the Group in FYE 2023 will remain to be challenging. However, we are cautiously optimistic that our Group will continue to expand and strive for better performance and results.

# SUSTAINABILITY REPORT

## INTRODUCTION

Luxchem Corporation Berhad and its subsidiaries ("**Group**") are committed to ensure that sustainability matters of economics, environmental, social (EES) matters are addressed for the long-term benefit and wellbeing of the society and environment.

The Group integrates the importance of sustainability practices with our core values in all aspect of our business operations in our pursuit to achieve our Group's vision and mission.

## OUR COMMITMENT TO SUSTAINABILITY

The Group embraces three major sustainability pillars as follows:

- Environment protection and safeguarding
- Caring and responsible employer and its community
- Responsible business practices and conducts

The three pillars are important in delivering high quality products and services of the Group to our customers.

## SCOPE

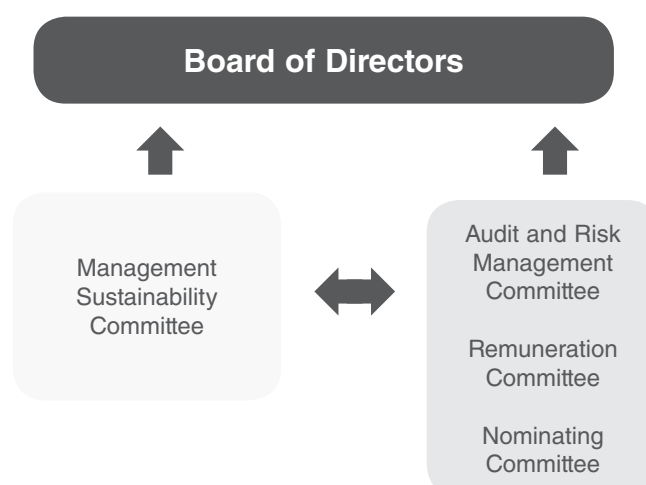
This report covers the initiatives taken by the Group for the financial year ended 31 December 2022 ("**FY 2022**").

## BOUNDARY

The scope of sustainability management shall be applicable to Luxchem Trading Sdn. Bhd. ("**LTSB**"), Luxchem Polymer Industries Sdn. Bhd. ("**LPISB**"), Transform Master Sdn. Bhd. ("**TMSB**") and Lexis Chemical Sdn. Bhd. ("**LCSB**"), which are the major subsidiaries of the Group operating in Malaysia.

## SUSTAINABILITY GOVERNANCE STRUCTURE

The Company has established a Management Sustainability Committee and is headed by the Chief Operating Officer/ Chief Sustainability Officer and comprises the Heads of Subsidiaries, Divisions, Departments and Branches who are tasked or responsible for assessing and identifying sustainability factors, undertaking actions necessary to address sustainability concerns.





# SUSTAINABILITY REPORT

cont'd

## SUSTAINABILITY GOVERNANCE STRUCTURE *cont'd*

The detailed responsibilities of the Board of Directors, Chief Operating Officer/Chief Sustainability Officer and Management Sustainability Committee in relation to sustainability matters, are as follows:

### Board of Directors

- Responsible for the governance and implementing sustainability matters of the Group including setting the Group's sustainability strategies, priorities and targets.
- Communicating the sustainability performance against the desired targets to internal and external stakeholders.
- Reviewing the performance of the Board and Senior Management in addressing the Group's material sustainability risks and opportunities.

### Managing Director / Chief Executive Officer

- Advising the Board on sustainability strategies.
- Reporting overall sustainability progress and achievement of the Group to the Board.
- Addressing the Group's material sustainability risks and opportunities.
- Approving sustainability related matters and provide supports to various departments or functions on identification and management of material sustainability matters.

### Management Sustainability Committee

- Executing and monitoring the sustainability strategies and goals as approved by the Board.
- Overseeing stakeholder engagements to ensure that all issues, grievances and suggestions raised are taking into consideration in managing sustainability matters.
- Recommending to the Board for its approval on material sustainability matters identified, sustainability-related policies and its goals or targets.
- Monitoring the implementation of policies and initiatives.
- Overseeing the management of sustainability matters, with particular focus on matters material to the Company.
- Overseeing the preparation of sustainability report and recommending to the Board's approval.

## STAKEHOLDERS' ENGAGEMENT

Our stakeholder's engagement and sustainability focus as follows:

Stakeholder	Type of Engagements	Sustainability Focus Areas
Shareholders & Investors	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Interviews</li> <li>• Quarterly / Annual Reports, Bursa announcements</li> <li>• Company's Website &amp; Email</li> </ul>	<ul style="list-style-type: none"> <li>• Returns on investment and sustainable business growth</li> <li>• Good corporate governance and compliance</li> <li>• Ethic and integrity</li> <li>• Environment friendly operations</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Customer / sales &amp; visits</li> <li>• Customer audits</li> <li>• Customer satisfaction surveys</li> <li>• Trade exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>• Product pricing and quality</li> <li>• Technical and after-sales support</li> <li>• Ethical business practices</li> <li>• Product and service efficiency</li> </ul>
Suppliers, Principals/ Agencies	<ul style="list-style-type: none"> <li>• Supplier visit, correspondence and negotiation</li> <li>• Supplier evaluation</li> <li>• Product trainings and meetings</li> <li>• Market / product feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Financial stability</li> <li>• Product / sales performance</li> <li>• Brand awareness</li> <li>• Payment schedule</li> </ul>

# SUSTAINABILITY REPORT

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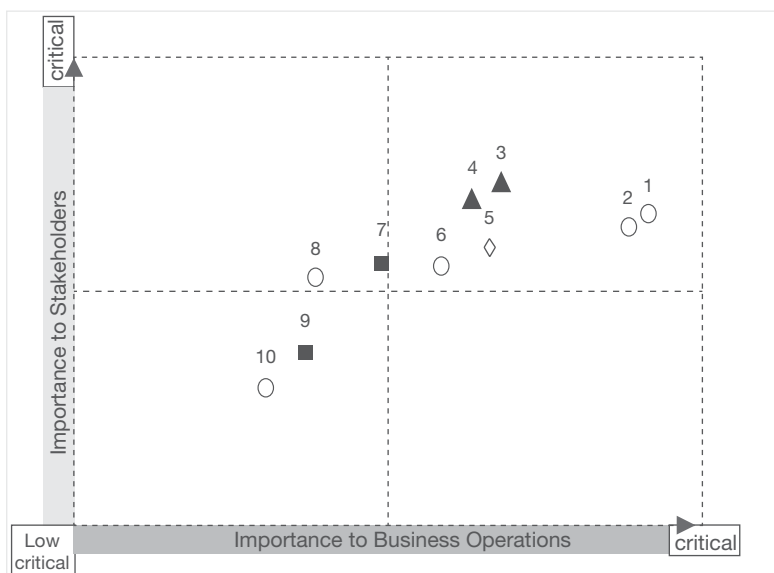
## STAKEHOLDERS' ENGAGEMENT *cont'd*

Our stakeholder's engagement and sustainability focus as follows: *cont'd*

Stakeholder	Type of Engagements	Sustainability Focus Areas
Employees	<ul style="list-style-type: none"> <li>● Appraisals</li> <li>● Orientation</li> <li>● Open-door communication</li> <li>● Meetings</li> <li>● Appreciation &amp; recreational activities</li> </ul>	<ul style="list-style-type: none"> <li>● Financial and job stability</li> <li>● Job enrichment and career progression</li> <li>● Salary benchmarking &amp; benefit review</li> <li>● Reward and recognition</li> <li>● Safe and secure working environment</li> <li>● Training &amp; development</li> <li>● Compliance to labour laws</li> </ul>
Regulatory, government and statutory bodies	<ul style="list-style-type: none"> <li>● Correspondence</li> <li>● Audit / inspection</li> <li>● Seminar and dialogues sessions</li> <li>● Meetings with regulators</li> </ul>	<ul style="list-style-type: none"> <li>● Statutory &amp; environmental compliance</li> <li>● Quality management system</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>● Community dialogues and involvement</li> </ul>	<ul style="list-style-type: none"> <li>● Donations &amp; charity programme</li> <li>● Compliance with environmental requirements, air pollutions system, industrial wastewater treatment system and scheduled waste</li> <li>● Internship</li> </ul>

## MATERIALITY MATRIX ASSESSMENT

The Group believes the sustainability matters below are important in its short and long-term sustainability direction:



▲ Economic Indicator	◇ Governance Indicator	■ Environmental Indicator	○ Social Indicator
3 Financial Performance	5 Ethics Compliance	7 Environmental Responsibility	1 Customer Satisfaction
4 Returns on Investment		9 ESG Disclosures	2 Quality Management
			6 Employees
			8 Investor Relations
			10 Local communities

# SUSTAINABILITY REPORT

cont'd

## MATERIALITY MATRIX ASSESSMENT *cont'd*

**Based on the engagement with our stakeholders and materiality assessment, the following sustainability matters are important to our Group:**

The Group commits to meet customer expectations by delivering desired products and services and also believes in adopting good governance practices as compliance with regulatory framework, requirements, standards and policies to provide long-term benefits and value creation towards sustainable growth and profitability.

The Group believes in supporting environmental protection and conservation through our business operations by adopting good manufacturing practices, incorporating environmental friendly technology in the operations where applicable and reducing industrial wastages.

As employees are the Group's valuable assets and strength, the Group believes by providing adequate employee's welfare, right compensation and benefits, safe working places and fair labour practices will in return bring about long-term sustainable strength in meeting business and operational objectives.

## KEY PERFORMANCE HIGHLIGHTS

Key Performance Indicator	Target	Result	Target 2023
Customer satisfaction target	80% and above	Achieved	80% and above
Total whistleblowing cases for the Group	Not more than 2 cases per year	Achieved	Not more than 2 cases per year
Environmental responsibility project	LPISB to complete solar power project in 2022	Not achieved	To be completed in 2023
	LPISB to complete natural gas conversion in 2022	Achieved	-
Employment of Malaysian VS Non-Malaysian for LTSB, LPISB, TMSB & LCSB	Malaysian at 90% of workforce Non-Malaysian at 10% of workforce	Achieved	Malaysian at 90% of workforce Non-Malaysian at 10% of workforce
Training Hours Per Headcount	10 training hours per headcount	Achieved	10 training hours per headcount
Number of workplace accident / injury per year	Not more than 2 cases per annum each company	Achieved	Not more than 2 cases per annum each company

## GOVERNANCE PRACTICES

The Group upholds corporate governance in its business and operation to maintain reputation and manage risks. We are complying with the relevant legislations and regulations as follows:

- Companies Act 2016
- Employment Act 1955
- Fire Services Act 1988
- ISO 9001:2015 Quality Management System Certificate for LTSB, LPISB, TMSB & LCSB
- ISO 14001:2015 Environmental Management System Certificate for LPISB & TMSB
- ISO 45001:2018 Occupational Health & Safety Certificate for LPISB
- Environment Quality Act, 1974
- Environmental Quality (Clean Air) Regulation 2014
- Occupational Safety and Health 1994
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad

# SUSTAINABILITY REPORT

cont'd

## GOVERNANCE PRACTICES *cont'd*

### Board Charter

The Board Charter is prepared for the Board of Directors of Luxchem and its subsidiaries, to provide an overview of:

- The roles, functions, responsibilities and powers of the Board and Senior Management;
- An awareness to various legislations and regulations affecting their conduct;
- The powers delegated to various Board Committees of the Group; and
- The policies and practices of the Board in respect of matters such as corporate governance, code of conduct, conflict and declaration of interest, board meeting procedures, appointment, re-appointment and assessment of Directors.

Towards enhancing the governance of the Board's quality and integrity, the Group had established Directors' Fit and Proper Policy and Gender Diversity Policy in FY 2022. The policies are available for viewing at the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

### Code of Business Conduct and Ethics

To elevate and emphasise working professionalism and business ethic throughout the Group, the Annual Declaration of Interest and Independence had been carried out in FY 2022. Such declaration requires acceptance of proper conduct and ethics standards desired by the Group and facilitates identification of actual or potential area of conflict of interest for attention. The declaration covers all the Directors, Key Senior Management personnel, heads of subsidiaries/ divisions/ departments/ branches, sales personnel and selected personnel of key functions.

Related party transactions and declaration on conflict on interests are being monitored by Management and reviewed by the Audit and Risk Management Committee every quarter.

In addition, all the employees of the Group are expected to comply with the Code of Ethics & Conduct that set the principles and standards which guide their conduct during their employment with the Group.

### Anti-Bribery and Anti-Corruption Policy ("ABAC Policy")

The objective of the ABAC Policy is to provide information and guidance to our Directors, employees and business associates on anti-bribery and anti-corruption to which they must adhere. The Directors, employees and business partners shall always observe and ensure compliance with all applicable laws and regulatory requirements on anti-bribery and anti-corruption in discharging their duties. All Directors, employees and business partners of the Group are required to act professionally and with integrity.

Up to the FY 2022, all major subsidiaries of the Group have fully implemented the ABAC Policy.

The ABAC Policy, together with Code of Ethics & Conduct for Business Partners are available for viewing at the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

### Whistleblowing Policy

The policy addresses the Group's commitment on integrity and ethical behaviour by providing an environment and venue where employees, stakeholders and external parties can report unethical incident and behaviours to the Group without fear and retaliation.

The Whistleblowing Policy is available for viewing at the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

### Workforce Policy

The Group has, via the policy, officialised its stand on No Forced Labour, No Child Labour, No Discrimination and upholding fair labour practices within the Group.

### Investor Relations

The Group understands the importance of maintaining robust and regular communication with its investors. We continue to communicate with investors regularly via various avenue such as Annual Report, quarterly reports, announcement, Annual General Meetings, designated communication channel such as telephone and email including other investment relation activities.

# SUSTAINABILITY REPORT

cont'd

## ECONOMIC PERFORMANCE

We have recorded a profit before tax of RM68,615,518 for FY 2022 which represent approximately 30% decrease from FY 2021. The courses of decrease in profit before tax is fully disclosed in the Management Discussion & Analysis on page 19 of this Annual Report. The details of the Group's overall financial are available in the Management Discussion and Analysis Section of this Annual Report.

### Product Quality

Product quality is of paramount to the Group business. To stay on top of the fast-changing business environment, products and services that are effective and reliable to our stakeholders are key to our business.

All the major subsidiaries in Malaysia, LTSB, LPISB, TMSB & LCSB are ISO 9001:2015 Quality Management Systems certified. During the FY 2022, our customer satisfaction surveys recorded the following results:

Year		LTSB	LPISB	TMSB	LCSB
2022	Score (%)	97.7%*	95.5%*	76.4%^	86.5%#
2021	Score (%)	97.0%*	87.5%*	73.2%^	-
2020	Score (%)	96.8%*	95.5%*	89.2%^	-

\* Based on Good & Excellent rating

^ Average customer satisfactory score

# Average customer satisfactory score. LCSB acquired by Luxchem Corporation Berhad on 24 August 2021. As such, only FY 2022 result is required for reporting.

The Group conducts its customer satisfaction surveys annually and the findings will be helpful and insightful for the Group in managing customers' expectation and remain alert and robust in meeting customer requirements.

Apart from customer satisfaction surveys, the Group also conducts evaluation on its suppliers annually and ensure that those meet the criteria in term of product quality and service are appointed or engaged. The Group also ensures that customers' requirements are carefully met and matched with the products of the suppliers in trading segment. This customer-centric approach reflects the quality and satisfactory products being supplied to our customers and ensure high rating of customer satisfaction and repeated business.

## ENVIRONMENTAL IMPACT

During the FY 2022, our status of our environmental projects are as follows:

### Conversion of Diesel fuel to natural gas

Prior to April 2022, our UPR plant in Melaka had been using diesel for its thermal oil burner fuel. As part of our cost-savings and sustainability efforts, the Company had decided to switch to gas. This implementation involved installation of gas pipeline and metering station to facilitate measure the gas connection from the gas distributor.

On 14 January 2021, we entered into a Gas Supply Agreement with Gas Malaysia Energy and Service Sdn. Bhd. for the supply of gas. With effect from 1 April 2022, we replaced diesel with gas as fuel for our thermal oil burner.

Through replacing diesel with gas, our UPR plant has reduced CO2 emissions by 4% by estimation.

### Solar Power

In FY 2021, the Group began its initial assessment of applying solar power for its manufacturing plants. In FY 2022, the Group has taken a firmer step in this direction by commencing a solar power project for Melaka plant. The project has been on-going since FY 2022 and expected to be completed in 1st half of FY 2023. The project expects to bring about reduction of CO2 emission and energy cost.



# SUSTAINABILITY REPORT

cont'd

## ENVIRONMENTAL IMPACT *cont'd*

### Hazardous Chemicals

The hazardous chemicals are identified and managed according to the methods and recommendation outlined in the Chemical Health Risk Assessment Reports prepared by the subject matter experts.

## EMPLOYEE

A balanced, inclusive, productive and quality workforce will be one of the key ingredients to the sustainable business grow in our business and industries that we are operating and competing.

To drive employees' performance, the Group ensures its employees receive fair and competitive remunerations and provide appropriate reward for recognition. The Group also ensures employees' benefits are reviewed and benchmarked as and when necessary and career enhancement opportunities are provided to the potential and qualified employees. Training and development plans are executed according to level up competencies, skills and knowledge required for the jobs.

Performance evaluation is conducted annually and employees' career are planned and progressed according to the approved salary ranges and grading structure.

The Group takes labour matters seriously and ensure that relevant regulations and legislations are complied with.

### Diversity and opportunity

Figures reported in the table below only taking into consideration major subsidiaries operating in Malaysia. As such, it may differ from the Workforce Diversity report in this Annual Report on page 50.

	2022	2021	2020
Total Employee	262 (100%)	215 (100%)	225 (100%)
<b>Breakdown by Gender, Nationality and Age</b>			
Gender			
Male	164 (62.6%)	133 (61.9%)	144 (64.0%)
Female	98 (37.4%)	82 (38.1%)	81 (36.9%)
Nationality			
Malaysian	245 (93.5%)	208 (96.7%)	208 (92.4%)
Non-Malaysian	17 (6.5%)	7 (3.3%)	17 (7.6%)
Age Group			
Below 30 years	90 (34.4%)	76 (35.3%)	78 (34.7%)
30-50 years	138 (52.7%)	112 (52.1%)	117 (52.0%)
Above 50 years	34 (13.0%)	27 (12.6%)	30 (13.3%)

For the FY 2022, the total employees of LTSB, LPISB, TMSB & LCSB is 262, an increase of 47 headcount, which is 22% compare with FY 2021. The reason of such increase is inclusion of LCSB's headcount, acquired in 24 August 2021 by the Group.

Total male employee is 164 or 63% and the remaining 98 employees or 37% are female. Male outnumbers female employees due to the nature of our manufacturing operations in three manufacturing plants.

On nationality, Malaysians are the major workforce of the Group's business and operations with 245 employees or 93% of the total workforce. The Group believes strongly in supporting Malaysia economy and our communities.

# SUSTAINABILITY REPORT

cont'd

## ENHANCEMENT OF COMPETENCIES

To realise employee's potential, employees are trained and developed through various training methods. For the FY 2020 to 2022, the Training Hours Per Headcount achieved for LTSB, LPISB, TMSB & LCSB are shown below:

	2022	2021	2020
Target	10 Training Hours Per Headcount		
2022	15 Hours	20 Hours	7 Hours

The Training Hours Per Headcount in FY 2022 is 15 hours, which has reduced by 25% from 20 hours in FY 2021. The decrease of the training hours is mainly due to changes in business & operational requirements of the respective companies during the FY 2022.

The average training hours per headcount by companies are as follows:

	LTSB	LPISB	TMSB	LCSB
2022	9 Hours	13 Hours	21 Hours	30 Hours
2021	31 Hours	4 Hours	16 Hours	-
2020	6 Hours	6 Hours	9 Hours	-

The Group continues to evaluate, plan, execute, monitor and adopt the changing needs of the training that meet the business and operational requirements.

## Conducive and Safer Workplace

The Group complies with the regulatory compliance, i.e Occupational Safety and Health Act 1994 ("OSHA") and monitors the work accident and incident occurred at workplace and ensure that necessary actions are taken in addressing these issues at workplace.

