

LUXCHEM

LUXCHEM CORPORATION BERHAD

Registration No. 199101014102 (224414-D)



**The Trusted Name
In Industrial Chemical Supplies**

ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK KWAN FOH KWAI

*Independent Non-Executive Chairman
(Appointed on 13 March 2020)*

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
(Appointed on 13 March 2020)*

TAN TECK KIONG

*Independent Non-Executive Director
(Appointed on 13 March 2020)*

DATO' HAJI MOKHTAR BIN HAJI SAMAD

*Independent Non-Executive Chairman
(Resigned on 13 March 2020)*

CHAN WAN SIEW

*Senior Independent Non-Executive Director
(Resigned on 13 March 2020)*

AU CHUN CHOONG

*Independent Non-Executive Director
(Resigned on 13 March 2020)*

COMPANY SECRETARIES

WONG WAI FOONG (202008001472) (MAICSA 7001358)

CHEN MOI KEW (202008001043) (MIA 6359)

NG HARN SHIN (202008001759) (MIA 22427)

AUDIT AND RISK MANAGEMENT COMMITTEE

TAUFIQ AHMAD @
AHMAD MUSTAPHA BIN GHAZALI
Chairman (Appointed on 13 March 2020)

DATUK KWAN FOH KWAI
Member (Appointed on 13 March 2020)

TAN TECK KIONG
Member (Appointed on 13 March 2020)

AU CHUN CHOONG
Chairman (Resigned on 13 March 2020)

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Member (Resigned on 13 March 2020)

CHAN WAN SIEW
Member (Resigned on 13 March 2020)

NOMINATING COMMITTEE

TAN TECK KIONG
Chairman (Appointed on 13 March 2020)

TAUFIQ AHMAD @
AHMAD MUSTAPHA BIN GHAZALI
Member (Appointed on 13 March 2020)

DATUK KWAN FOH KWAI
Member (Appointed on 13 March 2020)

CHAN WAN SIEW
Chairman (Resigned on 13 March 2020)

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Member (Resigned on 13 March 2020)

AU CHUN CHOONG
Member (Resigned on 13 March 2020)

REMUNERATION COMMITTEE

DATUK KWAN FOH KWAI
Chairman (Appointed on 13 March 2020)

TAUFIQ AHMAD @
AHMAD MUSTAPHA BIN GHAZALI
Member (Appointed on 13 March 2020)

TAN TECK KIONG
Member (Appointed on 13 March 2020)

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Chairman (Resigned on 13 March 2020)

AU CHUN CHOONG
Member (Resigned on 13 March 2020)

CORPORATE INFORMATION

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SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
 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) 7729 9782
 Website : <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 19600100042 (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 (LLP0018825-LCA & AF 0206)
 Level 8, BDO @ Menara CenTARa
 360 Jalan Tuanku Abdul Rahman
 50100 Kuala Lumpur
 Telephone No. : (03) 2616 2888
 Facsimile No. : (03) 2616 3190, 2616 3191

STOCK EXCHANGE LISTING

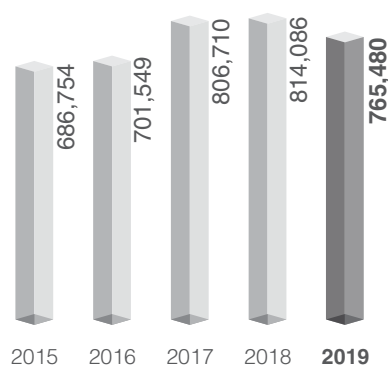
The Main Market of Bursa Malaysia
 Securities Berhad
 Stock Name : LUXCHEM
 Stock Code : 5143
 Date of listing : 27 June 2008

CORPORATE STRUCTURE

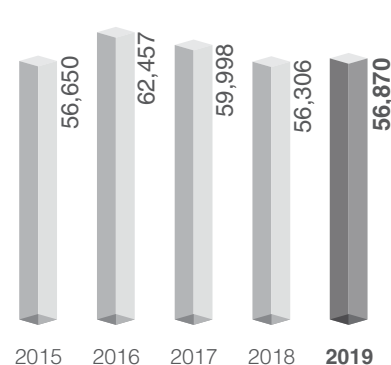


FINANCIAL HIGHLIGHTS

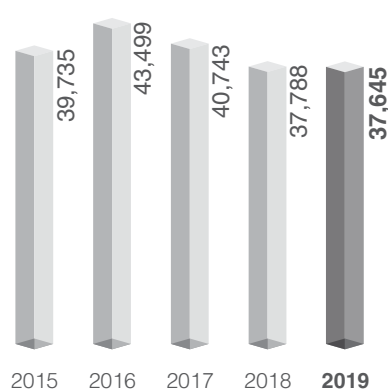
REVENUE (RM'000)



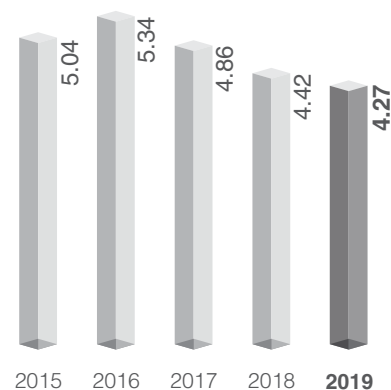
EBITDA (RM'000)



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



EARNING PER SHARE (SEN)



	2015	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	686,754	701,549	806,710	814,086	765,480
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	56,650	62,457	59,998	56,306	56,870
Profit Before Taxation ("PBT")	54,397	59,078	55,781	49,880	50,121
Profit Attributable to Owners of the Company	39,735	43,499	40,743	37,788	37,645
Earnings Per Share - Basic (sen) *	5.04	5.34	4.86	4.42	4.27
Earnings Per Share - Diluted (sen) *	4.88	5.11	4.67	4.31	-

FINANCIAL HIGHLIGHTS

cont'd

* **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 Employees' Share Option Scheme with a tenure of five (5) years has 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.

* **FYE 2017:**

Earning Per Share - Basic

Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year ended 31 December 2017 of 837,810,471.

Earning Per Share - Diluted

Computed based on Profit Attributable to Owners of the Company and divided by the adjusted weighted average number of shares in issue during the financial year ended 31 December 2017 of 872,024,391.

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

* **FYE2015 to FYE 2016:**

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

DIRECTORS' PROFILE



DATUK KWAN FOH KWAI

Independent Non-Executive Chairman, Male, Malaysian, 68 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 & 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 1997 with Department of Public Works, Malaysia. In 1980 he joined Promet Construction Sdn Bhd as Site Manager and in 1984, he joined Alam Baru Sdn Bhd as General Manager. 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. He was appointed as Senior Managing Director of Sunway Construction Group Berhad in 2014 until his retirement in December 2015. After his retirement, he was appointed as the Non-Independent Non-Executive Director of Sunway Construction Group Berhad. In 2017, he became the Group Advisor of Sunway Construction Group until end March 2020.