During the FY 2020 to 2022, total cases of work accident reported are as follows:

	LTSB	LPISB	TMSB	LCSB
Target:	Work accident not more than 2 cases per annum of each subsidiary company			
2022	0	1	0	0
2021	0	2	0	-
2020	0	1	0	-

The root cause and actions taken in relation to the work incident reported in FY 2022 are as follows:

Type of Injury	Root Cause	Actions Taken
Minor injury such as irritation on the face and eyes due to splash of chemical	<ul style="list-style-type: none"> <li>Did not use the designated carboy holder and valve during the process of topping up chemical into the tank</li> <li>Did not use PPE</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory use of PPE</li> <li>Briefing and training on proper chemical topping up process into the tank for all workers</li> </ul>

All work accidents, including high risk environment, required investigation, analysis of the root cause, recommendations and execution of the preventive actions had been reported and documented.

In addition, the Group provides free annual occupational medical examination and appropriate Personal Protective Equipment to employees according to the nature of and risk exposure level of the jobs. Trainings are also provided as and when necessary.

Qualified OSHA/ selected officers are assigned and tasked to manage or look into safety and health matters of the Group. Safety matters are regularly discussed for attention and taking appropriate actions.

# SUSTAINABILITY REPORT

cont'd

## ENHANCEMENT OF COMPETENCIES *cont'd*

### COVID-19 Pandemic

The Group ensures that collective employee health matters are taken care of and managed seriously. During the FY 2020 to 2022 when COVID-19 infection was rampant and creating uncertainty, insecurity and fear among its workforce operating in different locations, The Group ensured that clear and prompt direction and instructions were given to all the employees. Businesses were operated within the approvals obtained. Standard Operating Procedures ("**SOP**"), guideline from the authorities and government agencies as well as additional SOP of the Group were enforced, followed through and adhered with. The Group were reacted rapidly towards the changing situations caused by COVID-19.

As COVID-19 has become an endemic, business and operations are back to normal, the Group continues to update with the development and news of COVID-19 and to revise the SOPs accordingly so as to ensure safety and health matters of its workforce are managed properly.

### Employee's Welfare

The Group ensures collective social needs and welfare of its employees are met sufficiently. Social events such as dinners, gatherings and group activities are organised and held regularly within and outside of the Group. Awards are given to eligible employees regularly and assistance are given to employees who are affected by natural disasters.

The Group also provides various insurance protection such as Group Personal Accident, Group Hospitalization and Surgical and Director and Officer Liability.

## COMMUNITY INVESTMENTS

The Group endeavours to support our local communities via donations. For the FY 2022, the total amount of donations made to various parties amounting to RM346,400.

## MOVING FORWARD

The Group will endeavour to deliver greater sustainability results and strengthening the sustainability framework in the coming years. Sustainability experts are to be engaged and consulted for making improvements steadfastly. The Group will continue its sustainability journey for a better world.

# 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 2022 (“FY 2022”) in this Annual Report with reference to the following three principles as set out in the Malaysian Code on Corporate Governance (“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”), which was announced together with the Annual Report of the Company on 6 April 2023. Shareholders may obtain this CG Report by accessing this link [www.luxchem.com.my](http://www.luxchem.com.my) for further details.

All the objectives, terms of reference, scope and capacity of the Board and its Board Committees are regularly reviewed and updated in the Board Charter of the Company to ensure their relevance and applicability to the changing business environment, regulatory requirements and operational compliance.

The Board is of the view that the Company has, in all material aspect, complied with majority of the Principles and Practices as set out in the MCCG. The explanations for the departures of the Principles and Practices are also provided in the CG Report. During the FY 2022, there was no whistleblowing concern being reported to the Company.

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

### (I) Board Responsibilities

The Board comprises of three Independent Directors namely, Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong. The Independent Directors and its existing Board members are responsible for the overall corporate governance of the Group. In addition to their Board’s responsibility, the Independent Directors also sit in the following Board Committees of the Company:

Designation	Audit And Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Mr Tan Teck Kiong	Datuk Kwan Foh Kwai
Members	Mr Tan Teck Kiong	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali
	Datuk Kwan Foh Kwai	Datuk Kwan Foh Kwai	Mr Tan Teck Kiong

The Board, leads by three Independent Directors and three Executive Directors, continues to ensure its effectiveness and to provide strong leadership to the Management of the Group 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 the businesses are being properly managed, the Board reviews and adopts its strategic plan, performs periodic review of the financial results, risk assessment and oversees the conduct of the business.

To uphold good corporate governance, the Board reviews the Board Charter as and when necessary, and makes the necessary amendments when needed to ensure that it remains relevant and consistent with the Board’s objective, current law and regulations and the best practices to enable the Board to discharge its responsibilities. The Board Charter also serves as a reference for the Directors’ fiduciary duties, responsibilities and the functions of the Board Committees.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (I) Board Responsibilities *cont'd*

The last review of the Board Charter was conducted on 8 March 2022 to update the Terms of Reference of Nominating Committee in relation to the adoption of Directors' Fit and Proper Policy and the same was published on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

During the FY 2022, the Board reviewed and approved the Directors' Fit & Proper Policy and Gender Diversity Policy. These policies had been published on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

The Board also defined its schedule of matters reserving key decisions to be made by the Board, which was attached together with the Board Charter. 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 the Committee of the Board specifically constituted for that purpose. Furthermore, the Audit and Risk Management 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 Board has also put in place a Directors' Code of Best Practice, setting out the standards of ethics and conducts needed to create good corporate behaviour. The Directors' Code of Best Practice is annexed and updated in the Board Charter which also serves as a reference for all personnel in the Group. Since FY 2019, the Board has extended the Code of Best Practice to the Group's Key Management, Heads of Department and sales personnel of the Group. Such extension promotes good corporate governance behaviours among all levels of employees in the Group.

The positions of Chairman and Managing Director/Chief Executive Officer ("MD/CEO") 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 MD/CEO. Board's authority conferred to Management is delegated to the MD/CEO. Formal position descriptions for the Chairman and MD/CEO outlining their respective roles and responsibilities are set out in the Board Charter.

In order to uphold the Board's effectiveness, the Board ensures that it is supported by qualified and competent Company Secretaries. Presently, the Board is assisted by three qualified and competent Company Secretaries. One of them is a member of Malaysian Institute of Accountants whilst the other two are members of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries provide 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 Board Committees shall be the prerogative of the Board as a whole.

Further information on the roles and responsibilities carried out by the Company Secretaries during the FY 2022 are set out in Practice 1.5 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 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, 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, the requesting Director should provide proper notice to the Company Secretary of his/her 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (I) Board Responsibilities *cont'd*

Fees for the independent professional advice will be payable by the Company with the approval from the Chairman before engagement of such 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.

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 times a year, which are scheduled in advance to facilitate the Directors in planning their meeting schedule for the year. During the FY 2022, five Board meetings were held and the details of attendance of each Director at the meetings were as follows:

Name of Directors	Designation	Attendance
Datuk Kwan Foh Kwai	Independent Non-Executive Chairman	5/5
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Non-Executive Director	5/5
Mr Tan Teck Kiong	Independent Non-Executive Director	5/5
Mr Tang Ying See	Managing Director/Chief Executive Officer	5/5
Madam Chin Song Mooi	Executive Director	5/5
Madam Chen Moi Kew	Executive Director/Chief Financial Officer	5/5

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 continues to identify and assess the training needs of the Directors from time to time. The details of the internal/external trainings including seminars and conferences attended by Directors during the FY 2022 were as follows:

Date	Course Title
07 April 2022	SSM Webinar: Contract Basics for Non-Law
07 April 2022	Risk Assessment in Risk-Based Audits – What Auditors Should Focus on in Risk Assessments when Performing Risk-Based Audits
11 April 2022	Accounting for Business Combinations – The Basics
10 May 2022	Revised Malaysian Code on Corporate Governance and Sustainability Reporting
18 May 2022	Online Image & Influence
20 May 2022	Turning Stress into Positive Energy
30 May 2022	FMM Tax Workshop: Practical Ways to Manage Withholding Tax and Transfer Pricing Risks and Issues
27 July 2022	SSM National Conference 2022
18 October 2022	Closure of Companies: Winding-Up & Striking-Off – A Step-by-Step Approach
17 November 2022	AOB's Conversation with Audit Committees
29 November 2022	CFO Nightmares: Accounting, Auditing, Taxes and Personal Liabilities
01 December 2022	Bursa Immersive Session: The Board 'Agender'

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (II) Board Composition

In order to drive the Board's leadership and effectiveness, the Board, through the Nominating Committee, 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 members, where half of the Board comprises Independent Non-Executive Directors. This is in line with Practice 5.2 of the MCCG where it requires non-Large Companies to have at least half of the Board members comprises Independent Directors. In addition, the Board has also met the requirements of at least 30% women Directors target where two of its board members are female, which is in line with Practice 5.9 of the MCCG.

The Nominating Committee also assisted the Board in conducting performance evaluation and providing constructive feedback through reviewing the summaries of the evaluation to the Board and Board Committees Members of their performance during the FY 2022. In this way, the Board ensured its effectiveness is maintained and enhanced continuously. The performance evaluation of the Board includes their performance in addressing the Company's material sustainability risks and opportunities but this has not been extended to the Senior Management yet.

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

During the FY 2022, the Board through the recommendation of Nominating Committee, had approved the Directors' Fit and Proper Policy, which will enhance the governance of the Company in relations to the Board's quality and integrity, as well as ensure that each of its Director has the character, experience, integrity, competence, time and commitment to effectively discharge his role as a Director. There was no new appointment of director to the Board in FY 2022.

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 "Independent" used in the definition of "Independent Directors" prescribed by the MMLR. Nominating Committee also carries out the evaluation on the independence of each Independent Director on an annual basis.

On 16 February 2023, all the members of the Board through the Nominating Committee, had assessed Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong and the Executive Directors. In summary, all the members of the Board met the qualification, performance criteria and expectation of the Board.

During the FY 2022, the Nominating Committee assessed and recommended the re-election of Mr Tang Ying See and Datuk Kwan Foh Kwai and the appointment of Chief Operating Officer. On 16 February 2023, the Nominating Committee also conducted a fit and proper assessment of the retiring directors namely, Mr Tan Teck Kiong and Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, who are seeking re-election at the forthcoming AGM. The assessment includes the submission of the Fit and Proper Declaration Forms by the retiring Directors to the Nominating Committee.

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

A summary of the Board Composition is set out below:

Gender	%
Male	67
Female	33



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

### (II) Board Composition *cont'd*

The Board has established and published its policy on gender diversity during the FY 2022 and set objectives as follows:

- To achieve 30% women Director at Board level.
- To achieve at least 20% women in Key Senior Management level at the Group level.

Ethnicity	%
Chinese	83
Malay	17

Independence	%
Independent Director	50
Non-Independent Director	50

### (III) Remuneration

Board leadership and effectiveness is supported by diversity of talents in the Board and Management. The Board, through its Remuneration Committee, evaluates and determines the level of remuneration of its Director and Senior Management on annual basis which enables the Group to attract, retain and motivate Directors and Senior Management with relevant experience and expertise needed.

The Board has updated its Director Remuneration Policy on 28 July 2022 and it is published on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my). The Board is satisfied 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 and the Board Committee; 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 2022 is listed on a named basis with the detailed remuneration breakdown available under Practice 8.1 of the CG Report. However, the Board decided not to disclose the top five Senior Management's remuneration in bands of RM50,000.00 as the Board is of the opinion that the disclosure on a named basis for the Senior Management would not be in the best interest of the Group due to confidentiality concerns.

## PRINCIPAL B: EFFECTIVENESS AUDIT AND RISK MANAGEMENT

### (I) Audit and Risk Management Committee

The Board has established an effective and independent Audit and Risk Management Committee ("ARMC"). All the members of ARMC are Independent Non-Executive Directors and the Chairman of the ARMC is not the Chairman of the Board. With the present composition structure and practice, the ARMC is able to objectively review and report its findings and recommendations to the Board.

Annually, the ARMC reviews the suitability, objectivity, independence and remuneration of the External Auditors before recommending them to the shareholders for re-appointment at the AGM. During FY 2022, the ARMC convened two private meetings with the External Auditors and one private meeting with the Internal Auditors without the presence of the Executive Directors, Company Secretaries and Management of the Company. As part of the ARMC review processes, the ARMC 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

## PRINCIPAL B: EFFECTIVENESS AUDIT AND RISK MANAGEMENT *cont'd*

### (I) Audit and Risk Management Committee *cont'd*

The amount of audit fees and non-audit fees paid/payable to the Messrs BDO PLT by the Company and by the Group for the FY 2022 were as follows:

	Company (RM)	Group (RM)
Statutory audit fees	86,000	343,000
Assurance related services	5,000	5,000
Non-audit services	-	2,000
<b>Total</b>	<b>91,000</b>	<b>350,000</b>

Collectively, the ARMC possesses a wide range of necessary skills to discharge its duties. The ARMC has completed the Financial Literacy Questionnaire and confirmed their abilities and competencies to read, analyse and interpret financial statements and are qualified to review the accuracy of the Group's financial statements.

In order to strengthen the present financial literacy of each member and the ability to understand matters under the purview of the ARMC including the financial reporting process, all members of the ARMC are encouraged to participate in continuous professional development programmes on accounting and auditing standards, practices and rules.

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 ARMC to review the accuracy, adequacy, disclosure requirements as well as compliance with applicable financial reporting standards of the Group's financial statements.

### (II) Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control system are an integral part of effective management practices. The underlying risk management principle of the Group is to balance the costs and benefits 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. The Board reviews the key risks highlighted on a regular basis to ensure that relevant actions are taken to mitigate the risks level of the Group to safeguard shareholders' investment and Group's assets.

The Board has established an Internal Audit Function which is outsourced to an independent professional firm, Crowe Governance Sdn. Bhd. The ARMC reviews and approves the Internal Audit plan, scope of work and the 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 ARMC and they are responsible for conducting periodic reviews and appraisals of risk management, follow-up and internal controls system of the Group. The yearly performance of the Internal Audit Function is also assessed by the ARMC.

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 ARMC is reported in this Annual Report.

Further, the Company has implemented Enterprise Risk Management ("ERM") in 2018 to perform assessment on the risk elements, the tolerance level and actions necessary to manage / address the risks at the subsidiaries level to manage risks effectively. The reports of ERM together with the related party transactions and declaration on conflict of interest (if any), will be presented by Management to the ARMC before tabling to the Board.

The Board is assisted by the ARMC to ensure that 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 system covering its key features, Board's and Management's responsibilities in overseeing risk management framework, as well as the Management's assurance to the Board, are reported in the Statement on Risk Management and Internal Control which is included in the Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPAL C: INTEGRITY AND CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### (I) Engagement 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 the shareholders to appreciate the Company's objectives and the strength of its management.

The Company organises its corporate policies and announcements in appropriate categories in its corporate website to ease stakeholders in accessing the various announcements and policies made. The Company also provides highlights 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.

Separately, disclosures on management of material economic, environmental and social risks and opportunities are reported in the Sustainability Report as contained in this Annual Report for stakeholders' reference.

### (II) Conduct of General Meetings

The Board recognises the rights of shareholders.

During the FY 2022, the Company conducted its virtual AGM on 26 May 2022 by leveraging on technology to facilitate voting in absentia and remote shareholders' participation and allowed shareholders to raise questions before or during the conduct of AGM.

### (III) Conduct of General Meetings

At the last AGM, the Company had given at least 28 days' notice period for Notice of the Thirtieth AGM prior to the meeting and all Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the shareholders to ask questions and 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, business outlook, the resolutions being proposed and the operational and financial performance of the Company.

Explanations were provided for the proposed resolutions set out in the Notice of the Thirtieth AGM to assist shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29A(1) of the MMLR and MCCG best practice, all the resolutions set out in the Notice of the Thirtieth AGM were put to vote by poll via the remote participation and voting facilities which were available on Tricor's TIH online website at <https://ti.h.online>. The Company also appointed an independent scrutineer, Scrutineer Solutions Sdn. Bhd. to verify the poll results of the AGM before the Chairman declared that all the resolutions were carried. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

This Statement was approved by the Board on 9 March 2023.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required to prepare financial statements for each financial year which 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 of the Group and the Company for the financial year then ended, in accordance with the requirements of Malaysia Financial Reporting Standards ("**MFRS**"), International Financial Reporting Standards ("**IFRS**") and the requirements of Companies Act 2016.

In preparing the financial statements of the Group and the Company for the financial year ended 31 December 2022, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that the preparation of financial statements are in compliance with MFRS and IFRS reporting requirements; 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 in 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 AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors ("the Board") of Luxchem Corporation Berhad ("the Company") is pleased to present its Audit and Risk Management Committee ("ARMC") Report for the financial year ended 31 December 2022 ("FY 2022") in accordance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

## 1. COMPOSITION

The ARMC comprises three Independent Non-Executive Directors ("INEDs"), all of them were appointed to the Board on 13 March 2020. All the INEDs meet the independence criteria set out in Paragraph 1.01 and Practice Note 13 of the MMLR. Hence, the Company has complied with the requirements of Paragraphs 15.09(1), 15.09(2), 15.10 of the MMLR, and Step-Up Practice 9.4 of the Malaysian Code on Corporate Governance ("MCCG").

The Chairman and members of ARMC are:

Name of Committee Members	Position
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Chairman
Datuk Kwan Foh Kwai	Member
Mr Tan Teck Kiong	Member

The Chairman of ARMC, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, is not the Chairman of the Board. He is a member of the Malaysian Institute of Accountants, a Fellow of the Association Chartered Certified Accountants (UK), Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants.

The Terms of Reference of the ARMC outlining its authorities, duties, and responsibilities are published and are available on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my).

## 2. MEETING AND ATTENDANCE

During the FY 2022, five meetings were held. The details of attendance of each member at the meetings were as follows:

Name of Committee Members	Attendance
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	5/5
Datuk Kwan Foh Kwai	5/5
Mr Tan Teck Kiong	5/5

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

## 3. SUMMARY OF WORK OF THE ARMC

During the FY 2022, the ARMC carried out its duties and functions in line with its Terms of Reference. Following are the summary of work carried out by the ARMC:

### i. Ensuring Financial Statements Comply with Applicable Financial Reporting Standards

- a) Reviewed all interim financial statements and financial results of the Group 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 the interim financial results to the ARMC.

During the presentation, the MD/CEO and ED/CFO gave their explanations for any material changes in the Group's financial performance to the ARMC, and their assurance that the interim financial statements were in compliance with Part A of Appendix 9B of MMLR and the relevant approved accounting standards so as to give a true and fair view of the interim financial statements.

- b) On 8 March 2022, the ARMC reviewed the draft annual audited financial statements for the financial year ended 31 December 2021, its Directors' and Auditors' Reports and other significant accounting issues with the External Auditors. The External Auditors, BDO PLT also presented their audit review findings to the ARMC. The key considerations in deliberating these financial statements were whether the financial statements prepared by the Management complied with the relevant Malaysian Financial Reporting Standards (MFRS) and the expected audit opinion to be rendered by the External Auditors.

The ARMC was satisfied with the above review, and recommended the draft audited financial statements for the financial year ended 31 December 2021 to the Board for approval at its meeting on 8 March 2022. The audited financial statements which were included in the 2021 Annual Report, were issued to the shareholders on 6 April 2022.

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

- a) On 27 October 2022, the ARMC 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 ARMC on audit related matters, including but not limited to, new MFRS 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, Company Secretaries and Management on 17 February 2022. This review process ensures that critical issues, if any, are being objectively brought up to the attention of the ARMC members.
- c) Reviewed the overall performance of the External Auditors, including assessment of their independence, technical competency, resources and reasonableness of their audit fees and non-audit fees. At the ARMC meeting held on 27 October 2022, the ARMC took note of the audit services rendered by BDO PLT. Mr Tan Seong Yuh, the engagement partner also confirmed that BDO PLT has been independent throughout the conduct of their audit engagement in accordance with the relevant ethical requirements to safeguard the quality and reliability of audited financial statements. The ARMC also considered the information presented in the Annual Transparency Report of BDO PLT in assessing its suitability and objectivity.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

## 3. SUMMARY OF WORK OF THE ARMC *cont'd*

### iii. Review the Group's Risk Management Framework

At the ARMC meeting held on 28 July 2022, the ARMC members were briefed on the framework by the Company. The Terms of Reference of Risk Management Committee ("RMC") in Luxchem Group has been adopted. The ARMC members also took note of the risk management activities that had taken place in all the major subsidiaries of the Company. The ARMC was satisfied that the risks were actively identified, assessed and monitored to safeguard shareholders' investments and the Company's assets.