Datuk Kwan served as the President (2010-2012), Immediate Past President (2012-2016) and Honorary Advisor (2016-2018) of Master Builders Association of Malaysia. He was a Board Member and Chairman of Finance Committee of International Federation of Asian & Western Pacific Contractors' Association (IFAWPCA) from 2012 to 2016. In addition, he is:

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

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

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.



ENCIK TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI

Independent Non-Executive Director, Male, Malaysian, 72 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 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. He holds a Masters in Business Administration (MBA) from the University of Leicester, England and MSc. in International Business Administration from School of African and Oriental Studies, University of London, England.

He has more than 30 years of professional practicing accounting experience, including being a partner of Big 4 accounting firm. His areas of specialisation are audit and corporate finance and he is currently a partner of a small accounting practice. He is also a director of Prolexus Berhad.

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.

DIRECTORS' PROFILE

cont'd



MR TAN TECK KIONG

Independent Non-Executive Director, Male, Malaysian, 62 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 & 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 Arbitration, Corporate, Banking and Commercial Litigation. 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 and Messrs Tunku Mukhrizah & Partners in 1985 and 1991 respectively. He is currently a Litigation Partner in Messrs Heiley Hassan, Tan & Partners since 1999.

He is currently the Chairman of Golden Land Berhad.

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.



DATO' HAJI MOKHTAR BIN HAJI SAMAD

Independent Non-Executive Chairman, Male, Malaysian, 72 year-old (Resigned on 13 March 2020)

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

He had attended and completed Executive Master in Project Management (With Honours) in October 2019, awarded by Universiti Malaysia Pahang.

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

Currently, he is the Director of the Malay Contractor Consortium Wilayah Persekutuan and the Executive Chairman of Minat Megah Sdn. Bhd., a company principally involved in construction.

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

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

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE

cont'd



MR CHAN WAN SIEW

Senior Independent Non-Executive Director, Male, Malaysian, 69 year-old (Resigned on 13 March 2020)

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

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

He was also a Senior Independent Non-Executive Director and the Chairman of the Audit and Nomination Committees of Prestariang Berhad.

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

He is the President and Founding Board Member of Malaysian Alliance of Corporate Directors, Vice President I of the Federations of Public Listed Companies and an Executive Member of the Global Network of Director Institutes. He is an NACD Governance Fellow and NACD Board Leadership Fellow of the National Association of Corporate Directors, USA. He is also the Global IIRC Ambassador of International Integrated Reporting Council, UK, Chairman of ASEAN Integrated Reporting Committee and an Advisory Board Member of FutureBoards, Oslo, Norway. He had served as the President of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), the President of the Association of Chartered Certified Accountants (ACCA) Malaysia, a Founding Board Member and Vice President of Financial Planning Association of Malaysia (FPAM), and a Global Advisory Council Member of Financial Planning Association, USA.

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

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2019.



MR AU CHUN CHOONG

Independent Non-Executive Director, Male, Malaysian, 68 year-old (Resigned on 13 March 2020)

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

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

He obtained his Diploma in Commerce from Tunku Abdul Rahman College in 1976. He is a Fellow of the Association of Chartered Certified Accountants since 1985, an Associate Member of the Institute of Chartered Secretaries and Administrators, London, UK since 1979, and a member of the Malaysian Institute of Accountants since 1980.

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

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

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

He attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE

cont'd



MR TANG YING SEE

Managing Director/Chief Executive Officer, Male, Malaysian, 68 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 39 years of experience in the industrial chemicals industry and he is mainly responsible for the overall strategic business direction of the Group.

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

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

He is the spouse of Madam Chin Song Mooi, 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 (5) Board of Directors' meetings held during the financial year ended 31 December 2019.



MADAM CHIN SONG MOOI

Executive Director, Female, Malaysian, 68 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 (5) Board of Directors' meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE

cont'd



MADAM CHEN MOI KEW

Executive Director/Chief Financial Officer, Female, Malaysian, 57 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.

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

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

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

She attended all five (5) Board of Directors' meetings held during the financial year ended 31 December 2019.

Notes:

1. Conviction of Offences (other than traffic offences)

None of the Directors and Key Senior Management has been convicted of any offences within the past five (5) years.

2. Public Sanction or Penalty imposed

There were no public sanction or penalties imposed on the Directors and Key Senior Management by any relevant regulatory bodies during the financial year ended 31 December 2019.

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, 58 year-old

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

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

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

He is also a director of PT. Luxchem Indonesia.

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



MR NG CHAI TEIK

Director/Commercial Director, Latex Division of Luxchem Trading Sdn Bhd ("LTSB"), Male, Malaysian, 47 year-old

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

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

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

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

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



MR FAN KOCK KEONG

Director of Luxchem Polymer Industries Sdn Bhd ("LPI"), Male, Malaysian, 53 year-old

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

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

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

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

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

KEY SENIOR MANAGEMENT'S PROFILE

cont'd



MR POK JIUN LIM

Director of Transform Master Sdn Bhd ("TMSB"), Male, Malaysian, 36 year-old

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

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

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

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

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

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



MR JOSEPH TJENDRA

President Director of PT. Luxchem Indonesia ("PTLI"), Male, Indonesian, 46 year-old

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 hold any other directorships in public companies and listed entities.

KEY SENIOR MANAGEMENT'S PROFILE

cont'd



MS TRISIA CLAUDIA

Finance Director of PT. Luxchem Indonesia ("PTLI"), Female, Indonesian, 47 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 hold any other directorships in public companies and listed entities.



MR PANG TEE KING

Director of Luxchem Polymer Industries Sdn Bhd ("LPI"), Male, Malaysian, 54 year-old

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.

Notes:

- 1. Conviction of Offences (other than traffic offences)**
None of the Directors and Key Senior Management has been convicted of any offences within the past five (5) years.
- 2. Public Sanction or Penalty imposed**
There were no public sanction or penalties imposed on the Directors and Key Senior Management by any relevant regulatory bodies during the financial year ended 31 December 2019.

MANAGEMENT DISCUSSION AND 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 2019 AND OUTLOOK FOR THE YEAR 2020.

A. GROUP STRUCTURE

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

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

B. OVERVIEW OF LCB BUSINESS ACTIVITIES

The Group has two reportable business segments comprising:

1. Trading

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

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

21% of trading segment revenue for FYE 2019 was contributed by export sales. This was mainly to Indonesia, through our subsidiary, PTLI.

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

2. Manufacturing

Manufacturing activities comprised the following:

- (i) Manufacturing and trading of Unsaturated Polyester Resin (“UPR”) and related products; and
- (ii) Manufacturing and trading of latex chemical dispersions, latex processing chemicals and specialty chemicals for latex industry.

These activities are carried out by LPI and TMSB respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

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

2. Manufacturing *cont'd*

Approximately 80% of our manufacturing segment revenue for FYE 2019 was contributed by export sales. Our major exporting countries for our manufacturing segment are Vietnam, Thailand, Indonesia (via PTLI which is under trading segment), Philippines, Australia 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 carefully and expand our capacity further if it is justified.