### iv. Overseeing the Governance Practices in the Company

- a) Reviewed the Corporate Governance ("CG") Overview Statement, CG Report, ARMC Report and Statement on Risk Management and Internal Control, and Sustainability Report 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 system based on the RMC's presentation and internal audit reports, and report to the Board accordingly.

### v. Reviewing the Internal Audit Findings and Assisting the Board in Reviewing the Effectiveness and Adequacy of the Internal Control System in 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 promptly 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.
- d) Conducted private sessions with the Internal Auditors without the presence of Executive Directors, Company Secretaries and Management on 17 February 2022.
- e) Factory-visits and reviewed the key operation processes of the subsidiaries as follows:
  - On 8 June 2022, the ARMC members visited Luxchem Polymer Industries Sdn. Bhd. and they were briefed on the overall operations of the plant by the General Manager. The discussion was mainly focused on the production capability and resources management.
  - On 26 October 2022, the ARMC members visited Pulau Indah Warehouse and Klang Warehouse and they were briefed by a Senior Manager on the challenges and future plans of both warehouses. The ARMC members have also visited Lexis Chemical Sdn. Bhd.'s new plant on the same day and were briefed on the productivity and research & development capacity.

The Board was satisfied that the ARMC members had discharged their functions, duties and responsibilities in accordance with its Terms of Reference in ensuring the Company upheld its CG Standards during the FY 2022.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

## 4. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional internal audit service provider, i.e. Crowe Governance Sdn. Bhd. ("Internal Auditors"). The Internal Auditors conduct their assessment and provide independent and objective assurance to the ARMC and the Board on the adequacy and effectiveness of the risk management, internal control system, anti-corruption, whistleblowing and governance processes 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 annual 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 of Crowe Governance Sdn. Bhd. is led by Mr Amos Law and his qualification is as follows:

Name : Amos Law, Executive Director

Professional Qualification : Certified Internal Auditor ("CIA"), Chartered Institute of Internal Auditors ("CIMA") and Certification in Risk Management Assurance ("CRMA").

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

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

The internal audit plan was reviewed and approved by the ARMC. The internal audit reports were presented to the ARMC on a quarterly basis. The ARMC reviews 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 the Management's implementation of all the audit recommendations and ascertain the status of implementation thereof for improvement on the systems of internal control.

The Internal Auditors attended four ARMC meetings during the FY 2022 and conducted their reviews on the following entities and their respective key audit areas:

- i. Lexis Chemical Sdn. Bhd. on Inventory Management and Information Technology General Controls.
- ii. Luxchem Polymer Industries Sdn. Bhd. on Fixed Asset Management, Warehouse Management and Health, Safety and Environment.
- iii. Luxchem Trading Sdn. Bhd. on Information Technology General Controls.

The Internal Auditors had reported their findings and reviews to the ARMC members and all the reviews were adequate and met the ARMC's expectations.

The fee incurred for the internal audit function in respect of FY 2022 was RM84,000.00 (2021: RM84,000.00).

This ARMC Report was approved by the Board on 16 February 2023.

# 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 describes the state of risk management and internal control of the Company and its subsidiaries (“the Group”) during the financial year ended 31 December 2022 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” (“SORMIC Guidelines”) which was issued by the Taskforce on Internal Control with the support and endorsement of 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 and Risk Management Committee’s review and consultation with the Management on the integrity of the financial results, annual report and audited financial statements;
- Presentation of 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;
- Internal audit findings and reports on the review of the system of internal controls presented by the internal auditors;
- Independent Non-Executive Directors reviewed and observed the Group’s key operational processes through site visits; 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 SYSTEM

### Risk Management

The Group has adopted and implemented an internationally recognised risk management framework based on the guidelines by Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Group has also established a 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:

- To identify, evaluate and monitor the risks;
- To formulate and carry out strategies and actions needed to manage risks;
- To promote and embed risk awareness within the Group and in the operational processes;
- To ensure adequate information and resources are in place for managing risks effectively; and
- To report to the Board periodically on the material risks, their impact on Group’s operations and the status of management corrective actions to manage these risks.

During the financial year under review, the risks of the Group that have been identified, were discussed, reviewed, evaluated, and monitored in order to mitigate or manage those risks effectively. The Board were briefed and updated on the risk management matters regularly throughout 2022.

### Internal Control System

The Board is committed to maintain a strong control structure to facilitate the achievement of the Group’s business objectives, and has delegated its responsibility of overseeing the Group’s internal control system to the Audit and Risk Management Committee.

The Board has outsourced its internal audit function to an independent professional internal audit service provider, i.e. Crowe Governance Sdn. Bhd. (“Independent Internal Auditors”) to carry out the reviews and assessments on the adequacy and effectiveness of the Group’s internal control system. The Independent Internal Auditors will present its findings and recommendations of each review to the Audit and Risk Management Committee at its meetings on a quarterly basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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

### Internal Control System *cont'd*

Following are the internal controls formulated to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event, is at an 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 and Risk Management Committee, Nominating Committee and Remuneration Committee with written Terms of Reference to assist the Board in discharging its specific responsibilities;
- III. Limit of authority and approval to facilitate delegation of authority, and management succession planning;
- IV. Operational reporting process covering periodic reporting from the Heads of Management to the Executive Directors to ensure that business operations are in line with pre-approved objectives and targets;
- V. Monthly management and credit meetings with Heads of Department to enable 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 offsite information systems back up procedures;
- VIII. Having ISO 9001:2015 Quality Management Systems for Luxchem Trading Sdn. Bhd., ISO 9001:2015 and ISO 14001:2015 for Transform Master Sdn. Bhd., ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 Management Systems for Luxchem Polymer Industries Sdn. Bhd. in forming the basis of production, operational and management procedures for these subsidiaries;
- IX. The Audit and Risk Management Committee reviews the quarterly financial reports, annual financial statements, group risk management report and the internal audit reports;
- X. The Independent Internal Auditors provide an independent and objective assurance to the Audit and Risk Management Committee and the Board on the adequacy and effectiveness of the Group's risk management and internal control system;
- XI. The Whistleblowing Policy, which is available on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my), continues to be in force during the financial year under review. The Whistleblowing Policy provides a structured reporting channel and guidance for all stakeholders to provide or disclose information on frauds, concerns or non-compliance of rules or procedures that may affect the reputation of the Group.
- XII. The Company has also established and made known its official stance on anti-corruption on a Group basis. Apart from Anti-Bribery & Anti-Corruption Policy which is available for reading on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my), the Company has also undertaken several activities as follows:
  - Established a Code of Ethics & Conduct for Business Partners, Code of Ethics & Conduct for Employees and Conflict of Interest Policy which in combination, strengthen the spirit of compliance of laws, regulations and proper and responsible conducts within the Group and its business chains.
  - Review and revise operational processes from time to time to enhance Management's integrity especially in the areas of appointing and assessing the suitability of new and existing vendors, potential new hires and, proper and responsible conducts of employees.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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

### Internal Control System *cont'd*

XII. The Company has also established and made known its official stance on anti-corruption on a Group basis. Apart from Anti-Bribery & Anti-Corruption Policy which is available for reading on the Company's website at [www.luxchem.com.my](http://www.luxchem.com.my), the Company has also undertaken several activities as follows: *cont'd*

- Established a structured, systematic and periodical review of internal control relating to combating bribery and corruption.
- Established a Remuneration Policy to support the Group's interest, vision and mission by proposing, reviewing, revising remuneration packages of the Independent Non-Executive Director(s), the Executive Director(s) and the Key Senior Management.
- Established a Directors' Fit and Proper Policy for guiding the appointment and re-election of Directors of the Company and its subsidiaries.
- Established a Directors' Code of Best Practice to promote good governance, ethical behaviour, accountability and transparency.

XIII. The procedure of Annual Declaration of Independent and Interest covering the Board of Directors, Company Directors, Heads of Division, Branch and Department of all subsidiary companies including all the sales personnel during the financial year under review. The declaration is important to amplify the Group's determination in promoting and educating professionalism in all levels of employees in the Group as well as advocating the adoption of good corporate governance practices of the Group as a whole.

### Management Responsibilities and Assurance to the Board

The Management is responsible to the Board for:

- Identifying risks that are relevant to the Group's business objectives and strategies;
- Designing, formulating, implementing and monitoring the implementation of the risk management framework in line with the Group's strategic direction and risk appetite; and
- Reporting to the Board on changes to the risks or emerging risks and corrective actions taken to mitigate or manage 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 system 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 system to be continuously improved and adaptive to the changing and the evolving business environment. Therefore, the Board is committed in strengthening the Group's system of risk management and internal controls to achieve its business objectives.

The Board is satisfied with the existing on-going processes for identifying, evaluating, monitoring and managing significant risks faced by the Group, and that the existing level of risk management and internal control system are adequate and effective to facilitate the Group to achieve its business objectives and strategies. There were no material losses that have resulted from any inadequacy or failure of the Group's risk management and internal control system that would require separate disclosure in the 2022 Annual Report.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## 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 2022 Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report (revised in February 2018) ["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.

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 Paragraphs 41 and 42 of the SORMIC Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was approved by the Board on 16 February 2023.

# ADDITIONAL COMPLIANCE INFORMATION

## • UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2022.

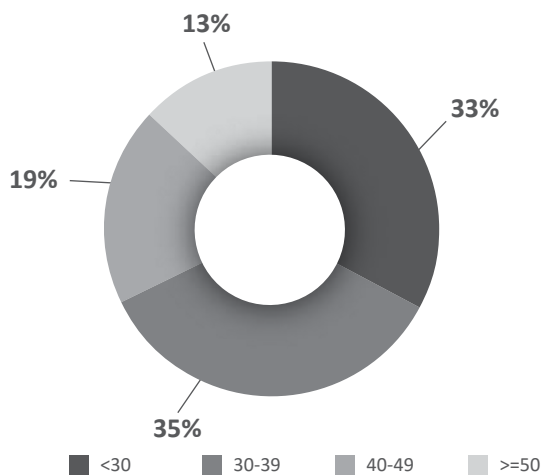
## • MATERIAL CONTRACTS INVOLVING DIRECTORS' OR MAJOR SHAREHOLDERS' INTEREST

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 2022.

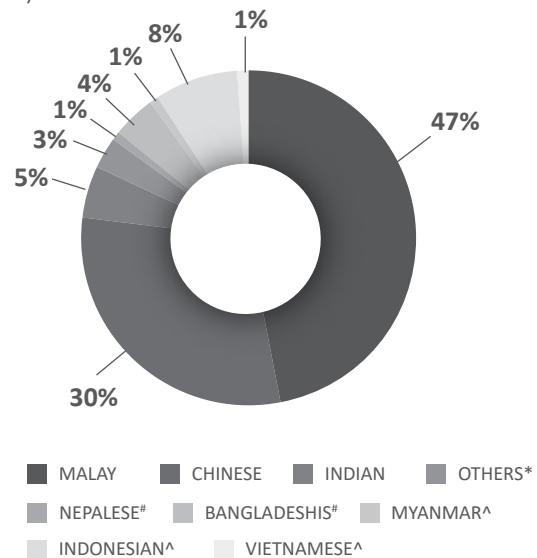
## • RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OF TRADING NATURE ("RRPT")

The Company did not enter into any RRPT during the financial year ended 31 December 2022.

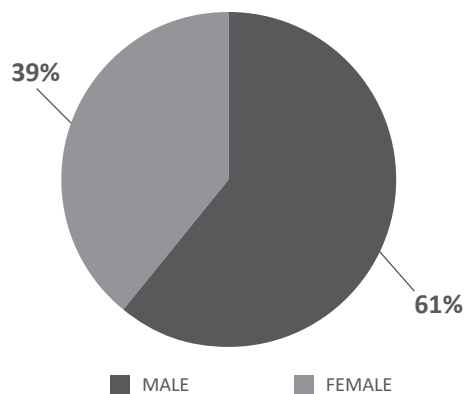
i) AGE GROUP



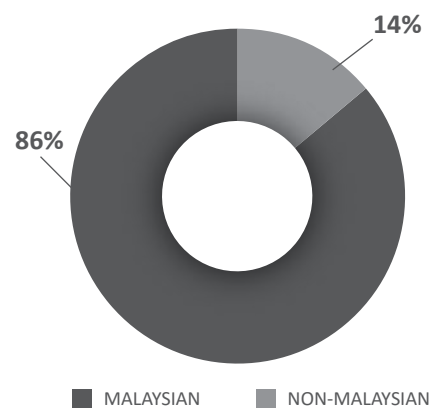
ii) ETHNICITY



iii) GENDER



iv) NATIONALITY







# FINANCIAL STATEMENTS

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# 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 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are mainly manufacturing, importing, exporting and distribution of chemical and petrochemical products. 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 other than the addition of transport agent to the principal activities by a subsidiary, Transform Master Sdn. Bhd..

## RESULTS

	Group RM	Company RM
Profit for the financial year	51,302,274	22,055,941
Attributable to:		
Owners of the parent	45,679,314	22,055,941
Non-controlling interests	5,622,960	-
	51,302,274	22,055,941

## DIVIDENDS

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

	RM
Third single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 13 May 2022	10,697,661
First single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2022, paid on 15 September 2022	10,697,661
	21,395,322

Subsequent to the financial year, the Board of Directors of the Company had on 16 February 2023 declared a second single-tier interim dividend of 1.00 sen per ordinary share amounting to RM10,697,661 for the financial year ended 31 December 2022. 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 2023.

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.

# DIRECTORS' REPORT

cont'd

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Tang Ying See\*  
Chin Song Mooi\*  
Chen Moi Kew\*  
Datuk Kwan Foh Kwai  
Tan Teck Kiong  
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali

\* Directors of the Company and its subsidiaries

Subsidiaries of Luxchem Corporation Berhad (excluding Directors who are also Directors of the Company)

Tew Kar Wai @ Teoh Kar Wai  
Joseph Tjendra  
Trisia Claudia  
Ng Chai Teik  
Pang Tee King  
Kor Soo Bee  
Lee Juinn Yong  
Chuah Kim Piew  
Fan Kock Keong (Resigned on 1 April 2022)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2022 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 31.12.2022
	Balance as at 1.1.2022	Acquired	Disposed	
Shares in the Company				
Tang Ying See				
- Direct	9,892,400	1,662,000	-	11,554,400
- Indirect*	438,326,500	5,000,000	-	443,326,500
Chin Song Mooi				
- Direct	6,791,700	-	-	6,791,700
- Indirect**	441,427,200	6,662,000	-	448,089,200

# 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 of the Company and of its related corporations during the financial year ended 31 December 2022 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*

	Number of ordinary shares		
	Balance as at 1.1.2022	Acquired	Disposed
			Balance as at 31.12.2022
<b>Shares in the Company</b>			
Chen Moi Kew			
- Direct	4,590,000	-	-
			4,590,000
Datuk Kwan Foh Kwai			
- Direct	2,126,600	-	-
- Indirect***	2,200,000	-	-
			2,200,000

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

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

\*\*\* Deemed interested by virtue of his spouse, Datin Lee Hung Kuen's shareholdings in the Company.

	Number of ordinary shares		
	Balance as at 1.1.2022	Acquired	Disposed
			Balance as at 31.12.2022
<b>Shareholdings in holding company, Chemplex Resources Sdn. Bhd.</b>			
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.

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

# DIRECTORS' REPORT

cont'd

## 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 other than certain Directors who received remunerations 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.

## DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Fees	292,793	150,000
Short-term employee benefits	6,811,142	15,000
Defined contribution plan	750,284	-
Defined benefit obligations	68,165	-
Others	69,178	-
Benefits-in-kind	44,100	-
	<u>8,035,662</u>	<u>165,000</u>

## 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.

The amount of insurance premium paid for the Directors and the officers of the Group and of the Company was RM7,220.

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 there were no known bad debts to be 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.

# DIRECTORS' REPORT

cont'd

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

### (I) AS AT THE END OF THE FINANCIAL YEAR *cont'd*

- (b) In the opinion of the Directors, the results of 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 necessitate the writing off of bad debts or render the amount of the 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.

### (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 (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.



# DIRECTORS' REPORT

cont'd

## AUDITORS *cont'd*

Auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Statutory audit	406,601	86,000
Assurance related services	5,000	5,000
Non-audit services	2,000	-
	<b>413,601</b>	<b>91,000</b>

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

**Tang Ying See**  
Director

Kuala Lumpur  
10 March 2023

**Chen Moi Kew**  
Director



# 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 63 to 124 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 2022 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  
10 March 2023

# STATUTORY DECLARATION

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

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 63 to 124 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 10 March 2023 )

**Chen Moi Kew**

Before me:



# INDEPENDENT AUDITORS' REPORT

To the Members of Luxchem Corporation Berhad  
(Incorporated in Malaysia)

## 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 2022 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 63 to 124.

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 2022, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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**

The carrying amount of goodwill arising on consolidation as at 31 December 2022 amounted to RM64,706,662 as disclosed in Note 7 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGUs") in determining the recoverable amount. These key assumptions include forecast growth in revenues, operating profit margins and terminal values as well as determining an appropriate pre-tax discount rate.

#### **Audit response**

Our audit procedures included the following:

- (a) compared prior period projections to actual outcome to assess the reliability of management forecasting process;
- (b) compared cash flow projections against recent performance, and assessed and challenged the key assumptions in projection to available external industry sources of data;



# INDEPENDENT AUDITORS' REPORT

To the Members of Luxchem Corporation Berhad  
(Incorporated in Malaysia)  
cont'd

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

### **Key Audit Matters** *cont'd*

#### **a) Impairment assessment of goodwill** *cont'd*

##### **Audit response** *cont'd*

Our audit procedures included the following: *cont'd*

- (c) evaluated the reasonableness of projected operating profit margins and growth rates by assessing evidence available to support the key assumptions in projection;
- (d) verified pre-tax discount rates for the CGUs 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 models.

#### **b) Impairment assessment of investments in subsidiaries**

As at 31 December 2022, the carrying amount of the investments in subsidiaries amounted to RM277,743,222 as disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise 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 revenues, operating profit margins and terminal values as well as determining an appropriate pre-tax discount rate.

##### **Audit response**

Our audit procedures included the following:

- (a) compared prior period projections to actual outcome to assess the reliability of management forecasting process;
- (b) compared cash flow projections against recent performance, and assessed and challenged the key assumptions in projection to available external industry sources of data;
- (c) evaluated the reasonableness of projected operating profit margins and growth rates by assessing evidence available to support the key assumptions in projection;
- (d) verified pre-tax discount rate for each subsidiaries 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 models.

## 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  
(Incorporated in Malaysia)  
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 THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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:

- a) 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- d) 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  
(Incorporated in Malaysia)  
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*

- e) 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.
- f) 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, actions taken to eliminate threats or safeguards applied.