C. GROUP FINANCIAL PERFORMANCE

Financial performance of the Group

	2019	2018	VARIANCE	
	RM	RM	RM	%
Revenue	765,480,385	814,086,419	(48,606,034)	-5.97%
Cost of sales	(685,077,192)	(732,986,928)	47,909,736	-6.54%
Gross profit	80,403,193	81,099,491	(696,298)	-0.86%
Other operating income	5,460,863	3,347,454	2,113,409	63.13%
Selling and distribution costs	(5,999,051)	(6,208,715)	209,664	-3.38%
Administrative expenses	(21,927,949)	(21,702,885)	(225,064)	1.04%
Administrative expenses - Share Option Expense	(138,497)	(1,161,284)	1,022,787	-88.07%
Other operating expenses	(3,082,675)	(1,185,553)	(1,897,122)	160.02%
Operating profit	54,715,884	54,188,508	527,376	0.97%
Finance costs	(4,594,577)	(4,308,936)	(285,641)	6.63%
Profit before tax	50,121,307	49,879,572	241,735	0.48%
Taxation	(13,165,942)	(12,501,085)	(664,857)	5.32%
Profit for the financial year	36,955,365	37,378,487	(423,122)	-1.13%

Revenue

The Group's revenue for FYE 2019 has reduced by RM48.61 million or 5.97% as compared to FYE 2018. This revenue reduction arose mainly from LTSB and LPI.

Gross profit

Gross profit decreased by RM0.70 million for FYE 2019. This decrease was mainly from PTLI.

Operating profit

Operating profit increased RM0.53 million in FYE 2019. This was mainly due to lower share option expense.

Profit after tax

The Group achieved profit after tax of RM36.96 million, a decrease of RM0.42 million from FYE 2018. This was mainly due to lower revenue and gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

D. OPERATIONS & FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS

1. SEGMENT : MANUFACTURING

Overview - Manufacturing

The performance of the Manufacturing segment in FYE 2019 as compared to FYE 2018 is summarised below:

	MANUFACTURING SEGMENT			
	2019 RM	2018 RM	VARIANCE RM	VARIANCE %
Total revenue	267,998,261	281,634,078	(13,635,817)	-4.84%
Inter-segment revenue	(130,794,699)	(124,688,451)	(6,106,248)	4.90%
External sales	137,203,562	156,945,627	(19,742,065)	-12.58%
Results				
Segment results	23,637,944	23,740,073	(102,129)	-0.43%
Dividend and interest income	254,500	227,439	27,061	11.90%
Operating profit	23,892,444	23,967,512	(75,068)	-0.31%
Finance costs	(173,017)	(282,647)	109,630	-38.79%
Profit before taxation	23,719,427	23,684,865	34,562	0.15%
Taxation	(5,953,977)	(5,224,792)	(729,185)	13.96%
Profit for the financial year	17,765,450	18,460,073	(694,623)	-3.76%

Manufacturing revenue, net of inter-company transactions, reduced to RM137.20 million, a reduction of RM19.74 million or 12.58% as compared to FYE 2018. This reduction was due to lower revenue from LPI.

Profit after tax from the Manufacturing segment for FYE 2019 reduced RM0.69 million as compared to FYE 2018 due to lower profits from TMSB.

Manufacturing Unsaturated Polyester Resin ("UPR")

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

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

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

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

Our products are sold locally and they are also exported.

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

Our production capacity now is 40,000MT, utilisation for FYE 2019 was about 70%.

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

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

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

1. SEGMENT : MANUFACTURING *cont'd*

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

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

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

- ISO9001:2015
- ISO14001:2015

During FYE 2017, TMSB annual production capacity was 9,600 MT. As it was operating near full capacity, TMSB commenced its expansion plans during Q4 2017. Installation of the additional machineries was completed during Q1 2018. Its production capacity in FYE 2018 was 13,800 MT. TMSB capacity utilisation in FYE 2018 was about 80%. During FYE 2019, we continued with our expansion and increased our capacity gradually to reach 18,000MT in FYE 2019. Our average utilisation during FYE 2019 was about 80%.

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

2. SEGMENT : TRADING

Marketing and distribution of industrial chemicals and materials

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

FYE 2019 continued to be a challenging year as we faced fluctuations in USD exchange rates, fluctuations in raw material pricing, keen competition and pressure on pricing.

The performance of Trading segment in FYE 2019 as compared to FYE 2018 is summarised below:

	TRADING SEGMENT			
	2019 RM	2018 RM	VARIANCE RM	VARIANCE %
Total revenue	629,530,242	668,610,209	(39,079,967)	-5.84%
Inter-segment revenue	(1,253,419)	(11,469,417)	10,215,998	-89.07%
External sales	628,276,823	657,140,792	(28,863,969)	-4.39%
Results				
Segment results	29,589,087	29,320,868	268,219	0.91%
Dividend and interest income	1,217,957	1,163,388	54,569	4.69%
Operating profit	30,807,044	30,484,256	322,788	1.06%
Finance costs	(4,421,560)	(4,026,289)	(395,271)	9.82%
Profit before taxation	26,385,484	26,457,967	(72,483)	-0.27%
Taxation	(7,076,515)	(7,188,293)	111,778	-1.56%
Profit for the financial year	19,308,969	19,269,674	39,295	0.20%

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

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

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

2. SEGMENT : TRADING *cont'd*

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

The major products are as follows:

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

In FYE 2019, revenue from Trading segment dropped RM28.86 million or 4.39% as compared to FYE 2018.

This decrease was mainly due to lower revenue from LTSB.

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	2019 RM	2018 RM	Variance RM	Variance %
Malaysia	530,674,941	578,197,764	(47,522,823)	-8.22%
Indonesia	111,416,423	105,640,282	5,776,141	5.50%
Vietnam	80,070,159	90,584,478	(10,514,319)	-11.60%
Thailand	20,652,682	15,032,287	5,620,395	37.40%
Singapore	3,735,972	3,539,313	196,659	5.60%
Bangladesh	3,422,735	4,565,738	(1,143,003)	-25.00%
Phillippines	3,223,056	2,799,793	423,263	15.10%
Australia	3,208,856	4,974,776	(1,765,920)	-35.50%
New Zealand	2,544,015	2,415,178	128,837	5.30%
Cambodia	2,476,411	3,640,258	(1,163,847)	-32.00%
Sri Lanka	2,073,495	544,052	1,529,443	281.10%
Japan	1,128,485	1,555,709	(427,224)	-27.50%
Others	853,155	596,791	256,364	43.00%
Total exports	234,805,444	235,888,655	(1,083,211)	-0.46%
Total	765,480,385	814,086,419	(48,606,034)	-5.97%

In FYE 2019, local sales decreased RM47.52 million or 8.22%. This was mainly due to lower sales from LTSB.