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

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**  
201906000013 (LLP0018825-LCA) & AF 0206  
Chartered Accountants

Kuala Lumpur  
10 March 2023

**Tan Seong Yuh**  
03314/07/2023 J  
Chartered Accountant

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	117,917,225	83,598,532	-	-
Investment property	6	2,686,783	2,715,087	-	-
Goodwill	7	64,706,662	64,706,662	-	-
Intangible assets	8	119,987,149	125,427,414	-	-
Investments in subsidiaries	9	-	-	277,743,222	278,223,261
Other investments	10	810,857	1,931,214	-	-
Deferred tax assets	11	870,755	598,017	-	-
		306,979,431	278,976,926	277,743,222	278,223,261
Current assets					
Inventories	12	67,956,105	129,765,121	-	-
Trade and other receivables	13	111,688,329	171,024,954	7,696	7,413
Current tax assets		6,814,180	3,225,652	18,570	-
Cash and bank balances	14	224,276,585	208,519,046	27,221,728	26,058,865
		410,735,199	512,534,773	27,247,994	26,066,278
TOTAL ASSETS		717,714,630	791,511,699	304,991,216	304,289,539
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	298,077,797	298,077,797	298,077,797	298,077,797
Treasury shares	15	(70,536)	(70,536)	(70,536)	(70,536)
Reserves	16	214,710,185	191,799,737	6,676,697	6,016,078
		512,717,446	489,806,998	304,683,958	304,023,339
Non-controlling interests		76,271,207	75,308,614	-	-
TOTAL EQUITY		588,988,653	565,115,612	304,683,958	304,023,339

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022  
cont'd

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Retirement benefits	17	679,721	658,106	-	-
Lease liabilities	18	160,287	406,137	-	-
Borrowings	20	14,895,144	8,977,147	-	-
Deferred tax liabilities	11	30,146,863	31,271,016	-	-
		45,882,015	41,312,406	-	-
<b>Current liabilities</b>					
Trade and other payables	19	41,724,093	94,477,530	307,258	225,347
Lease liabilities	18	682,652	476,187	-	-
Borrowings	20	40,437,217	86,135,956	-	-
Current tax liabilities		-	3,994,008	-	40,853
		82,843,962	185,083,681	307,258	266,200
<b>TOTAL LIABILITIES</b>		128,725,977	226,396,087	307,258	266,200
<b>TOTAL EQUITY AND LIABILITIES</b>		717,714,630	791,511,699	304,991,216	304,289,539

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 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	21	802,770,754	924,276,387	22,765,000	40,700,000
Cost of sales		(689,075,882)	(786,474,586)	-	-
Gross profit		113,694,872	137,801,801	22,765,000	40,700,000
Other operating income		9,432,625	3,841,596	513,931	5,401,600
Selling and distribution costs		(11,372,776)	(11,497,921)	-	-
Administration expenses		(33,549,031)	(28,512,711)	(490,017)	(895,825)
Other operating expenses		(6,286,715)	(3,419,147)	(611,293)	(1,556,714)
Finance costs	22	(2,647,733)	(3,136,781)	-	-
Net (loss)/reversal on impairment of financial assets		(655,724)	3,313,922	-	-
Profit before tax	23	68,615,518	98,390,759	22,177,621	43,649,061
Tax expense	24	(17,313,244)	(24,357,688)	(121,680)	(192,236)
Profit for the financial year		51,302,274	74,033,071	22,055,941	43,456,825
<b>Other comprehensive (loss)/income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation		(292,603)	214,866	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of defined benefit obligation		14,049	83,690	-	-
Fair value loss on equity investments at fair value through other comprehensive income		(1,120,357)	(1,735,771)	-	-
		(1,106,308)	(1,652,081)	-	-
Total other comprehensive loss for the financial year, net of tax		(1,398,911)	(1,437,215)	-	-
Total comprehensive income for the financial year		49,903,363	72,595,856	22,055,941	43,456,825

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 2022  
cont'd

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Profit attributable to:					
Owners of the parent		45,679,314	68,244,345	22,055,941	43,456,825
Non-controlling interests		5,622,960	5,788,726	-	-
		51,302,274	74,033,071	22,055,941	43,456,825
Total comprehensive income attributable to:					
Owners of the parent		44,305,770	66,789,909	22,055,941	43,456,825
Non-controlling interests		5,597,593	5,805,947	-	-
		49,903,363	72,595,856	22,055,941	43,456,825

Earnings per ordinary share attributable to owners of the parent (sen):

- Basic	25	4.27	6.77
- Diluted	25	4.27	6.77

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

Group	Note	Non-distributable			Distributable			Non-controlling interests	Total equity
		Share capital	Exchange translation reserve	Fair value reserve	Treasury shares	Retained earnings	Total		
		RM	RM	RM	RM	RM	RM	RM	RM
<b>Balance as at 1 January 2022</b>		298,077,797	212,155	1,635,872	(70,536)	189,951,710	489,806,998	75,308,614	565,115,612
Profit for the financial year		-	-	-	-	45,679,314	45,679,314	5,622,960	51,302,274
Foreign currency translations		-	(266,199)	-	-	-	(266,199)	(26,404)	(292,603)
Fair value loss on equity investments		-	-	(1,120,357)	-	-	(1,120,357)	-	(1,120,357)
Remeasurement of defined benefit obligations		-	-	-	-	13,012	13,012	1,037	14,049
Total comprehensive income		-	(266,199)	(1,120,357)	-	45,692,326	44,305,770	5,597,593	49,903,363
<b>Transactions with owners</b>									
Dividends paid	26	-	-	-	-	(21,395,322)	(21,395,322)	(4,635,000)	(26,030,322)
Total transactions with owners		-	-	-	-	(21,395,322)	(21,395,322)	(4,635,000)	(26,030,322)
<b>Balance as at 31 December 2022</b>		298,077,797	(54,044)	515,515	(70,536)	214,248,714	512,717,446	76,271,207	588,988,653

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022  
cont'd

Group	Note	Non-distributable			Distributable			Non-controlling interests	Total equity
		Share capital	Exchange translation reserve	Fair value reserve	Treasury shares	Retained earnings	Total		
		RM	RM	RM	RM	RM	RM	RM	RM
<b>Balance as at 1 January 2021</b>		174,372,109	8,334	3,371,643	-	159,101,042	336,853,128	413,258	337,266,386
Profit for the financial year		-	-	-	-	68,244,345	68,244,345	5,788,726	74,033,071
Foreign currency translations		-	203,821	-	-	-	203,821	11,045	214,866
Fair value loss on equity investments		-	-	(1,735,771)	-	-	(1,735,771)	-	(1,735,771)
Remeasurement of defined benefit obligations		-	-	-	-	77,514	77,514	6,176	83,690
Total comprehensive income		-	203,821	(1,735,771)	-	68,321,859	66,789,909	5,805,947	72,595,856
<b>Transactions with owners</b>									
Acquisition of subsidiaries	9(d)	-	-	-	-	-	-	69,089,409	69,089,409
Ordinary shares issued pursuant to acquisition of subsidiaries	15	52,846,385	-	-	-	-	52,846,385	-	52,846,385
Ordinary shares issued pursuant to private placements	15	72,574,500	-	-	-	-	72,574,500	-	72,574,500
Share issued expenses	15	(1,715,197)	-	-	-	-	(1,715,197)	-	(1,715,197)
Repurchase of treasury shares of the Company	15(c)	-	-	-	(70,536)	-	(70,536)	-	(70,536)
Dividends paid	26	-	-	-	-	(37,471,191)	(37,471,191)	-	(37,471,191)
Total transactions with owners		123,705,688	-	-	(70,536)	(37,471,191)	86,163,961	69,089,409	155,253,370
<b>Balance as at 31 December 2021</b>		298,077,797	212,155	1,635,872	(70,536)	189,951,710	489,806,998	75,308,614	565,115,612

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

# STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

Company	Note	Non-distributable	Distributable		Total equity
		Share capital	Treasury shares	Retained earnings	
		RM	RM	RM	RM
<b>Balance as at 1 January 2022</b>		298,077,797	(70,536)	6,016,078	304,023,339
Profit for the financial year		-	-	22,055,941	22,055,941
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	22,055,941	22,055,941
<b>Transaction with owners</b>					
Dividends paid	26	-	-	(21,395,322)	(21,395,322)
Total transaction with owners		-	-	(21,395,322)	(21,395,322)
<b>Balance at 31 December 2022</b>		298,077,797	(70,536)	6,676,697	304,683,958
<b>Balance as at 1 January 2021</b>		174,372,109	-	30,444	174,402,553
Profit for the financial year		-	-	43,456,825	43,456,825
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	43,456,825	43,456,825
<b>Transaction with owners</b>					
Ordinary shares issued pursuant to acquisition of subsidiaries	9(d)	52,846,385	-	-	52,846,385
Ordinary shares issued pursuant to private placements	15	72,574,500	-	-	72,574,500
Share issued expenses	15	(1,715,197)	-	-	(1,715,197)
Repurchase of treasury shares of the Company	15(c)	-	(70,536)	-	(70,536)
Dividends paid	26	-	-	(37,471,191)	(37,471,191)
Total transaction with owners		123,705,688	(70,536)	(37,471,191)	86,163,961
<b>Balance at 31 December 2021</b>		298,077,797	(70,536)	6,016,078	304,023,339

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



# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		68,615,518	98,390,759	22,177,621	43,649,061
Adjustments for:					
Amortisation of intangible assets	8	6,539,866	2,290,110	-	-
Bad debts written off	23	-	8,841	-	-
Depreciation of investment property	6	28,304	28,305	-	-
Depreciation of property, plant and equipment	5	5,763,791	4,128,731	-	-
Defined benefit obligations	17(b)	67,198	(31,802)	-	-
Dividend income	23	(69,274)	(331,383)	(22,765,000)	(40,700,000)
Net loss on changes in fair value of forward exchange contracts	23	51,498	40,393	-	-
Gain on disposal of property, plant and equipment	23	(267,283)	(156,762)	-	-
Gain on termination of lease	23	(1,600)	(2,303)	-	-
Impairment losses on trade receivables	13(h)	1,008,494	127,505	-	-
Impairment losses on investment in subsidiaries	9	-	-	480,039	889,059
Interest income	23	(1,911,343)	(2,189,197)	(513,558)	(807,317)
Interest expense	22	2,647,733	3,136,781	-	-
Inventories written down	12(d)	417,330	1,645,073	-	-
Inventories written off	12(f)	2,033,861	536,843	-	-
Intangible asset written off	8	-	3	-	-
Property, plant and equipment written off	5	85,706	14,395	-	-
Net unrealised loss on foreign exchange	23	1,756,616	173,818	91	373
Reversal of impairment losses on investment in a subsidiary	9	-	-	-	(4,593,725)
Reversal of impairment losses on trade Receivables	13(h)	(352,770)	(3,441,427)	-	-
Reversal of inventories written down	12(e)	(1,393,205)	(970,784)	-	-
Operating profit/(loss) before working capital changes		85,020,440	103,397,899	(620,807)	(1,562,549)
Decrease/(Increase) in inventories		60,498,235	(49,932,116)	-	-
Decrease/(Increase) in trade and other receivables		56,376,697	16,068,058	(374)	2,599,247
(Decrease)/Increase in trade and other payables		(52,656,126)	(3,737,000)	81,911	(99,828)

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

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022  
cont'd

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> <i>cont'd</i>					
Cash generated from/(used in) operations		149,239,246	65,796,841	(539,270)	936,870
Net tax paid		(26,330,633)	(25,505,321)	(181,103)	(152,301)
Interest received		1,911,343	2,189,197	513,558	807,317
Interest paid		(2,605,567)	(3,101,841)	-	-
Retirement benefits paid		(2,841)	-	-	-
Net cash from/(used in) operating activities		122,211,548	39,378,876	(206,815)	1,591,886
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	5(d)	(40,434,204)	(7,656,839)	-	-
Purchase of intangible assets	8	(271,613)	(66,983)	-	-
Proceeds from disposal of property, plant and equipment		406,953	159,398	-	-
Additional investments in subsidiaries		-	-	-	-
Dividend received		69,274	331,383	22,765,000	40,700,000
Net cash outflows on acquisition of subsidiaries	9(d)	-	(14,485,172)	-	(60,500,000)
(Placement)/Withdraw of deposits with licensed banks with original maturity of more than three (3) months		(14,771,000)	7,981,506	(1,000,000)	-
Net cash (used in)/from investing activities		(55,000,590)	(13,736,707)	21,765,000	(19,800,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from shares issued pursuant to private placement		-	70,859,303	-	70,859,303
Repayments on lease liabilities		(745,064)	(591,925)	-	-
Repurchase of treasury share of the Company	15(c)	-	(70,536)	-	(70,536)
Interest paid on lease liabilities		(42,166)	(34,940)	-	-
Net drawdown of borrowings		(38,932,016)	17,668,093	-	-
Dividends paid	26	(21,395,322)	(37,471,191)	(21,395,322)	(37,471,191)
Dividends paid to non-controlling interests		(4,635,000)	-	-	-
Net cash (used in)/from financing activities		(65,749,568)	50,358,804	(21,395,322)	33,317,576
Net increase in cash and cash equivalents		1,461,390	76,000,973	162,863	15,109,462
Cash and cash equivalents at beginning of financial year		195,844,240	119,699,585	21,858,865	6,749,403
Effect of changes in exchange rates		(474,851)	143,682	-	-
Cash and cash equivalents at end of financial year		196,830,779	195,844,240	22,021,728	21,858,865

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

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022  
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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	75,418,756	114,583,765	132,710	89,976
Deposits placed with licensed banks	148,857,829	93,935,281	27,089,018	25,968,889
	224,276,585	208,519,046	27,221,728	26,058,865
Less:				
Placement of deposits with licensed banks with original maturity of more than three (3) months	(27,445,806)	(12,674,806)	(5,200,000)	(4,200,000)
	196,830,779	195,844,240	22,021,728	21,858,865

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Note	Leases (Note 18) RM	Borrowings (Note 20) RM
<b>At 1 January 2021</b>		666,263	63,793,408
Cash flows		(626,865)	17,668,093
Non-cash changes:			
- Acquisition of property, plant and equipment		355,233	-
- Acquisition of subsidiaries	9(d)	472,932	13,297,439
- Remeasurements/Modifications	18	30,582	-
- Termination	18	(57,878)	-
- Translation adjustments		7,117	354,163
- Unwinding of interest		34,940	-
<b>At 31 December 2021</b>		882,324	95,113,103
<b>At 1 January 2022</b>		882,324	95,113,103
Cash flows		(787,230)	(38,932,016)
Non-cash changes:			
- Acquisition of property, plant and equipment		792,768	-
- Termination	18	(83,249)	-
- Translation adjustments		(3,840)	(848,726)
- Unwinding of interest		42,166	-
<b>At 31 December 2022</b>		842,939	55,332,361

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 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 holding company of the Company is Chemplex Resources Sdn. Bhd., which is incorporated in Malaysia.

The consolidated financial statements for the financial year ended 31 December 2022 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Directors on 10 March 2023.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities of the subsidiaries are mainly manufacturing, importing, exporting and distribution of chemical and petrochemical products. 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 other than the addition of transport agent by a subsidiary, Transform Master Sdn. Bhd..

## 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 32(a) to the financial statements.

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.

## 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, former cleaning, powder free coagulant and related products. |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 4. OPERATING SEGMENTS *cont'd*

### (a) Operating Segments *cont'd*

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.

2022	Trading RM	Manufacturing RM	Other RM	Consolidated RM
<b>Revenue</b>				
Total revenue	545,295,581	412,666,161	-	957,961,742
Inter-segment revenue	(16,493,271)	(138,697,717)	-	(155,190,988)
External sales	528,802,310	273,968,444	-	802,770,754
<b>Results</b>				
Segment results	32,838,837	36,977,553	(629,756)	69,198,634
Dividend, interest and rental income	1,011,232	551,827	513,558	2,076,617
Operating profit/(loss)	33,850,069	37,529,380	(116,198)	71,263,251
Finance costs	(2,078,194)	(569,539)	-	(2,647,733)
Profit/(Loss) before tax	31,771,875	36,959,841	(116,198)	68,615,518
Tax expense	(7,729,469)	(9,462,095)	(121,680)	(17,313,244)
Profit/(Loss) for the financial year	24,042,406	27,497,746	(237,878)	51,302,274
Segment assets	290,670,952	399,800,585	27,243,093	717,714,630
Segment liabilities	62,511,653	65,904,066	310,258	128,725,977

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 4. OPERATING SEGMENTS *cont'd*

### (a) Operating Segments *cont'd*

2022	Trading RM	Manufacturing RM	Other RM	Consolidated RM
<b>Other segment information</b>				
Additions to non-current assets:				
- property, plant and equipment	21,896,851	19,330,120	-	41,226,972
- intangible assets	249,566	22,047	-	271,613
Depreciation and amortisation	1,641,111	10,690,850	-	12,331,961
<i>Non cash expenses other than depreciation and amortisation:</i>				
- Impairment losses on trade receivables, net of reversals	369,114	286,610	-	655,724
- Property, plant and equipment written off	3,573	82,133	-	85,706
- Inventories written down	224,002	193,328	-	417,330
- Inventories written off	49	2,033,812	-	2,033,861
- Reversal of inventories written down	(493,521)	(899,684)	-	(1,393,205)
- Defined benefit obligations	67,198	-	-	67,198
- Net unrealised loss foreign exchange	1,222,017	534,508	91	1,756,616
- Net loss on changes in fair value of forward exchange contracts	51,498	-	-	51,498
- Gain on disposal of property, plant and equipment	(144,636)	(122,647)	-	(267,283)
<hr/>				
2021	Trading RM	Manufacturing RM	Other RM	Consolidated RM
<b>Revenue</b>				
Total revenue	725,575,466	372,132,590	-	1,097,708,056
Inter-segment revenue	(7,781,760)	(165,649,909)	-	(173,431,669)
External sales	717,793,706	206,482,681	-	924,276,387
<hr/>				
<b>Results</b>				
Segment results	59,248,645	41,260,535	(1,570,470)	98,938,710
Dividend, interest and rental income	1,232,527	548,986	807,317	2,588,830
Operating profit	60,481,172	41,809,521	(763,153)	101,527,540
Finance costs	(2,566,529)	(570,252)	-	(3,136,781)
Profit before tax	57,914,643	41,239,269	(763,153)	98,390,759
Tax expense	(13,974,362)	(10,191,090)	(192,236)	(24,357,688)
Profit for the financial year	43,940,281	31,048,179	(955,389)	74,033,071
<hr/>				
Segment assets	355,880,630	409,569,409	26,061,660	791,511,699
<hr/>				
Segment liabilities	127,414,961	98,711,259	269,867	226,396,087



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 4. OPERATING SEGMENTS *cont'd*

### (a) Operating Segments *cont'd*

2021	Trading RM	Manufacturing RM	Other RM	Consolidated RM
<b>Other segment information</b>				
Additions to non-current assets:				
- property, plant and equipment	2,382,564	5,629,508	-	8,012,072
- intangible assets	35,437	31,546	-	66,983
Depreciation and amortisation	1,460,802	4,986,344	-	6,447,146
<i>Non cash expenses other than depreciation and amortisation:</i>				
- Impairment losses on trade receivables, net of reversals	(3,166,813)	(147,109)	-	(3,313,922)
- Bad debts written off	8,841	-	-	8,841
- Property, plant and equipment written off	10,925	3,470	-	14,395
- Intangible asset written off	3	-	-	3
- Inventories written down	321,495	1,323,578	-	1,645,073
- Inventories written off	-	536,843	-	536,843
- Reversal of inventories written down	(495,225)	(475,559)	-	(970,784)
- Defined benefit obligations	(31,802)	-	-	(31,802)
- Net unrealised loss foreign exchange	45,151	128,852	(185)	173,818
- Net loss on changes in fair value of forward exchange contracts	(12,058)	52,451	-	40,393
- Net gain on disposal of property, plant and equipment	(156,754)	(8)	-	(156,762)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
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.