Export revenue decreased RM1.08 million or 0.46% compared to FYE 2018. The decrease was mainly due to lower exports to Vietnam.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

F. OUTLOOK

For FYE 2020, we expect similar challenging factors to continue to affect our operations - USD/RM fluctuations, raw material price fluctuations, raw material demand and supply situations and keen competition.

The unprecedented COVID-19 pandemic has disrupted economic activities around the world. Governments of the affected countries have implemented restrictions on individuals and businesses including Malaysia, where majority of the Group's operations are located. Assessment of the full financial impact of the COVID-19 to the Group is still in progress as the ongoing developments of the pandemic are still uncertain as at the date of the annual report.

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 keeping up-to-date on raw materials price and supply/ demand trends. In our manufacturing segment, we will emphasise on product development to increase our product range to existing customers as well as to increase our customer base.

In summary, the prospect for LCB in FYE 2020 will remain to be challenging. However, we are optimistic that our Group will continue to expand steadily.

SUSTAINABILITY REPORT 2019

SUSTAINABILITY DIRECTION

The Group continues its transitional journey in 2019 by fine-tuning and aligning its business and operational decisions and activities towards a greater sustainability organisation.

The Group embraces 3 major sustainability pillars as follows:

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

The 3 pillars are important in delivering high quality products and services of the Group to our customers.

STAKEHOLDERS' ANALYSIS

Since the setting of the material sustainability matters for the Group in 2018, The Group has, in 2019, reviewed and refined the overall sustainability focuses as follows:

Stakeholder/ Interested parties	Engagement Efforts	Sustainability Management		
		Environment Interest	Economic Interest	Social Interest
Customers	Sales visits, appreciation visits, compliance audits, customer satisfaction surveys and trade exhibitions.	Align to/comply with statutory and regulatory requirements on safeguarding and protection of environment.	Product pricing and quality, technical and after sales support.	Align to/comply with human rights, business integrity, employee welfare, safety and health compliance.
Employees	Appraisals, orientation, open-door communication, meetings, appreciation and recreational events.		Financial stability, job stability and enrichment, career progression, rewards and recognition.	
Suppliers, Principals/ Agencies	Supplier visits and correspondences, product training and meeting, market/ product feedback.		Financial stability, product sales performance and brand awareness.	Social Responsibility and compliance with business ethic.
Government Agencies	Correspondences, audits, inspection, seminar and dialogue sessions.		Regulatory compliance, job creation, and labour productivity.	
Shareholders & Investors	Annual General Meetings, interviews, company website and annual reports.		Returns on investment, sustainable business growth.	

After further review of the scope of sustainability management in 2019, The Group has decided that the scope shall be revised and be applicable to Luxchem Trading Sdn Bhd ("LTSB"), Luxchem Polymer Industries Sdn Bhd ("LPI") and Transform Master Sdn Bhd ("TMSB"). The three major subsidiaries of the Group operating in Malaysia.

With the stakeholders' Analysis, our sustainability efforts can be managed, planned and incorporated in our business activities.

SUSTAINABILITY REPORT 2019

cont'd

GROUP SUSTAINABILITY MANAGEMENT STRUCTURE

Managing the sustainability in the Group requires involvement and participation from all the employees. From Directors to Heads of Department, the sustainability roles and responsibilities are set as follows:

- The Board of Directors (“BOD”) shall review the Group sustainability matters and along the way, continue to provide advice and direction of overall sustainability in the Group in addition to approving sustainability report.
- Managing Director/Chief Executive Officer of the Group are leading and driving the sustainability initiatives in the Group, including advising, discussing, reviewing and monitoring the progress of the sustainability matters.
- The sustainability managers are generally 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 and reporting the progress to the Managing Director or BOD.

The Group believes that sustainability structure above will be able, and necessary, to drive the sustainability efforts and results of the Group.

MANAGING MATERIAL SUSTAINABILITY MATTERS

Customers

Our sustainability direction/activities with regards to our customers are as follows:

Environment Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> • Promote and supply the products that meet customers’ environmental requirements and product specifications. • Coordinate product/chemical testing and address customer’s concern promptly. • Commit to customer environmental audit/compliance request. Ensure that important suggestions made to us are being considered and acted on. • Keep abreast with the pricing information in the market and maintain a competitive pricing strategy while staying on positive profit margin. 	<ul style="list-style-type: none"> • Comply with Environment Quality Act, 1974. All industrial wastes are handled as per Environmental Quality (Scheduled Wastes) Regulation 2005. • Proper air pollution control system is in place to comply with the Environmental Quality (Clean Air) Regulation 2004. • Reduce environmental pollutants through upgrading our systems of work and processes. • Align to, improve on or comply with environment certification system: ISO 14001:2015 and OHSAS 18001:2007. Our subsidiary, TMSB had successfully attained the ISO 14001:2015 status in 2019.
Economic Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> • Gauge our customer satisfaction level regularly and resolve issues quickly and effectively. • Gauge the performance of our trade suppliers and service providers in order to ensure quality products and services to us as well as our customers. • Participate in conference and exhibition for enhancing our branding. 	<ul style="list-style-type: none"> • Improve work efficiency and effectiveness through automation, application/upgrade of information system and employee development which bring about better productivity, quality and services to our customers.
<ul style="list-style-type: none"> • Maintain our ISO 9001:2015 certifications in our Trading and Manufacturing Segments 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> • Establish, review and update of workforce policy confirming Group’s stand on child labour, forced labour and other important labour practices. • Establish, review and update of whistle blowing policy. 	

SUSTAINABILITY REPORT 2019

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

Employees

As the main driving force of the Group's businesses, employee sustainability matters will be one of the main sustainability focuses. Our workforce composition and diversity information are available in this Annual Report. Employee sustainability focuses are as follows:

Environment Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Promote and incorporate environment-friendly work habits in daily work of the employee: Reuse, Reduce and Recycle. 	<ul style="list-style-type: none"> Train and develop of environmental and waste management professionals.
Economic Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Establish, review and update of appropriate job grading structure and salary ranges for the segments so as to ensure that salaries are competitive with the market and career progression can be planned structurally and strategically. We completed and implemented Job Evaluation in TMSB in 2019. Review, improve and implement employee benefits as well as rewards and recognition programmes for achieving greater employee engagement. In FY 2019, the Group had improved Group Personal Accident and Group Hospital and Surgical benefits and introduced the same benefits in TMSB. Upskill and develop employees on work competencies and knowledge as well as supporting employee on educational programmes. Plan and execute annual and recreational activities for employees across the Group. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Comply with the prevailing labour legislatives and implement recommendations from labour audits accordingly. Establish and update of workforce policy confirming Group's stand on child labour, forced labour and other important labour practices. Build and foster culture of trust between management and employees through barrier-free and open communication. We strive for a better and inclusive work culture as a Group. Establish and implement safety policy and programme for cultivating and promoting safety first culture. 	

Our average training hours per employee for the past 3 years as follows:

Year	2019	2018	2017
Average training hours per employee*	15.16	12.69	20.00

* LTSB + LPI + TMSB

In addition, our Group has zero work fatality for the past 3 years:

Year	2019	2018	2017
Number of work fatality*	0	0	0

* LTSB + LPI + TMSB

SUSTAINABILITY REPORT 2019

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

Suppliers, Principals/Agencies

In our trading business, trade supplier is our biggest partner in ensuring that the products and services to our customers are up to standards and expectation.

Environment Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Ensure that requirements are communicated to the suppliers. Coordinate product testing with trade suppliers to ensure products meet the set specification and environmental requirements of the Customers. 	<ul style="list-style-type: none"> Source for chemical raw materials and produce chemical products that meet the specification and the environmental requirements for our manufacturing products.
Economic Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Provide feedback from customers to suppliers, principals/agencies on the product performance for product improvement/betterment. Attend product training/briefing organised by the suppliers. Resolve customer complaints with suppliers quickly and efficiently. 	<ul style="list-style-type: none"> Keep abreast with new or alternate chemical raw materials in the market that has better features.
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Establish, review and update of whistle blowing policy. 	

Shareholders/Investors

The Group believes in bringing good value to our shareholders and investors. With this in mind, our sustainability focuses are:

Environment Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Align to/comply with the environmental laws and regulations as stated. Explore the applicability of green energy technology in our trading and manufacturing segment. 	
Economic Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Hold Annual General Meeting, Analyst Briefing and media interview so as to ensure effective communication with the stakeholders/investors. Regular review and update of Group's website so that the shareholders and investors are kept up to date with latest information from our website. Expand the Group's business in terms of product portfolio and operation so as to ensure the sustainable growth of the Group's business. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Establish, review and update of whistle blowing policy. A framework of which unethical business activities or complaint can be heard, investigated and rectified by the Group. In FY 2019, no case was reported to us. Achieve better work professionalism and business ethic in the Group through Code of Best Practices covering the yearly declaration from directors, key management personnel, heads of department and sales personnel. 	

SUSTAINABILITY REPORT 2019

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

Shareholders/Investors *cont'd*

Our dividend payout record for the last 3 years as follows:

Year	2018	2017	2016
Dividend payout expressed in percentage to Profit After Tax	52%	49%	45%

Government Agencies

The Group is operating in and supporting regulated industries. As such, laws and regulations compliance are important in our business. Our sustainability focuses in this aspect are:

Environment Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Align to/comply with the environmental laws and regulations as stated. Explore the applicability of green energy technology in our trading and manufacturing segment. 	
Economic Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Provide Group's statistical information regularly to the government/statistic department. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Comply with labour laws and regulation including implementing suggestions from labour audits and etc. Align to/comply with safety and health regulations. Provide internship opportunity for unemployed/ undergraduates. 	

CONCLUSION

The Group is of the view that it has taken reasonable steps in addressing sustainability issues in the FY 2019. However, our sustainability journey shall continue and many more works and efforts in this aspect are to be undertaken in the years to come.

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 2019 (“FY 2019”) in this Annual Report with reference to the following three (3) principles as set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia on 26 April 2017 (“MCCG”):

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

The Board has also provided specific disclosures on the application of each Practice in its Corporate Governance Report (“CG Report”). This CG Report was announced together with the Annual Report of the Company on 22 May 2020. Shareholders may obtain this CG Report by accessing this link www.luxchem.com.my for further details.

Except for detailed disclosures on a named basis for the remuneration of top five (5) senior management in bands of RM50,000 per annum, overall, the Board is of the view that the Company has, in all material aspect, complied with the Principles and Practices as set out in the MCCG. The explanation for the departure of the above mentioned practice is reported in the CG Report under Practice 7.2 of the MCCG. The Company has established its whistleblowing policy on 24 October 2018. During the FY 2019, there was no whistleblowing report being made to the Company.

A. BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

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

The Board has defined, formalised and updated its Board Charter and the same is published in the Company’s website at www.luxchem.com.my. Board Charter serves as a reference for the Directors’ fiduciary duties and the functions of the Board Committees.

The Board reviews the Board Charter annually and makes amendments when needed to ensure that they remain relevant and consistent with the Board’s objective, current law and best practices to enable the Board to discharge its responsibilities. The last review of the Board Charter was conducted on 29 July 2019 and 24 October 2019 respectively to take into account the changes arising from the combination of the functions of Audit Committee and Risk Management Committee (“ARMC”) and to enhance the Code of Ethics of the Company.

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 a Committee of the Board specifically constituted for that purpose. Furthermore, the ARMC, the Nominating Committee and the Remuneration Committee shall consider and determine such matters for which they are responsible in accordance with their terms of reference in force from time to time. The terms of reference of the Board Committees, as annexed in the Board Charter, were reviewed by the Board on 29 July 2019, with recommendations from the respective Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

The Board has also put in place a Directors' Code of Best Practice, setting out the standards of ethics and conduct needed to create good corporate behaviour. The Directors' Code of Best Practice is annexed in the Board Charter which also serves as a reference for all personnel in the Group. During the FY 2019, the Board has extended the Code of Best Practice to key management 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") 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. Board authority conferred to management is delegated to the MD. Formal position descriptions for the Chairman and MD outlining their respective roles and responsibilities are set out in the Board Charter.

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

All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries or Secretaries of 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 2019 are set out in Practice 1.4 of the Company's CG Report.

The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. All Board members have full and unrestricted access to all information pertaining to the Group's business and affairs, including amongst others, 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.

Fees for the independent professional advice will be payable by the Company with the approval from 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

The fundamental of Directors' commitment to leadership and effectiveness is devotion of time and continuous improvement of knowledge and skillsets. The Board undertakes to meet at least four (4) times a year, which are scheduled in advance to facilitate the Directors in planning their meeting schedule for the year. During the FY 2019, five (5) Board meetings were held and the details of attendance of each Director at the meetings were as follows:

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

Note: *The Directors had resigned on 13 March 2020.

The Board had on 13 March 2020 appointed three Independent Non-Executive Directors namely Datuk Kwan Foh Kwai (Chairman), Mr Tan Teck Kiong and Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali to replace with the resigning Directors.