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	518,096,081	304,957,439	608,777,164	275,657,674
Vietnam	104,952,847	-	86,602,307	12,277
Indonesia	59,816,750	336,948	99,921,743	773,073
China	49,476,944	-	24,986,712	-
Thailand	20,233,867	-	38,942,790	-
Australia	12,829,750	-	11,444,475	-
New Zealand	6,802,600	-	4,223,785	-
Bangladesh	6,288,099	-	6,745,416	-
Sri Lanka	6,056,440	-	6,986,264	-
Singapore	4,973,056	3,432	25,497,722	4,671
Philippines	2,583,429	-	2,957,144	-
India	1,937,931	-	436,327	-
United Arab Emirate	1,885,485	-	884,716	-
Hong Kong	1,848,966	-	1,776,817	-
Others	4,988,509	-	4,093,005	-
	<b>802,770,754</b>	<b>305,297,819</b>	<b>924,276,387</b>	<b>276,447,695</b>

### (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 2022

cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT

2022 Group	Balance as at 1.1.2022	Additions	Disposals	Termination	Written off	Reclassification adjustments	Translation	Depreciation charge for the year	Balance as at 31.12.2022
	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Carrying amount</b>									
Freehold land	10,411,942	-	-	-	-	8,067,020	-	-	18,478,962
Long term leasehold land									
- Right-of-use assets	19,685,834	-	-	-	-	-	-	(352,393)	19,333,441
Buildings									
- Owned	20,829,235	20,693,212	-	-	-	-	-	(796,107)	40,726,340
- Right-of-use assets	326,303	724,682	-	(81,649)	-	-	(1,206)	(496,504)	471,626
Renovation	1,944,755	1,544,160	-	-	(1,893)	454,924	(452)	(674,240)	3,267,254
Furniture and fittings	825,604	91,800	(4,949)	-	(96)	-	179	(115,865)	796,673
Plant, machinery and equipment	9,066,018	2,178,292	(13,295)	-	(10,690)	355,987	(992)	(2,277,126)	9,298,194
Motor vehicles									
- Owned	2,307,395	1,236,166	(121,426)	-	(60,027)	41,887	(3,464)	(907,216)	2,493,315
- Right-of-use assets	299,889	89,388	-	-	-	(41,887)	(3,540)	(144,340)	199,510
Capital work-in-progress	17,901,557	14,669,272	-	-	(13,000)	(9,705,919)	-	-	22,851,910
	83,598,532	41,226,972	(139,670)	(81,649)	(85,706)	(827,988)	(9,475)	(5,763,791)	117,917,225

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

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

2021 Group	Balance as at subsidiaries 1.1.2021		Acquisition of (Note 9(d))		Additions		Disposals		Remeasurement/ Modifications		Termination		Written off		Reclassification		Translation adjustments		Depreciation charge for the year		Balance as at 31.12.2021	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Carrying amount</b>																						
Freehold land	2,411,942		8,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,411,942	
Long term leasehold land																						
- Right-of-use assets	20,003,398	-	-	-	-	-	-	-	30,582	-	-	-	-	-	-	-	-	-	(348,146)	-	19,685,834	
Buildings																						
- Owned	15,960,263	5,400,000		58,276	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(589,304)	-	20,829,235	
- Right-of-use assets	276,492	115,293		313,669	-	-	-	(55,575)	-	-	-	-	-	-	-	-	-	-	(328,999)	-	326,303	
Renovation	434,804	310,422		1,371,869	-	-	-	-	-	-	-	(2,741)	-	-	-	-	-	-	(169,960)	-	1,944,755	
Furniture and fittings	303,172	3,145		488,730	-	-	-	-	-	-	-	(436)	-	-	-	-	-	-	(73,097)	-	825,604	
Plant, machinery and equipment	6,886,457	1,939,015		1,916,706	(2,636)	-	-	-	-	-	-	(11,218)	-	-	-	-	-	-	(1,737,724)	-	9,066,018	
Motor vehicles																						
- Owned	1,566,618	511,540		840,667	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(786,807)	-	2,307,395	
- Right-of-use assets	211,891	296,461		54,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(94,694)	-	299,889	
Capital work-in- progress	15,165,572	-		2,967,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,901,557	
	63,220,609	16,575,876		8,012,072	(2,636)				30,582		(55,575)		(14,395)		(53,678)		14,408		(4,128,731)		83,598,532	



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

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

	← As at 31 December 2022 →		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Freehold land	18,478,962	-	18,478,962
Long term leasehold land			
- Right-of-use assets	22,210,451	(2,877,010)	19,333,441
Buildings			
- Owned	47,237,961	(6,511,621)	40,726,340
- Right-of-use assets	3,159,571	(2,687,945)	471,626
Renovation	5,095,909	(1,828,655)	3,267,254
Furniture and fittings	1,887,270	(1,090,598)	796,672
Plant, machinery and equipment	30,739,416	(21,441,222)	9,298,194
Motor vehicles			
- Owned	7,756,807	(5,263,491)	2,493,316
- Right-of-use assets	703,269	(503,759)	199,510
Capital work-in-progress	22,851,910	-	22,851,910
	160,121,526	(42,204,301)	117,917,225

	← As at 31 December 2021 →		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Freehold land	10,411,942	-	10,411,942
Long term leasehold land			
- Right-of-use assets	22,210,451	(2,524,617)	19,685,834
Buildings			
- Owned	26,544,749	(5,715,514)	20,829,235
- Right-of-use assets	2,546,423	(2,220,120)	326,303
Renovation	3,109,685	(1,164,931)	1,944,754
Furniture and fittings	1,808,592	(982,989)	825,603
Plant, machinery and equipment	28,604,308	(19,538,291)	9,066,017
Motor vehicles			
- Owned	7,210,768	(4,903,370)	2,307,398
- Right-of-use assets	673,198	(373,309)	299,889
Capital work-in-progress	17,901,557	-	17,901,557
	121,021,673	(37,423,141)	83,598,532

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

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

- (a) All items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land and right-of-use assets 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 used are as follows:

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

Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress representing machinery under installation, construction 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) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

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

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

Long term leasehold land	6 to 904 years
Buildings	2 to 2.5 years
Motor vehicles	5 years

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

	Group	
	2022	2021
	RM	RM
Purchase of property, plant and equipment	41,226,972	8,012,072
Financed by lease liabilities	(792,768)	(355,233)
Cash payments on purchase of property, plant and equipment	40,434,204	7,656,839

- (e) As at the end of the reporting period, freehold land and building of the Group with the total carrying amounts of RM16,067,020 and RM5,236,063 respectively have been charged to bank for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 6. INVESTMENT PROPERTY

Group	Balance as at 1.1.2022 RM	Depreciation charge for the year RM	Balance as at 31.12.2022 RM
<b>Carrying amount</b>			
Investment property	2,715,087	(28,304)	2,686,783

	At 31.12.2022		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Investment property	2,800,000	(113,217)	2,686,783

Group	Balance as at 1.1.2021 RM	Depreciation charge for the year RM	Balance as at 31.12.2021 RM
<b>Carrying amount</b>			
Investment property	2,743,392	(28,305)	2,715,087

	At 31.12.2021		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Investment property	2,800,000	(84,913)	2,715,087

- (a) Investment property is a property which is held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write down the cost of the investment property to its residual value on a straight-line basis over its estimated useful life. The estimated useful life represents common life expectancy applied in the industry within which the Group operates. The principal depreciation period for the investment property is 99 years.

The remaining leasehold period of the investment property is 95 years (2021: 96 years).

- (c) The Level 3 fair value of investment property is RM3,450,000 (2021: RM3,450,000). The fair value is recommended by the Directors based on market values for similar properties in the same vicinity on a price per square foot basis. There is no transfer between levels in the hierarchy during the financial year.
- (d) At the end of reporting period, rental income of the Group derived from the investment property amounted to RM78,000 (2021: RM68,250).
- (e) Investment property of the Group is mainly used to generate rental income. However, the fair value of the investment property reflects the highest and best use of the said property should the investment property be disposed. Currently, management does not intend to dispose off the investment property and the existing use of the investment property remains for rental purposes.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 6. INVESTMENT PROPERTY *cont'd*

- (f) The amounts of operating expenses recognised in profit or loss during the financial year are as follows:

	Group	
	2022	2021
	RM	RM
Direct operating expenses	2,182	2,811

## 7. GOODWILL

	Group	
	2022	2021
	RM	RM
As at 1 January	64,706,662	35,802,888
Acquisition of subsidiaries (Note 9(d))	-	28,903,774
As at 31 December	64,706,662	64,706,662

- (a) 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 any accumulated impairment losses.
- (b) Impairment assessment on goodwill

For the purpose of impairment assessment, goodwill has been allocated to the Group's cash-generating units ("CGUs") which are the subsidiaries themselves, namely Transform Master Sdn. Bhd. ("TMSB"), Lexis Chemical Sdn. Bhd. ("LCSB") and Lexis Specialties Sdn. Bhd. ("LSSB"). For segment reporting purposes, the operations of TMSB and LCSB have been allocated into manufacturing segment whereas the operations of LSSB has been allocated into trading segment.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2022	2021
	RM	RM
TMSB	35,802,888	35,802,888
LCSB	25,897,266	25,897,266
LSSB	3,006,508	3,006,508
	64,706,662	64,706,662

For annual impairment assessment purposes, the recoverable amount of the CGUs 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 years period with a terminal value thereafter for TMSB and LSSB and twenty years period for LCSB as approved by management. The key assumptions for the computation of value-in-use are further described in Note 7(c) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 7. GOODWILL *cont'd*

### (c) Key assumptions used for value-in-use calculation

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

Key Assumptions	TMSB	LCSB	LSSB
Revenue growth rates (%)	7.90	5.78	8.34
Operating profit margins (%)	9.97	21.00	45.67
Pre-tax discount rate (%)	10.78	16.35	11.08

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

Assumptions	Approach used in determining values
Revenue growth rate	Compound annual growth rate over the five-year forecast period with no terminal growth rate thereafter based on financial plans approved by senior management team of TMSB and LSSB and twenty-year forecast period for LCSB as they reflect management's expectation of achievable growth based on past performance and market development.
Operating profit margin	Based on past performance and management's expectations for the future.
Pre-tax discount rate	Reflects specific risks relating to the CGUs and the country in which the CGUs operate.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### (d) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of each of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGUs to materially exceed their recoverable amount.

## 8. INTANGIBLE ASSETS

Group	Balance as at 1.1.2022 RM	Addition RM	Reclassification RM	Amortisation charge for the year RM	Balance as at 31.12.2022 RM
<b>Carrying amount</b>					
Computer software	620,276	271,613	827,988	(397,130)	1,322,747
Brand equity	4,000,000	-	-	-	4,000,000
Trade formulas	120,807,138	-	-	(6,142,736)	114,664,402
	125,427,414	271,613	827,988	(6,539,866)	119,987,149

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 8. INTANGIBLE ASSETS *cont'd*

Group	At 31.12.2022		
	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Computer software	2,956,605	(1,633,859)	1,322,746
Brand equity	4,000,000	-	4,000,000
Trade formulas	122,854,717	(8,190,314)	114,664,403
	129,811,322	(9,824,173)	119,987,149

Group	Balance as at 1.1.2021	Acquisition of subsidiaries (Note 9(d))	Addition	Reclassification	Written off	Amortisation charge for the year	Balance as at 31.12.2021
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Computer software	742,149	-	66,983	53,678	(3)	(242,531)	620,276
Brand equity	4,000,000	-	-	-	-	-	4,000,000
Trade formulas	-	122,854,717	-	-	-	(2,047,579)	120,807,138
	4,742,149	122,854,717	66,983	53,678	(3)	(2,290,110)	125,427,414

Group	At 31.12.2021		
	Cost	Accumulated amortisation	Carrying amount
	RM	RM	RM
Computer software	1,857,004	(1,236,728)	620,276
Brand equity	4,000,000	-	4,000,000
Trade formulas	122,854,717	(2,047,579)	120,807,138
	128,711,721	(3,284,307)	125,427,414

- (a) 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.
- (b) 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 (2021: 5 years).

Brand equity represents industrial property rights acquired by Luxchem Polymer Industries Sdn. Bhd. ("LPISB"). 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.

Trade formula represents products formulation for specialty chemicals acquired in a business combination is measured at fair value as at the date of acquisition. The trade formula is amortised on a straight-line basis to other operating expenses over the estimated useful life of 20 years (2021: 20 years).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 8. INTANGIBLE ASSETS *cont'd*

### (c) 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 years period and approved by management. The key assumptions for the computation of value-in-use are further described in Note 8(d) to the financial statements.

### (d) Key assumptions used for value-in-use calculation

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

	Group	
	2022	2021
Revenue growth rate	0.00%	0.00%
Operating profit margin	9.00%	9.57%
Pre-tax discount rate	8.73%	12.58%

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

Assumptions	Approach used in determining values
Revenue growth rate	Compound annual growth rate over the five-year forecast period with no terminal growth rate thereafter based on financial plans approved by senior management team of LPISB and they reflect management's expectation of achievable growth based on past performance and market development.
Operating profit margin	Based on past performance and management's expectations for the future.
Pre-tax discount rate	Reflects specific risks relating to the brand equity and trade formulas and the country in which the entity operates.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

### (e) 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RM	RM
Unquoted equity shares, at cost	237,127,148	237,127,148
Less: Impairment losses	(3,660,807)	(3,180,768)
	233,466,341	233,946,380
Equity loans to subsidiaries	33,704,973	33,704,973
Equity contributions in subsidiaries in respect of employee share option scheme ("ESOS")	10,571,908	10,571,908
	277,743,222	278,223,261

- (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.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Equity loans to subsidiaries, which are unsecured, interest-free and the subsidiaries have the unconditional right to avoid settlement of the loan in cash, and are considered to be part of the investment 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 by reference to their fair value less cost to sell of the underlying assets or the value-in-use of each subsidiaries. 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, operating profit margin as well as determining an appropriate pre-tax discount rate used for each subsidiaries. Impairment losses are made when the carrying amount of the investments in subsidiaries exceed its recoverable amount.

Impairment for equity loans to subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 13(i) to the financial statements.

No expected credit loss is recognised arising from equity loans to subsidiaries of the Company as it is negligible.

- (c) The reconciliation of movement in impairment losses for investments in subsidiaries is as follows:

	2022	2021
	RM	RM
At the beginning of the year	3,180,768	6,885,434
Impairment losses	480,039	889,059
Reversal of impairment losses	-	(4,593,725)
At the end of the year	3,660,807	3,180,768

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 9. INVESTMENTS IN SUBSIDIARIES *cont'd*

### (d) Acquisition of subsidiaries

On 24 August 2021, the Company had completed the acquisition of 1,100,000 ordinary shares, 55 ordinary shares and 55 ordinary shares in Lexis Chemical Sdn. Bhd., Lexis Specialties Sdn. Bhd. and Lexis Corporation Sdn. Bhd. ("Lexis entities") respectively, representing 55% equity interest in Lexis entities for a purchase consideration which was satisfied via the combination of cash consideration of RM60,500,000 and the issuance of 72,891,566 new ordinary shares of the Company amounting to RM52,846,385. Following the completion of the acquisition, Lexis entities were subsidiaries of the Company.

Lexis entities are principally involved in the manufacturing and wholesale of industrial chemical products.

Fair values of the identifiable assets and liabilities acquired were as follows:

	Note	Lexis Chemical Sdn. Bhd. RM	Lexis Specialties Sdn. Bhd. RM	Lexis Corporation Sdn. Bhd. RM	Fair value adjustments RM	Recognised value on acquisition RM
Property, plant and equipment	5	15,054,321	1,802	-	1,107,999	16,164,122
Right-of-use assets	5	402,108	9,646	-	-	411,754
Intangible assets	8	-	-	-	122,854,717	122,854,717
Inventories		8,098,084	-	-	-	8,098,084
Trade and other receivables		21,916,456	1,772,197	-	-	23,688,653
Cash and cash equivalents		41,267,782	4,746,946	100	-	46,014,828
Trade and other payables		(14,748,901)	(2,216,176)	(6,454)	-	(16,971,531)
Deferred tax liabilities	11	(423,460)	-	-	(29,751,052)	(30,174,512)
Lease liabilities	18	(463,072)	(9,860)	-	-	(472,932)
Borrowings		(13,297,439)	-	-	-	(13,297,439)
Current tax liabilities		(2,380,259)	(403,465)	-	-	(2,783,724)
		55,425,620	3,901,090	(6,354)	94,211,664	153,532,020
Cash consideration						60,500,000
Equity instruments issued	(i)					52,846,385
Non-controlling interest						69,089,409
Fair value of identifiable net asset						(153,532,020)
Goodwill on consolidation	7					28,903,774

- (i) The fair value of 72,891,566 ordinary shares issued as part of the consideration paid for acquisition of Lexis entities was determined on the basis of the closing price, RM0.725 of the Company's ordinary shares on the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 9. INVESTMENTS IN SUBSIDIARIES *cont'd*

### (d) Acquisition of subsidiaries *cont'd*

The effect of the acquisition of Lexis entities on the cash flow was as follows:

	RM
Consideration for equity interest acquired	113,346,385
Less: Equity instruments issued	(52,846,385)
Less: Cash and cash equivalents of the subsidiaries acquired	(46,014,828)
Net cash outflow arising from acquisition of subsidiaries	14,485,172

If the acquisition had occurred on 1 January 2021, Lexis entities contribution to the Group's revenue and profit after tax would have been RM158,356,052 and RM31,200,788 respectively.

### (e) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:

2022	Lexis Chemical Sdn. Bhd. RM	Other individual immaterial subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest (%)	45%		
Carrying amount of NCI	72,587,908	3,683,299	76,271,207
Profit allocated to NCI	4,544,366	1,078,594	5,622,960
Other comprehensive loss allocated to NCI	-	(25,367)	(25,367)
Total comprehensive income allocated to NCI	4,544,366	1,053,227	5,597,593

2021	Lexis Chemical Sdn. Bhd. RM	Other individual immaterial subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest (%)	45%		
Carrying amount of NCI	72,228,542	3,080,072	75,308,614
Profit allocated to NCI	4,891,762	896,964	5,788,726
Other comprehensive income allocated to NCI	-	17,221	17,221
Total comprehensive income allocated to NCI	4,891,762	914,185	5,805,947

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 9. INVESTMENTS IN SUBSIDIARIES *cont'd*

- (f) The summarised financial information before intra-group elimination of the subsidiary that has material NCI as at the end of each reporting period are as follows:

	2022 RM	2021 RM
<b>Lexis Chemical Sdn. Bhd.</b>		
<b>Assets and liabilities</b>		
Non-current assets	34,015,076	19,306,062
Current assets	59,709,482	79,910,024
Non-current liabilities	(8,647,468)	(9,815,066)
Current liabilities	(11,757,652)	(23,104,810)
Net assets	73,319,438	66,296,210
<b>Results</b>		
Revenue	109,841,296	51,684,165
Profit for the financial year	16,323,232	10,870,585
Total comprehensive income	16,323,232	10,870,585
Cash flows from operating activities	14,699,124	33,426,443
Cash flows used in investing activities	(16,265,985)	(5,864,850)
Cash flows used in financing activities	(9,942,499)	(2,664,350)
Net (decrease)/increase in cash and cash equivalents	(11,509,360)	24,897,243

- (g) As at the end of reporting period, the Company had made impairment of RM480,039 (2021: RM889,059) due to continuous losses incurred by this subsidiary. The recoverable amount of cost of investment in the subsidiary is based on fair value less cost to sell ("FVLCTS") of the underlying assets. The net assets of the subsidiary are used as proxy for its recoverable amount based on FVLCTS method and are within Level 3 of the fair value hierarchy.
- (h) In the previous financial year, the Company had made a reversal of impairment of RM4,593,725 as this subsidiary has seen a recovery in its operations and financial performance during the financial year ended 31 December 2021.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 9. INVESTMENTS IN SUBSIDIARIES *cont'd*

(i) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2022	2021	
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	92.62%	92.62%	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 and transport agent
Lexis Chemical Sdn. Bhd.	Malaysia	55%	55%	Manufacturing of industrial chemical products.
Lexis Specialties Sdn. Bhd.	Malaysia	55%	55%	Engaged in supplying of industrial chemical products and related services
Lexis Corporation Sdn. Bhd.	Malaysia	55%	55%	Dormant

\* Not audited by BDO PLT or BDO Member Firm

# Audited by BDO Member Firm

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 10. OTHER INVESTMENTS

	Group	
	2022	2021
	RM	RM
<b>Equity securities:</b>		
- Quoted shares in Malaysia	700,856	1,821,213
- Unquoted shares in Malaysia	110,001	110,001
	810,857	1,931,214

- (a) 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) Quoted shares of the Group are categorised as Level 1 in the fair value hierarchy. Fair value of quoted ordinary shares of the Group are determined by reference to exchange quoted market prices. The sensitivity analysis for the investments in quoted shares is not material to the Group.
- (c) Unquoted shares of the Group are categorised as Level 3 in the fair value hierarchy. Fair value of unquoted ordinary shares of the Group are estimated based on price to earnings valuation method. The sensitivity analysis for the investments in unquoted shares is not material to the Group.
- (d) There is no transfer between levels in the hierarchy during the financial year.
- (e) 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.