Attending relevant corporate training and seminars would enable all Board members to discharge their duties more effectively during their tenure. The Board, via the Nominating Committee 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 2019 were as follows:

Name of Directors	Course Title
Dato' Haji Mokhtar Bin Haji Samad*	Attended and completed Executive Master in Project Management (With Honours) in October 2019, awarded by Universiti Malaysia Pahang
Mr Tang Ying See	Cyber Security Awareness Onsite Training
Madam Chin Song Mooi	1. Seminar on Year 2020 Budget & Other Tax Developments. 2. Cyber Security Awareness Onsite Training
Madam Chen Moi Kew	1. Seminar on Year 2020 Budget & Other Tax Developments 2. HSBC Asian Business Forum 2019: Capitalising on the Waves of Change 3. RoBoCFO Workshop: Using Artificial Intelligence to Analyse Financial and Business Trends 4. Sales Tax Exemption Briefing 5. Laporan CJ (P) Jadual C-02 Briefing 6. C3 SOP Briefing 7. Cyber Security Awareness Onsite Training

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(I) Board Responsibilities *cont'd*

Name of Directors	Course Title
Mr Chan Wan Siew*	<ol style="list-style-type: none"> 1. The Art of M&A for HR Leaders, Orlando, Florida 2. Building Effective Board 3. Business & Economic Outlook 2019-2029 4. Cross Border Dialogue – Gender Balance on Boards (Speaker/Panelist) 5. Ascend Pinnacle Asian Corporate Directors Summit 2019, New York 6. Integrated Reporting Conference, Sunway University (Speaker) 7. Integrated Reporting for Audit Committee 8. IIRC Global Conference 2019, London (Speaker/Panelist) 9. Business Future: (Re)Discovering Stewardship Asia Roundtable, Singapore 10. Asia Economic & Entrepreneurship Summit 11. MAICSA Annual Conference: Next Dimension in Governance 12. Thai Institute of Directors National Conference 2019, Bangkok 13. ASEAN+3 Regional Economic Outlook 2019 14. Asia Sustainability Reporting Summit 2019, Singapore (Speaker/Panelist) 15. Singapore Institute of Directors Annual Conference, Singapore 16. NACD Global Board Leaders' Summit 2019, Washington, DC 17. UNCTAD-ISAR (Int'l Stds for Accounting & Reporting) Summit 2019, Geneva 18. International Federation of Accountants (IFAC) Conference, KLCC
Mr Au Chun Choong*	Enhancing Bond Portfolio Investment Strategies with Derivatives by Thomas Chan

*Note: *The Directors had resigned on 13 March 2020.*

(II) Board Composition

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

The Nominating Committee assisted the Board in conducting performance evaluation and providing constructive feedback to Board Members of their performance during the FY 2019. In this way, the Board ensured its effectiveness is maintained and enhanced continuously.

The Nominating Committee is responsible for making recommendations of new appointments to the Board and Senior Management. New nomination 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 future.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

A. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

(II) Board Composition *cont'd*

In 2020, there were changes to the Board members on 13 March 2020, where our former Independent Non-Executive Directors, namely Dato' Haji Mokhtar Bin Hajis Samad, Mr Chan Wan Siew and Mr Au Chun Choong had resigned from the Board. After they have served the Company as Independent Non-Executive Directors more than nine (9) years since 15 May 2008. As part of good corporate governance, the three (3) Directors expressed their intentions of not extending their tenure as Independent Directors beyond their 12th year term. In place thereof, Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong, were appointed as Independent Non-Executive Directors. The profile of each Director, including the new Independent Non-Executive Directors are available in this Annual Report and are published on the Company's website at www.luxchem.com.my for shareholders' reference.

The former Nominating Committee members had conducted interview sessions with the new Directors in early March 2020. The shortlisted candidates were evaluated on their background, experience, past and current directorships, time commitment and mix of skills which complements the Board. The former Nominating Committee members believed that the new candidates can contribute, complement and improve the dynamism of the Board structure with vast experience from legal, finance, and engineering which will add value to the Company.

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 14 February 2020, the Board through the Nominating Committee had assessed Dato' Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong, the Independent Non-Executive Directors, who had each served the Company for a cumulative term of more than ten (10) years and concluded that during the FY 2019:

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

The Board 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 on the Board.

(III) Remuneration

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

While the Board has not formalised its remuneration policies, it is the direction of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board 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 2019 is listed on a named basis with the detailed remuneration breakdown available under Practice 7.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit and Risk Management Committee

The Board has established an effective and independent 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 also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment at the AGM. During FY 2019, the ARMC convened one (1) private meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group. 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.

The amount of audit fees and non-audit fees paid/payable to the Messrs BDO PLT ("BDO") by the Company and by the Group for the FY 2019 were as follows:

	Company RM	Group RM
Statutory audit fees paid /payable to BDO	75,000	245,000
Non-audit fees paid /payable to BDO	5,000	5,000
Total	80,000	250,000

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

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

(II) Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control systems are an integral part of effective management practice. The underlying risk management principle of the Group is to balance the cost and benefit of managing and treating risks. There is an on-going process in place to identify, evaluate, monitor and manage the key risks faced by the Group and the Board reviews the key risks highlighted on a regular basis to ensure that relevant actions are taken to mitigate the risks of the Group to safeguard shareholders' investment and Group's assets. During the FY 2019, the Company has merged the audit, risk management and internal control functions into a singular committee, the ARMC.

The Board has established an Internal Audit Function which is currently outsourced to a professional firm namely 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 and internal controls systems of the Group. The performance of the Internal Audit Function is also assessed by the ARMC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(II) Risk Management and Internal Control Framework *cont'd*

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.

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 systems covering the key features of Risk Management and Internal Control, Board's and Management's responsibilities in risk management, as well as the Management's assurance to the Board are reported in the Statement on Risk Management and Internal Control, included in this Annual Report.

C. INTEGRITY AND CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with Stakeholders

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

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

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.

At the last AGM, the Company had given 28 days' Notice of Twenty-Seventh 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 seek clarifications from the Chairman, Chairman of Board Committees and Management during the AGM on any matters pertaining to the matters disclosed in the Annual Report, corporate developments in the Group, the motions being proposed and the operational and financial performance of the Company.

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

In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least twenty-eight (28) days ahead of the date of general meeting.

This Statement was approved by the Board on 13 March 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Respect of the Preparation of the Financial Statements

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

In preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2019, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured the preparation of financial statements in compliance with MFRSs and IFRSs; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and in compliance with the Companies Act 2016.

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors (“the Board”) of Luxchem Corporation Berhad (“the Company”) is pleased to present the Audit and Risk Management Committee (“ARMC”) Report for the financial year ended 31 December 2019 (“FY 2019”) 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 (3) Independent Non-Executive Directors (“INEDs”). 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) and (2) and 15.10 of the MMLR, and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG).

The composition of the ARMC is as follows:

Mr Au Chun Choong
Chairman
(Independent Non-Executive Director)
Resigned: 13 March 2020

Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali
Chairman
(Independent Non-Executive Director)
Appointed: 13 March 2020

Mr Chan Wan Siew
Member
(Senior Independent Non-Executive Director)
Resigned: 13 March 2020

Datuk Kwan Foh Kwai
Member
(Independent Non-Executive Chairman)
Appointed: 13 March 2020

Dato’ Haji Mokhtar Bin Haji Samad
Member
(Independent Non-Executive Chairman)
Resigned: 13 March 2020

Mr Tan Teck Kiong
Member
(Independent Non-Executive Director)
Appointed: 13 March 2020

The former ARMC Chairman, Mr Au Chun Choong was not the Chairman of the Board. Mr Au Chun Choong is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) and a member of the Malaysian Institute of Accountants (MIA). The former ARMC member namely Mr Chan Wan Siew is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), CPA Australia and Chartered Secretaries (UK) and he is also a Certified Financial Planner and Chartered Financial Consultant (USA). He had served as the President of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and the Association of Chartered Certified Accountants (ACCA) Malaysia.