## 11. DEFERRED TAX

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

		Group	
		2022	2021
	Note	RM	RM
<b>Balance as at 1 January</b>		30,672,999	(245,036)
Recognised in profit or loss	24	(1,411,417)	731,060
Acquisition of subsidiaries	9(d)	-	30,174,512
Recognised in other comprehensive income		3,963	23,605
Translation adjustments		10,563	(11,142)
<b>Balance as at 31 December</b>		29,276,108	30,672,999

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 11. DEFERRED TAX *cont'd*

- (a) The deferred tax assets and liabilities are made up of the followings: *cont'd*

Presented after appropriate offsetting:

	Group	
	2022	2021
	RM	RM
Deferred tax assets	(870,755)	(598,017)
Deferred tax liabilities	30,146,863	31,271,016
	29,276,108	30,672,999

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

### *Deferred tax assets of the Group*

	Other deductible temporary differences	Total
	RM	RM
<b>Balance as at 1 January 2022</b>	(598,017)	(598,017)
Recognised in profit or loss	(287,264)	(287,264)
Recognised in other comprehensive income	3,963	3,963
Translation adjustments	10,563	10,563
<b>Balance as at 31 December 2022</b>	(870,755)	(870,755)
<b>Balance as at 1 January 2021</b>	(1,569,340)	(1,569,340)
Recognised in profit or loss	958,860	958,860
Recognised in other comprehensive income	23,605	23,605
Translation adjustments	(11,142)	(11,142)
<b>Balance as at 31 December 2021</b>	(598,017)	(598,017)

### *Deferred tax liabilities of the Group*

	Property, plant and equipment	Other temporary differences	Total
	RM	RM	RM
<b>Balance as at 1 January 2022</b>	1,387,136	29,883,880	31,271,016
Recognised in profit or loss	(1,134,387)	10,234	(1,124,153)
<b>Balance as at 31 December 2022</b>	252,749	29,894,114	30,146,863
<b>Balance as at 1 January 2021</b>	1,613,627	(289,323)	1,324,304
Acquisition of subsidiaries (Note 9(d))	-	30,174,512	30,174,512
Recognised in profit or loss	(226,491)	(1,309)	(227,800)
<b>Balance as at 31 December 2021</b>	1,387,136	29,883,880	31,271,016



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 12. INVENTORIES

	Group	
	2022	2021
	RM	RM
<b>At cost</b>		
Raw materials	22,645,060	53,111,457
Consumables	756,167	447,574
Finished goods	9,725,027	20,238,260
Trading goods	32,798,763	54,082,046
	65,925,017	127,879,337
<b>At net realisable value</b>		
Raw materials	198,869	791,986
Consumables	647,844	823,609
Finished goods	698,916	1,599
Trading goods	485,459	268,590
	2,031,088	1,885,784
	67,956,105	129,765,121

- (a) Inventories are stated at the lower of cost or net realisable value.
- (b) Cost of raw materials, consumables and finished goods is determined on first-in, first-out basis while cost of trading goods is determined using the weighted average method.
- Cost of raw materials and cost of consumables comprise all costs of purchase, plus the cost of bringing the inventories to their present location and condition. Cost of finished goods and cost of trading goods include 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 RM654,316,549 (2021: RM763,711,684).
- (d) During the financial year, the amounts of inventories written down of the Group recognised as expenses amounted to RM417,330 (2021: RM1,645,073).
- (e) During the financial year, the Group had recognised a reversal of RM1,393,205 (2021: RM970,784), being part of an inventories written down in previous financial years, as the inventories were sold above the carrying amounts.
- (f) During the financial year, the amounts of inventories written off of the Group recognised as expenses amounted to RM2,033,861 (2021: RM536,843).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<b>Trade receivables</b>				
Third parties	107,701,546	155,896,513	-	-
Less: Impairment losses	(2,814,452)	(2,172,887)	-	-
Total trade receivables	104,887,094	153,723,626	-	-
<b>Other receivables</b>				
Amounts owing by subsidiaries	-	-	5,501	5,218
Third parties	6,610,160	15,378,312	2,195	2,195
Total other receivables	6,610,160	15,378,312	7,696	7,413
<b>Total receivables</b>	111,497,254	169,101,938	7,696	7,413
<b>Prepayments</b>	189,602	1,923,016	-	-
<b>Derivative assets</b>	1,473	-	-	-
	111,688,329	171,024,954	7,696	7,413

- (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 120 days (2021: 0 to 120 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Non-trade amounts owing by subsidiaries are unsecured, interest free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) The fair value of derivative assets 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 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 13. TRADE AND OTHER RECEIVABLES *cont'd*

- (e) The currency exposure profile of trade and other receivables (excluding prepayments and derivative assets) are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	83,047,905	116,911,797	2,195	2,195
United States Dollar	19,244,420	35,901,448	-	-
Indonesian Rupiah	7,448,466	14,438,415	-	-
Chinese Yuan Renminbi	1,117,818	1,676,245	-	-
Singapore Dollar	565,914	164,593	-	-
Australian Dollar	67,147	-	-	-
Vietnamese Dong	-	8,736	5,501	5,218
Euro	5,584	704	-	-
	111,497,254	169,101,938	7,696	7,413

- (f) 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		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<b>Effects of 10% changes to RM against foreign currencies</b>				
Profit after tax				
- United States Dollar	1,462,576	2,728,510	-	-
- Indonesian Rupiah	566,083	1,097,320	-	-
- Chinese Yuan Renminbi	84,954	127,395	-	-
- Singapore Dollar	43,009	12,509	-	-
- Australian Dollar	5,103	-	-	-
- Vietnamese Dong	-	664	55	397
- Euro	424	54	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 13. TRADE AND OTHER RECEIVABLES *cont'd*

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

Group	Gross RM	Impaired RM	Total RM
<b>2022</b>			
<b>Current</b>	72,225,347	(17,008)	72,208,339
Past due			
1 to 30 days	24,282,718	(31,500)	24,251,218
31 to 60 days	4,978,601	(28,775)	4,949,826
61 to 90 days	2,637,480	(47,827)	2,589,653
91 to 120 days	430,878	(77,294)	353,584
More than 120 days	3,146,522	(2,612,048)	534,474
	35,476,199	(2,797,444)	32,678,755
	107,701,546	(2,814,452)	104,887,094
<b>2021</b>			
<b>Current</b>	102,962,660	(75,671)	102,886,989
Past due			
1 to 30 days	40,287,456	(78,427)	40,209,029
31 to 60 days	8,185,641	(72,923)	8,112,718
61 to 90 days	1,856,569	(50,699)	1,805,870
91 to 120 days	230,627	-	230,627
More than 120 days	2,373,560	(1,895,167)	478,393
	52,933,853	(2,097,216)	50,836,637
	155,896,513	(2,172,887)	153,723,626

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

The Group considers credit loss 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.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve (12) months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 13. TRADE AND OTHER RECEIVABLES *cont'd*

(h) *cont'd*

During this process, the probability of non-payment by the trade receivables is determined using historical data and forward-looking information in estimating future cash flows and the lifetime expected credit loss for the trade receivables is assessed individually. Lifetime expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows for the Group expect to receive over the lifetime of financial instrument. The Group also uses roll rate method to measure the expected credit loss of trade receivables. The collective assessment of impairment of trade receivables shares similar credit risk characteristics, industries and geographical location. The Group has identified the Gross Domestic Product, unemployment rate, inflation rate and consumer price index as the key macroeconomic factors of the forward-looking information. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements 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.

Individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

The reconciliation of movements in impairment losses is as follows:

Group	ECL - not credit impaired RM	ECL - credit impaired RM	Total
<b>Balance as at 1 January 2022</b>	419,163	1,753,724	2,172,887
Charge for the year	-	1,008,494	1,008,494
Reversal during the year	(260,404)	(92,366)	(352,770)
Translation adjustment	-	(14,159)	(14,159)
<b>Balance as at 31 December 2022</b>	158,759	2,655,693	2,814,452
<b>Balance as at 1 January 2021</b>	-	4,901,531	4,901,531
Acquisition of subsidiaries	566,272	-	566,272
Charge for the year	-	127,505	127,505
Reversal during the year	(147,109)	(3,294,318)	(3,441,427)
Written off	-	(7,601)	(7,601)
Translation adjustment	-	26,607	26,607
<b>Balance as at 31 December 2021</b>	419,163	1,753,724	2,172,887

Credit impaired allowance refer to individually determined debtors who are in significant financial difficulties to be impaired as at the end of the reporting period.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 13. TRADE AND OTHER RECEIVABLES *cont'd*

- (i) Impairment for other receivables and equity loans to subsidiaries 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.

The Group defined significant increase in credit risk based on the operating performance of the receivables, changes in contractual terms, payment trends and past due information. A significant increase in credit risk is presumed if contractual payments are more than 180 days.

Credit impaired allowance refer to individually determined receivables who are in significant financial difficulties to be impaired as at the end of the reporting period.

The probabilities of non-payment by other receivables and equity loans to subsidiaries are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and equity loans to subsidiaries. The Group has identified the Gross Domestic Product, unemployment rate and consumer price index as the key macroeconomic factors of the forward-looking information.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward-looking information and significant increase in credit risk.

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

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

	Group			
	2022		2021	
	RM	% of total	RM	% of total
<b>By country</b>				
Malaysia	6,618,853	6	28,965,608	19
Australia	5,214,613	5	4,623,030	3
	11,833,466	11	33,588,638	22

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 three (3) major customers representing approximately 11% (2021: nine (9) major customers representing approximately 22%) 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 13. TRADE AND OTHER RECEIVABLES *cont'd*

- (j) The credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:  
*cont'd*

### ***Credit risk arising from trade receivables***

As at the end of each reporting period, the credit risk exposures and collaterals relating to trade receivables of the Group are summarised in the table below:

	2022 RM	2021 RM
Maximum exposure	107,701,546	155,896,513
Collateral obtained	(52,053,613)	(62,627,957)
Net exposure	55,647,933	93,268,556

The above collateral represent coverage by trade credit insurance and corporate guarantee given by customers.

### ***Credit risk arising from other receivables***

Credit risk arising from other receivables is limited due to the large number of receivables. The other receivables are closely monitored by the Group and the Company and the management is of the view that the carrying amount is fully recoverable.

## 14. CASH AND BANK BALANCES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	75,418,756	114,583,765	132,710	89,976
Deposits with licensed banks	148,857,829	93,935,281	27,089,018	25,968,889
	224,276,585	208,519,046	27,221,728	26,058,865

- (a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 75 and 86 days respectively (2021: 60 and 93 days).

- (b) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	116,662,764	118,463,131	27,221,728	26,058,865
United States Dollar	97,713,629	73,958,865	-	-
Indonesian Rupiah	4,173,917	11,796,560	-	-
Chinese Yuan Renmibi	4,129,561	2,636,416	-	-
Singapore Dollar	1,499,891	1,395,073	-	-
Euro	-	195,072	-	-
Vietnamese Dong	96,823	73,929	-	-
	224,276,585	208,519,046	27,221,728	26,058,865



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 14. CASH AND BANK BALANCES *cont'd*

- (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	
	2022	2021
	RM	RM
<b>Effects of 10% changes to RM against foreign currencies</b>		
Profit after tax		
- United States Dollar	7,426,236	5,620,874
- Indonesian Rupiah	317,218	896,539
- Chinese Yuan Renminbi	313,847	200,368
- Singapore Dollar	113,992	106,026
- Euro	-	14,825
- Vietnamese Dong	7,358	5,619

- (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	
	2022	2021	2022	2021
Fixed rates	3.04%	1.50%	2.96%	1.72%

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.

## 15. SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid up ordinary shares</b>				
<b>Balance as at 1 January</b>	1,069,866,119	298,077,797	895,808,553	174,372,109
Ordinary shares issued pursuant to the private placement	-	-	101,166,000	72,574,500
Share issued expenses	-	-	-	(1,715,197)
Ordinary shares issued pursuant to acquisition of subsidiaries	-	-	72,891,566	52,846,385
<b>Balance as at 31 December</b>	1,069,866,119	298,077,797	1,069,866,119	298,077,797

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 15. SHARE CAPITAL *cont'd*

- (a) During the previous financial year, the issued and fully paid-up ordinary shares of the Company was increased from 895,808,553 to 1,069,866,119 by way of issuance of 174,057,566 new ordinary shares pursuant to the followings:

- (i) private placement of 75,000,000 ordinary shares of RM0.710 each for cash totalling RM53,250,000;
- (ii) private placement of 15,000,000 ordinary shares of RM0.730 each for cash totalling RM10,950,000;
- (iii) private placement of 11,166,000 ordinary shares of RM0.750 each for cash totalling RM8,374,500; and
- (iv) issuance of 72,891,566 new ordinary shares for RM0.725 each for the purpose of acquisition of subsidiaries. Further details of the acquisition is disclosed in Note 9(d) to the financial statements.

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

- (b) 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.
- (c) Treasury shares

During the previous financial year, the Company repurchased its issued ordinary shares from the open market as summarised below:

Month	Number of shares	← Market price →			Consideration paid RM
		Lowest RM	Highest RM	Average RM	
Shares repurchase					
December 2021	100,000	0.70	0.70	0.70	70,536

As at 31 December 2022, a total of 100,000 (2021: 100,000) treasury shares at a total cost of RM70,536 (2021: RM70,536) are held by the Company. Shares repurchased are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and listing requirements and applicable guideline of Bursa Malaysia Securities.

The number of ordinary shares as at 31 December 2022 net of treasury shares is 1,069,766,119 (2021: 1,069,766,119).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 16. RESERVES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<b>Non-distributable:</b>				
Exchange translation reserve	(54,044)	212,155	-	-
Fair value reserve	515,515	1,635,872	-	-
	461,471	1,848,027	-	-
<b>Distributable:</b>				
Retained earnings	214,248,714	189,951,710	6,676,697	6,016,078
	214,710,185	191,799,737	6,676,697	6,016,078

### (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.

### (b) Fair value reserve

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

## 17. RETIREMENT BENEFITS

	Group	
	2022	2021
	RM	RM
Present value of unfunded defined benefit obligations	679,721	658,106

- (a) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 17. RETIREMENT BENEFITS *cont'd*

- (b) The movements during the financial year in the amount recognised in the statements of financial position in respect of the retirement benefit obligation are as follows:

	Note	Group	
		2022 RM	2021 RM
<b>Balance as at 1 January</b>		658,106	781,762
<b>Recognised in profit or loss</b>			
Current service costs		85,848	82,645
Interest on obligation		43,756	47,913
Past service costs		(62,406)	(162,360)
	27	67,198	(31,802)
Benefit paid		(2,841)	-
		64,357	(31,802)
<b>Recognised in other comprehensive income</b>			
Actuarial loss arising from changes in financial assumptions		(18,012)	(107,295)
<b>Translation adjustments</b>		(24,730)	15,441
<b>Balances as at 31 December</b>		679,721	658,106

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

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

	Group	
	2022 %	2021 %
Discount rate	7.07	6.78
Expected rate of average salary increases	9.00	9.00

- (d) Sensitivity analysis of the defined benefit obligations to changes in the significant actuarial assumptions, with all other assumptions held constant, is shown below:

	Group (Decrease)/Increase in defined benefit obligations	
	2022 RM	2021 RM
Discount rate increases by 1%	(38,815)	(47,708)
Discount rate decreases by 1%	42,702	53,860
Future average salary growth increases by 1%	38,531	49,023
Future average salary growth decreases by 1%	(35,862)	(44,434)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 18. LEASES

### The Group as lessee

#### Right-of-use assets

Right-of-use assets related to leasehold land, buildings and motor vehicles that do not meet the definition of investment property are presented as property plant and equipment as disclosed in Note 5 to the financial statements.

2022	Balance as at 1.1.2022 RM	Additions RM	Depreciation charge for the year RM	Reclassification RM	Termination RM	Translation adjustments RM	Balance as at 31.12.2022 RM
Leasehold land	19,685,834	-	(352,393)	-	-	-	19,333,441
Buildings	326,303	724,682	(496,504)	-	(81,649)	(1,205)	471,626
Motor vehicles	299,889	89,388	(144,340)	(41,887)	-	(3,540)	199,510
	20,312,026	814,070	(993,237)	(41,887)	(81,649)	(4,745)	20,004,577

2021	Balance as at 1.1.2021 RM	Acquisition of subsidiaries (Note 9(d)) RM	Additions RM	Remeasurement/ Modification RM	Depreciation charge for the year RM	Reclassification RM	Termination RM	Translation adjustments RM	Balance as at 31.12.2021 RM
Leasehold land	20,003,398	-	-	30,582	(348,146)	-	-	-	19,685,834
Buildings	276,492	115,293	313,669	-	(328,999)	-	(55,575)	5,423	326,303
Motor vehicles	211,891	296,461	54,717	-	(94,694)	(171,762)	-	3,276	299,889
	20,491,781	411,754	368,386	30,582	(771,839)	(171,762)	(55,575)	8,699	20,312,026

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 18. LEASES *cont'd*

### The Group as lessee *cont'd*

#### Lease liabilities

	Group	
	2022	2021
	RM	RM
<b>Lease liabilities</b>		
Non-current liabilities	160,287	406,137
Current liabilities	682,652	476,187
<b>Total lease liabilities</b>	<b>842,939</b>	<b>882,324</b>
<b>Lease liabilities owing to:</b>		
- financial institutions	194,063	217,606
- non-financial institutions	648,876	664,718
	<b>842,939</b>	<b>882,324</b>

- (a) The Group leases a number of lands and buildings in the location which it operates. The lands and buildings leases the periodic rent is fixed over the lease term.
- (b) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 18. LEASES cont'd

### The Group as lessee cont'd

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

2022	Balance as at 1.1.2022	Lease payments			Interest expenses	Termination adjustments	Translation adjustments	Balance as at 31.12.2022
		Additions	Principal	Interest				
	RM	RM	RM	RM	RM	RM	RM	RM
Leasehold land	231,458		(92,335)	(9,663)	9,663	-	-	139,123
Buildings	342,729	724,682	(503,902)	(24,058)	24,058	(83,249)	(1,275)	478,985
Motor vehicles	308,137	68,086	(148,827)	(8,445)	8,445	-	(2,565)	224,831
	882,324	792,768	(745,064)	(42,166)	42,166	(83,249)	(3,840)	842,939

2021	Balance as at 1.1.2021	Acquisition of subsidiaries (Note 9(d))	Lease payments			Interest expenses	Termination adjustments	Translation adjustments	Balance as at 31.12.2021
			Additions	Principal	Interest				
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Leasehold land	285,149	-	30,582	-	(84,273)	(12,727)	12,727	-	231,458
Buildings	284,414	157,302	-	313,669	(360,346)	(10,788)	10,788	(57,878)	342,729
Motor vehicles	96,700	315,630	-	41,564	(147,306)	(11,425)	11,425	-	308,137
	666,263	472,932	30,582	355,233	(591,925)	(34,940)	34,940	7,117	882,324

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 18. LEASES *cont'd*

### The Group as lessee *cont'd*

- (d) The Group has certain leases of machineries and equipment with lease term of twelve (12) months or less, and low value leases of equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.
- (e) The following are the amounts recognised in profit or loss:

	Group	
	2022	2021
	RM	RM
Depreciation charge of right-of-use assets	993,237	771,839
Interest expense on lease liabilities	42,166	34,940
Expenses relating to short-term leases	1,047,569	569,139
Expenses relating to leases of low value assets	31,752	28,464
	2,114,724	1,404,382

- (f) The weighted average incremental borrowing rate applied to the lease liabilities is 4.12% (2021: 4.27%).
- (g) The following table sets out the carrying amounts and the remaining maturities of the lease liabilities of the Group:

Group	Within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
<b>31 December 2022</b>				
Lease liabilities	682,652	160,287	-	842,939
<b>31 December 2021</b>				
Lease liabilities	476,187	406,137	-	882,324

- (h) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group	Within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
<b>31 December 2022</b>				
Lease liabilities	700,405	163,288	-	863,693
<b>31 December 2021</b>				
Lease liabilities	501,308	413,843	-	915,151



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 18. LEASES *cont'd*

### The Group as lessor

The Group has entered into non-cancellable lease agreement on an investment property for term of three (3) years and renewable at the end of the lease period. The monthly rental consists of a fixed base rent.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2022	2021
	RM	RM
Less than one (1) year	65,000	78,000
One (1) to two (2) years	2,516	67,516
	67,516	145,516

## 19. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<b>Trade payables</b>				
Third parties	32,463,598	80,317,052	-	-
<b>Other payables</b>				
Other payables	3,313,150	4,253,029	-	-
Accruals	5,876,253	9,889,328	307,258	225,347
Total other payables	9,189,403	14,142,357	307,258	225,347
<b>Total payables</b>	41,653,001	94,459,409	307,258	225,347
<b>Derivative liabilities</b>	71,092	18,121	-	-
	41,724,093	94,477,530	307,258	225,347

- (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 (2021: 0 to 90 days) from date of invoice.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 19. TRADE AND OTHER PAYABLES *cont'd*

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	27,052,091	46,807,672	307,258	225,347
United States Dollar	13,925,459	46,529,835	-	-
Indonesian Rupiah	306,911	871,512	-	-
Euro	-	113,141	-	-
Vietnam Dong	89,449	49,279	-	-
Chinese Yuan Renminbi	243,162	45,338	-	-
Singapore Dollar	35,929	42,632	-	-
	41,653,001	94,459,409	307,258	225,347

- (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 payable 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	
	2022	2021
	RM	RM
<b>Effects of 10% changes to RM against foreign currencies</b>		
Profit after tax		
- United States Dollar	1,058,335	3,536,267
- Indonesian Rupiah	23,325	66,235
- Euro	-	8,599
- Vietnam Dong	6,798	3,745
- Chinese Yuan Renminbi	18,480	3,446
- Singapore Dollar	2,731	3,240

- (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 2022  
cont'd

## 19. TRADE AND OTHER PAYABLES *cont'd*

- (g) The unexpired foreign currency forward contracts, which have been entered into by the Group for its trade and other payables as at end of each reporting period are as follows:

Group	Contractual amount in foreign currency (FC)	Equivalent amount in Ringgit Malaysia (RM)	Average contract rate FC/RM	Expiry date
<b>31 December 2022</b>				
United States Dollar	932,951	4,165,560	4.46	03.01.2023 - 31.03.2023
<b>31 December 2021</b>				
United States Dollar	1,292,828	5,413,453	4.19	06.01.2022 - 11.02.2022

## 20. BORROWINGS

	Group	
	2022	2021
	RM	RM
<b>Non-current liabilities</b>		
Term loans	14,895,144	8,977,147
<b>Current liabilities</b>		
Trade finance	37,114,243	84,878,117
Term loans	3,322,974	1,257,839
	40,437,217	86,135,956
<b>Total borrowings</b>		
Trade finance	37,114,243	84,878,117
Term loans	18,218,118	10,234,986
	55,332,361	95,113,103

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The secured borrowings of the Group are secured by the following:
- a corporate guarantee given by the Company to bankers for credit facilities granted to certain subsidiaries as disclosed in Note 30 to the financial statements.
  - a fixed charge over certain land and building of the Group as disclosed in Note 5 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 20. BORROWINGS *cont'd*

- (c) The currency exposure profile of borrowings is as follows:

	Group	
	2022	2021
	RM	RM
Ringgit Malaysia	44,285,506	70,330,282
United States Dollar	5,595,830	12,145,529
Indonesia Rupiah	5,451,025	12,637,292
	55,332,361	95,113,103

- (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	
	2022	2021
	RM	RM
<b>Effects of 10% changes to RM against foreign currencies</b>		
Profit after tax		
- United States Dollar	425,283	923,060
- Indonesia Rupiah	414,278	960,434

- (e) The weighted average effective interest rates of trade finance and term loan of the Group is 5.50% and 2.60% (2021: 3.91% and 2.54%) respectively per annum.
- (f) The interest rate profile of the borrowings as at the end of each reporting period is as follows:

	Group	
	2022	2021
	RM	RM
Floating rate	55,332,361	95,113,103

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 rates is not presented.