The profiles of the new ARMC Members, which appointed on 13 March 2020 are available in this Annual Report and the Company’s website at www.luxchem.com.my.

2. MEETING AND ATTENDANCE

During the FY 2019, five (5) meetings were held. The details of attendance of each member at the meetings were as follows:

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

3. SUMMARY OF WORK OF THE ARMC

During the FY 2019, 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 rigorously with Management before recommending the same for the Board's approval and release to Bursa Securities. When reviewing the interim financial results in the quarterly meetings, the Managing Director/Chief Executive Officer ("MD/CEO") and Executive Director/Chief Financial Officer ("ED/CFO") were invited to present these interim financial results to the ARMC. During the presentation, MD/CEO and ED/CFO gave their explanations for any material changes in the Group's financial performance to the ARMC and ensure that the interim financial statements are in compliance with accounting standards and treatments.
- b) Reviewed the annual audited financial statements of the Group, Directors' and Auditors' Reports and other significant accounting issues together with the External Auditors. The External Auditors, BDO PLT were invited to present their audit review findings to the ARMC. The key considerations in the deliberation of these financial statements were whether the financial statements prepared by Management complied with the relevant Malaysian Financial Reporting Standards (MFRS) and the expected audit opinion to be rendered by the External Auditors.

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

- a) Reviewed the audit plan of the Group prepared by the External Auditors in relation to their scope of audit, audit methodology and timetable, audit materiality, areas of focus and fraud risk assessment prior to the commencement of their annual audit. The External Auditors also updated the 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 and Management. This review process ensures that critical issues, if any, are being objectively brought up to the attention of the ARMC.
- c) Reviewed the performance and independence of the External Auditors. At the ARMC meeting held on 24 October 2019, the meeting took note of the audit services rendered by BDO PLT and Mr Tan Seong Yuh, the engaging partner also confirmed that BDO PLT has been independent throughout the conduct of their audit engagement in accordance with the relevant ethical requirements, including those pertaining to independence.

iii. 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 recommended to the Board for consideration and approval.
- b) Reviewed the related party transactions entered into by the Group on a quarterly basis and conflict of interest situation that may arise within the Group, if any, to ensure that they were not detrimental to the interests of the minority shareholders.
- c) Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems based on the Risk Management Committee's presentation and internal audit reports, and report to the Board accordingly.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

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

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

- a) Reviewed and approved the internal audit plan to ensure adequate scope and coverage on key activities of the Group.
- b) Reviewed the internal audit reports of the Group, which outlined the audit issues, recommendations for improvements on reported weaknesses to ensure that management action plans are taken 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) On 30 April 2019, the Audit Committee ("AC") was renamed as ARMC and adopted an amended Terms of Reference on 29 July 2019, which is available on the Company's website at www.luxchem.com.my for the purpose of combining the functions of AC and the Risk Management Committee. The revised Terms of Reference of the ARMC has been included in the Board Charter.

The amendments were made to cater the function of the risk management as follows:

- Oversight of risk management matters relating to the activities of the Group in order to assist the Board to manage the overall risk exposure of the Group.
- Ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- Conduct an annual review and periodic testing of the Company's risk management framework to ensure its adequacy and effectiveness.
- Review and assess the Group's risk management strategies, policies and risk tolerance level based on the recommendations of the Management so that the Group continues to meet its best practices.
- Review the annual Statement on Internal Control and Risk Management.
- Ensure that the risk management framework adopted by the Company is based on an internationally recognised risk management framework and the Company has established an effective framework.

The Board was satisfied that the ARMC and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference in ensuring the Company upholds its CG standards during the FY 2019.

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. ("CGSB"). 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 and internal control systems of the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

4. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION *cont'd*

All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in the firm are required to complete the Independence Declaration Form on annually basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct and Ethics Declaration on assignment basis. The internal audit department of CGSB consists of 22 permanent internal audit personnel and 1 admin personnel.

Name : Amos Law, Executive Director

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

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

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

The internal audit plan was reviewed and approved by the ARMC. The internal audit reports were presented to the ARMC regularly. The ARMC will review the audit findings and action plans taken by the Management to address the audit findings and issues before reporting to the Board. The Internal Auditors also follow up on the Management 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 three (3) ARMC meetings during the FY 2019 and conducted their reviews for the following entities and their respective key audit areas:

- i. Transform Master Sdn Bhd for Production, Inventory Management and Quality Assurance / Quality Control;
- ii. PT. Luxchem Indonesia for Sales, Billing, Collection And Credit Control, Procurement and Payment, And Foreign Exchange Management; and
- iii. Transform Master Sdn Bhd and PT. Luxchem Indonesia for Information Technology General Control.

The reviews were adequate and met the ARMC's expectations.

The fee incurred for the internal audit function in respect of FY 2019 was RM80,000 (2018: RM80,000).

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

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

There was no allocation of options granted during FY 2019.

The Share Option Scheme has tenure of five (5) years and it was expired on 30 November 2019. In accordance with the Clause 19.4 of the ESOS By-Laws, all unexercised ESOS Options shall lapse on the date of expiry.

This ARMC Report was made in accordance with the approval of the Board on 13 March 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) of Luxchem Corporation Berhad (“the Company”) is pleased to present its Statement on Risk Management and Internal Control. This Statement describing the state of risk management and internal control of the Company and its subsidiaries (“the Group”) during the financial year ended 31 December 2019 is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”) and the “Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Securities.

BOARD RESPONSIBILITIES

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

- Periodic review of financial information covering financial performance, quarterly financial results and key business indicators;
- Financial performance analysis against business objectives and targets;
- Audit 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 annual risk management assessment and results by Risk Management Committee (“RMC”);
- External Auditors’ comments on internal controls noted in their course of statutory audits, if any;
- Audit findings and reports on the review of systems of internal control presented by the Internal Auditors; and
- Management assurance that the Group’s risk management and internal control systems have been operating adequately and effectively, in all material respects.

GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

- **Risk Management**

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

- i. To formulate and carry out strategies and actions needed to manage risks;
- ii. To promote and embed risk awareness within the Group and in the operational processes;
- iii. To ensure adequate information and resources are in place for managing risks effectively; and
- iv. To report to the Board periodically on material risks and their impacts on operations and status of management actions to manage these risks.