- (g) The carrying amounts of the borrowings are reasonable approximation of fair values due to that they are floating rate instruments that are re-priced to market interest rate on or near to the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
cont'd

## 20. BORROWINGS *cont'd*

- (h) The following table sets out the carrying amounts and the remaining maturities of the borrowings of the Group:

Group	Within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
<b>Financial liabilities</b>				
<b>Borrowings</b>				
31 December 2022	40,437,217	10,550,480	4,344,664	55,332,361
31 December 2021	86,135,956	4,115,142	4,862,005	95,113,103

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

Group	Within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
<b>Financial liabilities</b>				
<b>Borrowings</b>				
31 December 2022	41,510,240	11,921,866	4,262,930	57,695,036
31 December 2021	87,488,626	4,876,775	5,186,168	97,551,569

## 21. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Revenue from contracts with customers</b>	802,770,754	924,276,387	-	-
Other revenue:				
- Dividend income	-	-	22,765,000	40,700,000
	802,770,754	924,276,387	22,765,000	40,700,000
<b>Revenue from contracts with customers is recognised as follows:</b>				
At point in time	802,770,754	924,276,387	-	-

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sales transactions originated.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 21. REVENUE *cont'd*

### (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 (12) months.

### (b) Dividend income

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

## 22. FINANCE COSTS

		Group	
	Note	2022 RM	2021 RM
Lease liabilities	18(c)	42,166	34,940
Trade finance interest		2,132,518	3,044,855
Term loan interest		473,049	56,986
		2,647,733	3,136,781

## 23. PROFIT BEFORE TAX

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	406,601	395,427	86,000	82,000
- Non statutory audit:				
- current year	5,000	84,500	5,000	56,500
Bad debts written off	-	8,841	-	-
Directors' remuneration:				
- Executive Directors of the Company				
- fees	40,000	10,000	-	-
- salaries and other remuneration	2,383,237	2,820,911	-	-
- benefits-in-kind	25,400	35,530	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 23. 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
After charging: <i>cont'd</i>				
- Non-executive Directors of the Company				
- fees	150,000	114,000	150,000	114,000
- other remuneration	15,000	15,000	15,000	15,000
- Executive Directors of subsidiaries				
- fees	93,219	40,000	-	-
- salaries and other remuneration	5,300,532	4,663,582	-	-
- benefits-in-kind	18,700	38,440	-	-
- Non-executive Director of a subsidiary				
- fees	9,574	9,252	-	-
- Key Management Personnel of subsidiaries				
- salaries and other remuneration	864,313	-	-	-
- benefits-in-kind	20,795	-	-	-
Net loss on changes in fair value of forward exchange contracts	51,498	40,393	-	-
Loss on foreign exchange:				
- realised	23,129	1,108,548	-	-
- unrealised	1,980,550	252,169	91	373
And crediting:				
Dividend income:				
- quoted investment	69,274	232,383	-	-
- unquoted investment	-	99,000	-	-
- subsidiaries	-	-	22,765,000	40,700,000
Gain on disposal of property, plant and equipment	267,283	156,762	-	-
Gain on foreign exchange:				
- realised	5,037,169	720,303	373	558
- unrealised	223,934	78,351	-	-
Interest income from deposits with financial institutions	1,911,343	2,189,197	513,558	807,317
Gain on termination of lease	1,600	2,303	-	-
Rental income	96,000	68,250	-	-

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

(b) Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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## 24. TAX EXPENSES

Note	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Current tax expense based on profit for the financial year:</b>				
Malaysian income tax	18,203,721	22,991,468	121,680	192,109
Foreign income tax	24,829	744,760	-	-
Under/(Over) provision in prior years	496,111	(109,600)	-	127
	18,724,661	23,626,628	121,680	192,236
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	(1,320,468)	465,836	-	-
(Over)/Under provision in prior years	(90,949)	265,224	-	-
11	(1,411,417)	731,060	-	-
	17,313,244	24,357,688	121,680	192,236

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2021: 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	68,615,518	98,390,759	22,177,621	43,649,061
Tax expense at the rate of 24% (2021: 24%)	16,467,724	23,613,782	5,322,629	10,475,775
Tax effects in respect of:				
Differences in tax rates of foreign jurisdictions	4,668	(91,339)	-	-
Expiry of tax losses	(11,066)	(81,898)	-	-
Deferred tax asset not recognised	-	5,039	-	-
Utilisation of deferred tax asset previously not recognised	(113,456)	(4,441)	-	-
Non-allowable expenses	785,965	955,127	262,651	586,828
Tax exempt income	(225,753)	(194,206)	(5,463,600)	(10,870,494)
	16,908,082	24,202,064	121,680	192,109
Under/(Over) provision in prior years:				
- current tax	496,111	(109,600)	-	127
- deferred tax	(90,949)	265,224	-	-
	17,313,244	24,357,688	121,680	192,236



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

## 24. TAX EXPENSES *cont'd*

### (d) Unrecognised deferred tax asset

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2022	2021
	RM	RM
<b>Unused tax losses</b>		
- No expiry	6,382	165,953
- Expires by 31 December 2022	-	342,592
- Expires by 31 December 2024	9,462	9,462
- Expires by 31 December 2025	9,371	9,371
- Expires by 31 December 2026	4,484	4,484
- Expires by 31 December 2031	-	16,678
	<b>29,699</b>	<b>548,540</b>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of respective local tax authorities.

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

2022	Group		
	Before tax	Tax effect	After tax
	RM	RM	RM
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	(292,603)	-	(292,603)
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit obligations	18,012	(3,963)	14,049
Fair value loss on equity investments at fair value through other comprehensive income	(1,120,357)	-	(1,120,357)
	<b>(1,102,345)</b>	<b>(3,963)</b>	<b>(1,106,308)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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## 24. TAX EXPENSES *cont'd*

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

2021	Before tax RM	Group Tax effect RM	After tax RM
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translations	214,866	-	214,866
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit obligations	107,295	(23,605)	83,690
Fair value loss on equity investments at fair value through other comprehensive income	(1,735,771)	-	(1,735,771)
	(1,628,476)	(23,605)	(1,652,081)

## 25. EARNINGS PER SHARE

	Group	
	2022	2021
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	45,679,314	68,244,345
Weighted average number of ordinary shares in issue	1,069,766,119	1,008,140,289
Earnings per ordinary share (sen)		
- Basic	4.27	6.77
- Diluted	4.27	6.77

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.

The Group has not issued any dilutive potential shares and hence, the diluted earnings per shares equal to the basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
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## 26. DIVIDENDS

	Group and Company	
	2022	2021
	RM	RM
Third single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2021	10,697,661	-
First single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2022	10,697,661	-
Second single-tier interim dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 December 2020	-	19,939,491
First single-tier interim dividend of 0.90 sen per ordinary share in respect of the financial year ended 31 December 2021	-	8,972,771
Second single-tier interim dividend of 0.80 sen per ordinary share in respect of the financial year ended 31 December 2021	-	8,558,929
	21,395,322	37,471,191

Subsequent to the financial year, the Board of Directors of the Company had on 16 February 2023 declared a second single-tier interim dividend of 1.00 sen per ordinary share amounting to RM10,697,661 for the financial year ended 31 December 2022. 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 2023.

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

## 27. EMPLOYEE BENEFITS

		Group	
		2022	2021
	Note	RM	RM
Salaries, wages and bonuses		25,455,482	20,189,140
Defined contribution plan		2,793,061	2,166,843
Defined benefit obligations	17	67,198	(31,802)
Others employee benefits		1,490,757	771,442
		29,806,498	23,095,623

## 28. 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 2022

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## 28. RELATED PARTY DISCLOSURES *cont'd*

### (b) Significant related party transactions

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

	Company	
	2022	2021
	RM	RM
Dividend income received/receivable from subsidiaries	22,765,000	40,700,000

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 include the Directors of the Group and of the Company, whether executive or otherwise, and their remuneration for the financial year were as follows:

	Group	
	2022	2021
	RM	RM
Fees	292,793	173,253
Short-term employee benefits	7,582,342	6,725,430
Defined contribution plan	841,701	786,545
Defined benefit obligations	68,165	(35,033)
Others	70,874	76,159
	8,855,875	7,726,354
Benefits-in-kind	64,895	73,970
	8,920,770	7,800,324

## 29. CAPITAL COMMITMENTS

	Group	
	2022	2021
	RM	RM
<b>Approved and contracted for</b>		
Purchase of:		
- property, plant and equipment	4,129,547	15,682,166
- intangible assets	113,961	107,526
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	7,388,138	1,483,069

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
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## 30. CONTINGENT LIABILITIES

	Company	
	2022	2021
	RM	RM
<b>Unsecured</b>		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries:		
- Limit of guarantee	385,363,684	350,436,736
- Amount utilised	55,332,362	95,113,103

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 fair value of such corporate guarantees given by the Company is negligible as the chances of the financial institutions to call upon the corporate guarantees are remote.

## 31. 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.

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 2022 and 31 December 2021.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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## 31. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

### (a) Capital management *cont'd*

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 of trade finance and term loans. Total capital represents equity attributable to the owners of the parent.

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Borrowings	55,332,361	95,113,103	-	-
Trade and other payables	41,653,001	94,459,409	307,258	225,347
Total liabilities	96,985,362	189,572,512	307,258	225,347
Less: Cash and bank balances	(224,276,585)	(208,519,046)	(27,221,728)	(26,058,865)
Net (surplus)/debt	(127,291,223)	(18,946,534)	(26,914,470)	(25,833,518)
Total capital	512,717,446	489,806,998	304,683,958	304,023,339
Net (surplus)/debt	(127,291,223)	(18,946,534)	(26,914,470)	(25,833,518)
	385,426,223	470,860,464	277,724,488	278,189,821
Gearing ratio	N/A	N/A	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 of more than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2022.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022  
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## 31. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

### (b) Financial risk management *cont'd*

#### (i) Foreign currency risk *cont'd*

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.

The foreign currency exposure profile and sensitivity analysis of foreign currency risk have been disclosed in Notes 13, 14, 19 and 20 to the financial statements.

#### (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.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 14(d) and 20(f) to the financial statements.

#### (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 risk concentration for trade and other receivables is disclosed in Note 13 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.

The analysis of financial instruments by remaining contractual maturities have been disclosed in Notes 18, 19 and 20 to the financial statements.

#### (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 2022

cont'd

## 32. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSSs

### (a) New MFRSSs adopted during the financial year

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

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company.

### (b) New MFRSSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

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

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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



# LIST OF PROPERTIES

as at 8 March 2023

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 2022 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	45 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	401,130
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor	27 years/ freehold	-	Warehouse	80,150/ 32,400	RM2,978,359/ August 30, 1991	1,841,424
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	37 years/ leasehold/ March 22, 2045	23	Office / Store	10,000/ 6,500	RM519,816/ February 06, 1992	228,865
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	24 years/ leasehold August 14, 2096	74	Industrial land/ factory warehouse	190,112/ 85,741	RM7,296,751/ February 04, 1997 RM2,876,575/ November 30, 2014 RM15,000/ November 09, 2015 RM29,300/ February 27, 2017 RM69,000 / February 16, 2019 RM161,000 / February 19, 2019 RM19,080/ May 13, 2019 RM25,000/ May 31, 2019 RM1,152,156/ July 1, 2020 RM5,500/ September 1, 2020 RM12,753/ October 1, 2020	8,411,963



# LIST OF PROPERTIES

as at 8 March 2023

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 2022 RM
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	12 years/ leasehold/ November 03, 2058	36	Industrial land/ factory warehouse	87,120/ 49,776	RM3,856,664/ March 28, 1997 RM2,525,526/ June 01, 2017	4,957,642
6.	No. 4, Jalan Bistari 4, Taman Industri Jaya, 81300 Skudai, Johor Darul Takzim/ PN 13419, Lot 56749, Mukim of Pulau, Johor Bahru, Johor	24 years/ leasehold/ September 03, 2911	889	1 1/2 storey semi-detached factory	21,780/ 17,403	RM1,468,495/ March 28, 2005	1,175,672
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	45 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,661,333
8.	Lot P2, Lumut Port Industrial Park, 32000 Sitiawan, Perak Darul Ridzuan PN 296183, Lot 15592, Mukim of Lumut, District of Manjung, Perak	16 years/ leasehold/ July 09, 2105	83	Industrial land/ factory warehouse office building	67,608/ 45,302	RM3,900,000/ July 15, 2011 RM604,200/ July 1, 2020 RM18,000/ October 1, 2020 RM58,276/ December 1, 2020	3,732,974
9.	Lot 23, Phase 3A, Pulau Indah Industrial Park P.N 7935, Lot No. 74078, District and Mukim of Klang, Selangor	5 years/ leasehold/ February 24, 2097	75	Industrial land	366,775	RM14,671,008/ September 14, 2017	14,108,504
10.	Lot 23a (DBKK No. 6) Bigwheel Industrial Park Mile 7 1/2, Menggatal Jalan Tuaran 88450 Kota Kinabalu, Sabah	3 years/ leasehold/ *December 3, 2117	95	Semi-detached 3-storey 4-in-1 corporate office, showroom, factory & warehouse	8,581/ 5,766	RM2,800,000 December 21, 2018	2,686,783

# LIST OF PROPERTIES

as at 8 March 2023

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 2022 RM
11.	No.26, Lot 106464, Jalan Bestari 2/KU7, Sg. Kapar Indah, 42200 Klang, Selangor. No HSD 153790, PT no 73984	Freehold	-	Industrial land/ 1 storey factory 3 storeys annexe building	72,549/ 45,720	RM6,000,000 August 30, 2018 RM7,008,135 August 30, 2018 RM8,067,020 June 30, 2022	16,067,020 5,236,063
12.	Block N, Jaya One, 72A, Jalan Prof Diraja Ungku Aziz, 46200 Petaling Jaya, Selangor PN 96662	9 years/ Leasehold/	83	Office Building	28,578	RM20,693,212 October 15, 2022	20,589,746

\* Subject to change after issuance of strata title

# ANALYSIS OF SHAREHOLDINGS

as at 8 March 2023

Class of Shares	:	Ordinary Shares
Total number of Issued Shares	:	1,069,866,119
No. of Treasury Shares held	:	100,000
Amount of Shares Issued as fully paid	:	RM310,152,162.39
Voting Rights	:	One vote per Ordinary Share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders		No. of Shares	
	Malaysian & Foreign	Percentage	Malaysian & Foreign	Percentage
1 - 99	18	0.193	361	-
100 - 1,000	1,078	11.588	698,950	0.065
1,001 - 10,000	4,669	50.193	26,515,000	2.478
10,001 - 100,000	2,963	31.853	98,725,100	9.228
100,001 - 53,488,304 (*)	573	6.159	527,506,708	49.310
53,488,305 AND ABOVE (**)	1	0.010	416,320,000	38.916
<b>Grand Total</b>	<b>9,302</b>	<b>100.00</b>	<b>1,069,766,119</b>	<b>100.00</b>

Remarks : \* - Less than 5% of Issued Shares  
 \*\* - 5% and above of Issued Shares

## LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct Holdings		Indirect Holdings (excluding bare trustees)	
	No.	%*	No.	%*
Chemplex Resources Sdn. Bhd.	416,320,000	38.917	-	-
Tang Ying See	11,554,400	1.080	428,111,700 <sup>(a)</sup>	40.019
Chin Song Mooi	6,791,700	0.635	432,874,400 <sup>(b)</sup>	40.464
Tan Sri Dato' Lim Kuang Sia	10,600,000	0.991	68,932,200 <sup>(c)</sup>	6.444

Note:

- (a) Deemed interested by virtue of the shareholdings held by his spouse, Chin Song Mooi, his daughter-in-law, Ervinna Teo 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, her daughter-in-law, Ervinna Teo 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 his spouse, Puan Sri Datin Chow Cheng Moey and substantial shareholdings in Kossan Holdings (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

\* Net of treasury shares

# ANALYSIS OF SHAREHOLDINGS

as at 8 March 2023  
cont'd

## LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Shareholdings			
	Direct	%*	Indirect	%*
TANG YING SEE	11,554,400	1.080	443,326,500 <sup>(a)</sup>	41.441
CHIN SONG MOOI	6,791,700	0.635	448,089,200 <sup>(b)</sup>	41.887
CHEN MOI KEW	4,590,000	0.429	-	-
DATUK KWAN FOH KWAI	2,126,600	0.199	2,200,000 <sup>(c)</sup>	0.206
TAUFIQ AHMAD @ AHMAD MUSTAPHA	-	-	-	-
BIN GHAZALI	-	-	-	-
TAN TECK KIONG	-	-	-	-

Notes:

- (a) Deemed interested by virtue of the shareholdings held by his spouse, Chin Song Mooi, his daughter-in-law, Ervinna Teo 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, her daughter-in-law, Ervinna Teo and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and her son, Tang Chii Shyan pursuant to Section 59(11)(c) of the Companies Act 2016.
- (c) Deemed interested by virtue of the shareholdings held by his spouse, Datin Lee Hung Kuen pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016.

\* Net of treasury shares

## LIST OF CHIEF EXECUTIVE'S SHAREHOLDINGS

Name	Shareholdings			
	Direct	%	Indirect	%
TAN BOON CHAI	18,200	0.001	-	-

## LIST OF TOP 30 HOLDERS AS AT 8 MARCH 2023

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

No	Holder Name	Shares Held	Percentage
1	CHEMPLEX RESOURCES SDN. BHD.	416,320,000	38.917
2	KOSSAN HOLDINGS (M) SDN BHD	49,200,000	4.599
3	CHUAH KIM PIEW	41,927,711	3.919
4	LEE JUINN YONG	30,963,855	2.894
5	OH WEI WAH	28,000,000	2.617
6	PUAN SRI DATIN CHOW CHENG MOEY	19,732,200	1.844
7	FONG AH CHAI	16,600,000	1.551
8	TANG CHII SHYAN	15,214,800	1.422
9	NG KIT HENG	12,895,400	1.205
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	12,015,329	1.123



# ANALYSIS OF SHAREHOLDINGS

as at 8 March 2023

cont'd

## LIST OF TOP 30 HOLDERS AS AT 8 MARCH 2023 *cont'd*

Without aggregating securities from different securities accounts belonging to the same registered holder *cont'd*

No	Holder Name	Shares Held	Percentage
11	TANG YING SEE	11,554,400	1.080
12	TAN SRI DATO' LIM KUANG SIA	10,600,000	0.991
13	CHIN SONG MOOI	6,791,700	0.635
14	LIM JEE SOON	5,615,000	0.524
15	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>ICAPITAL.BIZ BERHAD</i>	5,006,800	0.468
16	CHIA KEE FOO	5,000,000	0.467
17	CHIA KEE KWEI	5,000,000	0.467
18	ERVINNA TEO	5,000,000	0.467
19	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG</i>	4,772,600	0.446
20	CHEN MOI KEW	4,590,000	0.429
21	CHIA CHEA EIM	4,545,000	0.424
22	HLIB NOMINEES (TEMPATAN) SDN BHD <i>HONG LEONG BANK BHD FOR MOH UNG NANG</i>	3,948,100	0.369
23	LIM HUI GUAN	3,900,000	0.364
24	CH'NG CHAN SENG	3,685,700	0.344
25	MISA SDN BHD	3,674,400	0.343
26	CHIA SEONG POW	3,100,000	0.289
27	CHIA PING CHI	3,000,000	0.280
28	FOO KHON PU	3,000,000	0.280
29	LEE CHOONG ONN	3,000,000	0.280
30	FAN KOCK KEONG	2,864,600	0.267

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting (“31<sup>st</sup> AGM”) of the Company will be held virtually through live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities via TIIH Online website at <https://tiih.online> from the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (“Broadcast Venue”) on **Thursday, 25 May 2023**, at **10.00 a.m.**, to transact the following businesses:

## A G E N D A

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To approve the payment of respective Directors’ fees for the financial year ending 31 December 2023:
  - (a) RM50,000.00 for Datuk Kwan Foh Kwai **Ordinary Resolution 1**  
(Please refer to Explanatory Note 2)
  - (b) RM50,000.00 for Mr Tan Teck Kiong **Ordinary Resolution 2**  
(Please refer to Explanatory Note 2)
  - (c) RM50,000.00 for Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali **Ordinary Resolution 3**  
(Please refer to Explanatory Note 2)
  - (d) RM40,000.00 for Madam Chen Moi Kew **Ordinary Resolution 4**  
(Please refer to Explanatory Note 2)
3. To approve the payment of Directors’ Benefits up to an amount of RM36,000.00 for the financial year ending 31 December 2023. **Ordinary Resolution 5**  
(Please refer to Explanatory Note 2)
4. To re-elect the following Directors who are retiring by rotation in accordance with Clause 76(3) of the Constitution of the Company and, who being eligible, offer themselves for re-election:
  - (a) Mr Tan Teck Kiong **Ordinary Resolution 6**
  - (b) Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali **Ordinary Resolution 7**  
(Please refer to Explanatory Note 3)
5. To re-appoint Messrs BDO PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**  
(Please refer to Explanatory Note 4)

### AS SPECIAL BUSINESS

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

6. **SPECIAL RESOLUTION**  
**WAIVER OF PRE-EMPTIVE RIGHTS PURSUANT TO SECTION 85 OF THE COMPANIES ACT 2016** **Special Resolution**  
(Please refer to Explanatory Note 5)

“THAT pursuant to Section 85 of the Companies Act 2016 (“the Act”) read together with Clause 12(3) of the Constitution of the Company and subject to passing Ordinary Resolution 9 – Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Act, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares in the Company ranking equally to the existing issued shares in the Company arising from any issuance of new shares in the Company to the allottees.

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

AND THAT the Directors be and are hereby authorised to issue any new shares (including rights or options over subscription of such shares) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, for such consideration and to any person as the Directors may determine."

7. **ORDINARY RESOLUTION  
AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76  
OF THE COMPANIES ACT 2016**

**Ordinary Resolution 9**  
(Please refer to  
Explanatory Note 6)

"THAT contingent upon the passing of the Special Resolution on waiver of pre-emptive rights pursuant to Section 85 of the Companies Act 2016 ("**the Act**") and subject always to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, 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 as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Ordinary Resolution 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 be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued on the Bursa Securities AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. **ORDINARY RESOLUTION  
PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE**

**Ordinary Resolution 10**  
(Please refer to  
Explanatory Note 7)

"THAT subject always to the Companies Act 2016 ("**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 charged with the responsibility for companies 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, variations and/or amendments (if any) as may be imposed by the relevant authorities."



# NOTICE OF ANNUAL GENERAL MEETING

cont'd

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

**WONG WAI FOONG (SSM PC NO. 202008001472) (MAICSA 7001358)**  
**CHEN MOI KEW (SSM PC NO. 202008001043) (MIA 6359)**  
**LIM YOU JING (SSM PC NO. 202108000369) (MAICSA 7075638)**  
Company Secretaries

Petaling Jaya  
6 April 2023

## **NOTES:**

### **(i) Notes on the Appointment of Proxy**

1. The 31<sup>st</sup> AGM of the Company will be held virtually through live streaming and online remote voting using RPV facilities via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Details of the 31<sup>st</sup> AGM for the procedures to register, participate and vote remotely through the RPV facilities.
2. In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in accordance with Clause 52(3) of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that allows all Members of the Company to participate and exercise the members' right to participate and vote at the meeting. Shareholders, proxy(ies) and corporate representatives **WILL NOT BE ALLOWED** to be physically present nor enter the Broadcast Venue.
3. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 31<sup>st</sup> AGM through the RPV facilities via TIIH Online website at <https://tiih.online>. Please follow the Procedures for RPV facilities provided in the Administrative Details of the 31<sup>st</sup> AGM and read the notes below in order to participate remotely through RPV facilities.
4. Members may submit questions to the Board of Directors prior to the 31<sup>st</sup> AGM via TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically no later than Tuesday, 23 May 2023 at 10.00 a.m. or to use the query box to transmit questions to the Chairman/Board through the RPV facilities during live streaming.
5. For the purpose of determining who shall be entitled to attend this General Meeting through RPV facilities, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 17 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting through the RPV facilities or appoint a proxy to attend, speak and vote on his/her/its behalf.
6. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
7. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
8. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

9. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
10. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
11. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
12. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 31<sup>st</sup> AGM through the RPV facilities must request his/her proxy to register himself/herself for the RPV facilities at TIIH Online website at <https://tiih.online>. Please follow the Procedures for the RPV facilities in the Administrative Details of the 31<sup>st</sup> AGM.
13. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar's Office, 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.
  - (ii) Online  
In the case of an appointment made via online lodgement facility, please login to the link website at <https://tiih.online> and select "e-Services" to login. Please refer to the Administrative Guide on how to register to TIIH Online and submit your Form of Proxy electronically.
14. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar 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 General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
15. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
16. Last date and time for lodging this proxy form is **Tuesday, 23 May 2023 at 10.00 a.m.**



# NOTICE OF ANNUAL GENERAL MEETING

cont'd

17. A corporate member who has appointed a representative, please deposit the **ORIGINAL** or **DULY CERTIFIED** certificate of appointment with 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. The certificate of appointment should be executed in the following manner:
- (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the Constitution of the corporate member.
  - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

## (ii) Explanatory Notes

### Ordinary Business

#### 1. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2022

This item 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. Ordinary Resolutions 1, 2, 3, 4 and 5 – Payment of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

On 16 February 2023, the Remuneration Committee had reviewed the Directors' fees and benefits for the financial year ending 31 December 2023, taking into consideration the market trends for similar positions, time commitment and responsibilities of the respective Directors.

The Directors' fees for the financial year ending 31 December 2023 amounting to a total of RM190,00.00 will be paid by the Company to the respective Directors if the proposed Ordinary Resolutions 1, 2, 3, and 4 are passed by the shareholders at the 31<sup>st</sup> AGM.

The proposed structure of the Directors' benefits for the financial year ending 31 December 2023 is as follows:

Type of Benefits	Amount
<b>Meeting Attendance Allowance</b>	
Board Committee and Board Meeting Allowances	RM1,000.00 per day
<b>Insurance Premium</b>	
Professional Indemnity	RM15,000.00

Payment of the Directors' benefits will be made by the Company to the respective Directors as and when incurred if the proposed Ordinary Resolution 5 is passed by the shareholders at the 31<sup>st</sup> AGM.

In the event the Directors' fees and benefits proposed are insufficient, approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

### 3. **Ordinary Resolutions 6 and 7 – Re-election of Directors who retire in accordance with Clause 76(3) of the Constitution of the Company**

*Mr Tan Teck Kiong and Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 31<sup>st</sup> AGM.*

*Pursuant to Practice 5.7 of the Malaysian Code on Corporate Governance 2021 (“MCCG”), the profiles of both Directors are set out on pages 11 to 12 of the Annual Report 2022. For the purpose of determining the eligibility of both Directors to stand for re-election at the 31<sup>st</sup> AGM, the Board had through its Nominating Committee (“NC”), considered, assessed and deliberated on the suitability of the said Directors to be re-elected as Directors of the Company based on the results of the assessment of the aforementioned Directors for the financial year ended 31 December 2022. Based on the recommendation of NC, the Board supports the re-election of the aforementioned Directors with the following justifications:*

#### **Ordinary Resolution 6: Re-election of Mr Tan Teck Kiong as Independent Non-Executive Director**

*Mr Tan Teck Kiong fulfils the requirements of independence as set out in Practice Note 13 of the Listing Requirements. He remains objective and independent in expressing his view and participating in Board deliberations and decision-making.*

*Mr Tan Teck Kiong has vast experience in legal services, and is able to provide the Board with a diverse set of expertise and perspective as well as contributed to the Board deliberations, time commitment and his ability to act in the best interests of the Company in decision-making.*

*Mr Tan Teck Kiong has exercised his due care and carried out his professional duties proficiently during his tenure as Independent Non-Executive Director of the Company.*

#### **Ordinary Resolution 7: Re-election of Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali as Independent Non-Executive Director**

*Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali fulfils the requirements of independence set out in Practice Note 13 of the Listing Requirements. He has remained objective and independent in expressing his view and participating in Board deliberations and decision-making.*

*Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali has vast experience in audit and financial advisory services, and is able to provide the Board with a diverse set of expertise and perspective.*

*Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali has exercised his due care and carried out his professional duties proficiently during his tenure as Independent Non-Executive Director of the Company.*

*Based on the above, the Board collectively agreed that both Directors had met the criteria as prescribed by Paragraph 2.20A of the Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors. The Board was also satisfied with the fit and proper assessment completed by the retiring Directors.*

### 4. **Ordinary Resolution 8 – Re-appointment of Auditors**

*The Audit and Risk Management Committee (“ARMC”) had at its meeting held on 16 February 2023 assessed the suitability and independence of the External Auditors and recommended the re-appointment of BDO PLT as External Auditors of the Company for the financial year ending 31 December 2023.*

*The Board has in turn reviewed the recommendation of the ARMC and recommended the same to be tabled to the shareholders for approval at the 31<sup>st</sup> AGM.*



# NOTICE OF ANNUAL GENERAL MEETING

cont'd

## **Special Business**

### **5. Special Resolution: Waiver of Pre-emptive Rights**

*The Special Resolution is pertaining to the waiver of pre-emptive rights pursuant to Section 85 of the Act. By voting in favour of the Special Resolution, the shareholders of the Company would be waiving their statutory pre-emptive right. The Special Resolution, if passed, would allow the Directors to issue new shares to any person without having to offer the new Company shares to be issued equally to all existing shareholders of the Company prior to issuance.*

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

*Subject to the passing of the Special Resolution on waiver of pre-emptive rights pursuant to Section 85 of the Act, the proposed Ordinary Resolution 9, if passed, would renew the mandate granted to the Directors at the 30<sup>th</sup> AGM held on 26 May 2022 ("30<sup>th</sup> AGM") and provide flexibility to the Directors to undertake fundraising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.*

*As at the date of this Notice, the Company did not issue and allot any shares pursuant to the mandate granted to the Directors at the 30<sup>th</sup> AGM as there was no requirement for such fundraising activities.*

### **7. Ordinary Resolution 10 – Proposed Renewal of Share Buy-Back Mandate**

*The proposed Ordinary Resolution 10, if passed will empower the Company to renew its existing authorisation to purchase its own ordinary shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares). Please refer to the Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Mandate dated 6 April 2023 for further information.*



# STATEMENT ACCOMPANYING NOTICE OF 31<sup>ST</sup> ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing  
Requirements of Bursa Malaysia Securities Berhad

## [Ordinary Resolutions 6 to 7]

- The Directors who retire pursuant to Clause 76(3) of the Constitution of the Company and being eligible to offer themselves for re-election at the 31<sup>st</sup> AGM are Mr Tan Teck Kiong and Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali (“**Retiring Directors**”).

The profile of the Retiring Directors who are standing for re-election as per Agenda item 4 of the Notice of 31<sup>st</sup> AGM are as follows:

### A. TAN TECK KIONG

(Independent Non-Executive Director)

<b>Nationality</b>	: Malaysian
<b>Age</b>	: 65
<b>Gender</b>	: Male
<b>Date of Appointment</b>	: 13 March 2020
<b>Length of Tenure (as at 31 December 2022)</b>	: 2 years 9 months

### QUALIFICATION

Mr Tan Teck Kiong holds a B.A. Accounting Degree from the University of Kent, Canterbury, United Kingdom and a Degree in Law from the Polytechnic of Central London. He is a Barrister-at-law (Lincoln's Inn) and was called to the Malaysian Bar on 29 October 1983.

### DIRECTORSHIP/RELEVANT APPOINTMENTS (Other than Luxchem Corporation Berhad)

- Nil

### RELEVANT EXPERIENCE

Mr Tan Teck Kiong was appointed as an Independent Non-Executive Director of the Company on 13 March 2020.

With over 30 years of working experience in legal services, he specialises in Corporate Banking and Commercial Litigation as well as Divorce matters. He began with Messrs Abdul Aziz, Ong & Co as legal assistant in 1983. Subsequently, he held the position as Senior Litigation Lawyer of Messrs Kadir, Tan & Ramli in 1985 and thereafter the Litigation Partner of Messrs Tunku Mukhrizah & Partners in 1991. He was appointed as the Independent and Non-Executive Director of Golden Land Berhad on 13 October 2016. Subsequently, he was re-designated as the Chairman of Golden Land Berhad on 24 November 2017 until 12 October 2022. He is currently the Litigation Partner of Messrs Heiley Hassan, Tan & Partners since 1999.

Mr Tan does not hold any shares in the Company. He has no family relationship with any Director and/or major shareholder of the Company and does not have any business or other relationship which could pose a conflict of interest with the Company or interfere with exercise of his judgement in the Company. He acts in best interest of the Company.

The Board hereby supports and recommends the re-election of Mr Tan Teck Kiong as the Independent Non-Executive Director of the Company for the shareholders' approval.



# STATEMENT ACCOMPANYING NOTICE OF 31<sup>ST</sup> ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing  
Requirements of Bursa Malaysia Securities Berhad  
cont'd

**B. ENCIK TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI**  
(Independent Non-Executive Director)

<b>Nationality</b>	: Malaysian
<b>Age</b>	: 75
<b>Gender</b>	: Male
<b>Date of Appointment</b>	: 13 March 2020
<b>Length of Tenure (as at 31 December 2022)</b>	: 2 years 9 months

## QUALIFICATION

Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali is a member of the Malaysian Institute of Accountants, a Fellow of the Chartered Association of Certified Accountants (UK), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Master's degree in Business Administration (MBA) from the University of Leicester, England and MSc degree in International Business Administration from the School of Oriental and African Studies, University of London, England.

## DIRECTORSHIP/RELEVANT APPOINTMENTS (Other than Luxchem Corporation Berhad)

- Nil

## RELEVANT EXPERIENCE

Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali was appointed as an Independent Non-Executive Director of the Company on 13 March 2020.

He has more than 30 years of professional working experience, including being a partner of a Big Four accounting firm. His areas of specialisation are audit and financial advisory services and currently is a partner of an accounting practice.

Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali does not hold any shares in the Company. He has no family relationship with any Director and/or major shareholder of the Company and does not have any business or other relationship which could pose a conflict of interest with the Company or interfere with exercise of his judgement in the Company. He acts in best interest of the Company.

The Board hereby supports and recommends the re-election of Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali as the Independent Non-Executive Director of the Company for the shareholders' approval.



# LUXCHEM

LUXCHEM CORPORATION BERHAD  
Registration No. 199101014102 (224414-D)  
(Incorporated in Malaysia)

## 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

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 Thirty-First Annual General Meeting ("31<sup>st</sup> AGM") of the Company to be held virtually through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via TIH Online website at <https://tiah.online> from the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") on **Thursday, 25 May 2023 at 10.00 a.m.** or 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 2022			
		Ordinary Resolution ("OR")/Special Resolution	For	Against
2.	Approval of the following Directors' Fees for the financial year ending 31 December 2023:			
	(a) RM50,000.00 for Datuk Kwan Foh Kwai	OR 1		
	(b) RM50,000.00 for Mr Tan Teck Kiong	OR 2		
	(c) RM50,000.00 for Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali	OR 3		
	(d) RM40,000.00 for Madam Chen Moi Kew	OR 4		
3.	Approval of payment of Directors' Benefits up to an amount of RM36,000.00 for the financial year ending 31 December 2023	OR 5		
4.	Re-election of Mr Tan Teck Kiong as Director	OR 6		
5.	Re-election of Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali as Director	OR 7		
6.	Re-Appointment of Messrs BDO PLT as Auditors of the Company and authorising the Directors to fix their remuneration	OR 8		
<b>Special Business</b>				
7.	Waiver of Pre-Emptive Rights Pursuant to Section 85 of the Companies Act 2016	Special Resolution		
8.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016	OR 9		
9.	Proposed Renewal of Share Buy-Back Mandate	OR 10		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.]

Dated this day \_\_\_\_\_ of \_\_\_\_\_ 2023

Number of ordinary shares held	
CDS account no.	

\_\_\_\_\_  
\*Signature/Common Seal of Shareholder

\* Delete if not applicable

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**Notes:**

1. The 31<sup>st</sup> AGM of the Company will be held virtually through live streaming and online remote voting using RPV facilities via TIH Online website at <https://tiah.online>. Please refer to the Administrative Details of the 31<sup>st</sup> AGM for the procedures to register, participate and vote remotely through the RPV facilities.
2. In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in accordance with Clause 52(3) of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that allows all Members of the Company to participate and exercise the members' right to participate and vote at the meeting. Shareholders, proxy(ies) and corporate representatives **WILL NOT BE ALLOWED** to be physically present nor enter the Broadcast Venue.
3. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 31<sup>st</sup> AGM through the RPV facilities via TIH Online website at <https://tiah.online>. Please follow the Procedures for RPV facilities provided in the Administrative Details of the 31<sup>st</sup> AGM and read the notes below in order to participate remotely through RPV facilities.
4. Members may submit questions to the Board of Directors prior to the 31<sup>st</sup> AGM via TIH Online website at <https://tiah.online> by selecting "e-Services" to login, pose questions and submit electronically no later than Tuesday, 23 May 2023 at 10.00 a.m. or to use the query box to transmit questions to the Chairman/Board through the RPV facilities during live streaming.
5. For the purpose of determining who shall be entitled to attend this General Meeting through RPV facilities, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 17 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting through the RPV facilities or appoint a proxy to attend, speak and vote on his/her/its behalf.
6. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
7. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
8. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
9. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
10. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
11. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
12. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 31<sup>st</sup> AGM through the RPV facilities must request his/her proxy to register himself/herself for the RPV facilities at TIH Online website at <https://tiah.online>. Please follow the Procedures for the RPV facilities in the Administrative Details of the 31<sup>st</sup> AGM.

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AFFIX  
STAMP

**The Share Registrar  
LUXCHEM CORPORATION BERHAD  
Registration No. 199101014102 (224414-D)**

c/o Tricor Investor & Issuing House Services Sdn. Bhd.  
Registration No. 197101000970 (11324-H)  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

1<sup>st</sup> Fold Here

13. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar's Office, 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.
  - (ii) Online  
In the case of an appointment made via online lodgement facility, please login to the link website at <https://tiah.online> and select "e-Services" to login. Please refer to the Administrative Guide on how to register to TIH Online and submit your Form of Proxy electronically.
14. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar 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 General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
15. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
16. Last date and time for lodging this proxy form is **Tuesday, 23 May 2023 at 10.00 a.m.**
17. A corporate member who has appointed a representative, please deposit the **ORIGINAL** or **DULY CERTIFIED** certificate of appointment with 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. The certificate of appointment should be executed in the following manner:
  - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the Constitution of the corporate member.
  - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.