During the financial year under review, the risks of the Group that have been identified were discussed, reviewed, assessed, acted and monitored in order to manage the risks accordingly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

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

• Key Element of Internal Control

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

- i. Organisation structure defining the management responsibilities and hierarchy structure of monitoring and reporting lines as well as accountability to the Board Committees;
- ii. The establishment of Board Committees namely the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee with the written Terms of Reference to assist the Board in discharging specialised responsibilities;
- iii. Limit of authority and approval facilitating delegation of authority and management succession;
- iv. Operational reporting process covering periodic reporting from the Heads of Management to the Executive Directors to assure that business operations progress in accordance with the desirable objectives and targets;
- v. Monthly management and credit meetings with the Heads of Department enabling Management to share, monitor and decide on the business development, changes and actions to be taken to ensure that financial exposures, if any, are minimised;
- vi. Provision of training and development programmes to enhance the competitiveness and capability of the staff to carry out their respective duties in achieving the Group's objectives;
- vii. Daily and offsite information systems back up procedures;
- viii. ISO 9001:2015 Quality Management Systems in Luxchem Trading Sdn. Bhd. and Transform Master Sdn. Bhd.; ISO 9001:2015, ISO14001:2015 and OHSAS18001:2007 management systems in Luxchem Polymer Industries Sdn. Bhd. forming the basis of production, operational and management procedures;
- ix. The Audit and Risk Management Committee reviews the quarterly financial reports, annual financial statements, quarterly group risk management report and the internal audit reports;
- x. Internal audit reviews providing independent and objective assurance to the Audit and Risk Management Committee and the Board on adequacy and effectiveness of the risk management and internal control systems of the Group;
- xi. The Whistleblowing Policy which is available on the Company's website at 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 to all stakeholders to provide information on fraud, wrongdoings or non-compliance to any rule or procedure by stakeholders within the Group; and
- xii. The procedure of Annual Declaration of Independent and Interest which is generally applied to the Board of Directors and company directors were expanded to all the Heads of Division, Branch and Department in all the subsidiaries including all the sales personnel under the financial year under review. Such extension is important to amplify the Group's determination in promoting and educating professionalism in all levels of employees in the Group as well as improving the Corporate Governance of the Group as a whole.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

MANAGEMENT RESPONSIBILITIES AND ASSURANCE TO THE BOARD

Management is responsible to the Board for:

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

The Board has received assurance from the Managing Director/Chief Executive Officer and Executive Director/Chief Financial Officer that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material respects during the financial year under review and up to the date of issuance of this Statement.

CONCLUSION

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

The Board is satisfied that the existing on-going processes for identifying, evaluating, monitoring and managing the significant risks faced by the Group and the existing level of risk management and internal control systems are adequate and effective to help the Group to achieve its business objectives and strategies. There were no material losses that have resulted from any inadequacy or failure of the Group's risk management and internal control systems that would require separate disclosure in the 2019 Annual Report.

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

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report. Their review was performed in accordance with Audit Assurance and Practice Guide 3 ["AAPG 3"] issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

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

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 14 February 2020.

ADDITIONAL COMPLIANCE INFORMATION

- **UTILISATION OF PROCEEDS**

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2019.

- **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 2019.

- **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 2019.

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

The Directors and Senior Management were granted 36,750,000 options out of 117,000,000 options and 14,070,000 were exercised during the financial year ended 31 December 2019.

The aggregate maximum and actual number of options granted to the Directors and Senior Management are 31.41% of the total options.

There were no options granted to the Directors and Senior Management during the financial year ended 31 December 2019.

The ESOS was expired on 30 November 2019.

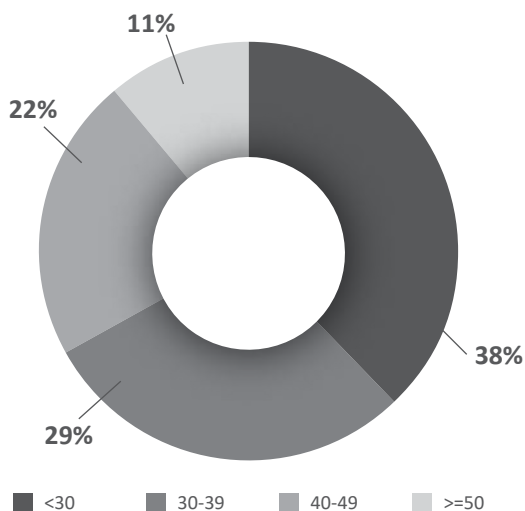
ADDITIONAL COMPLIANCE INFORMATION

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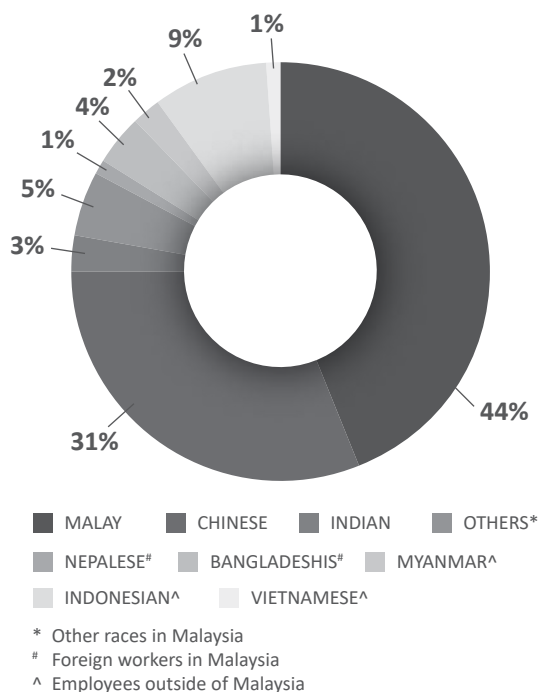
- WORKFORCE DIVERSITY**

The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2019 are disclosed below:

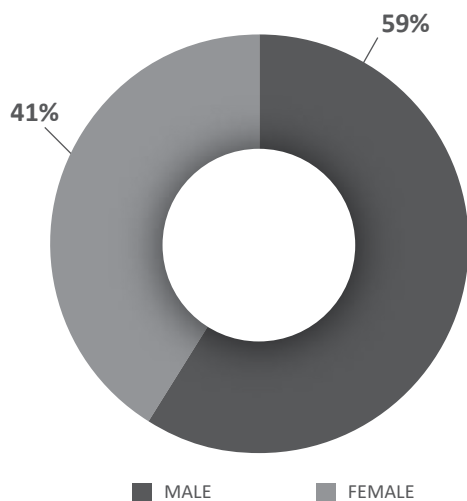
i) AGE GROUP



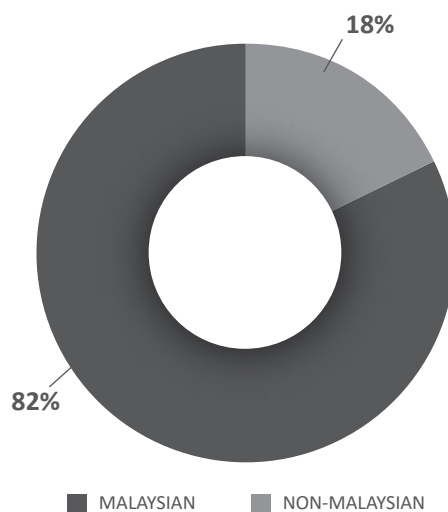
ii) ETHNICITY



iii) GENDER



iv) NATIONALITY



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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 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year	36,955,365	20,280,946
Attributable to:		
Owners of the parent	37,644,630	20,280,946
Non-controlling interests	(689,265)	-
	36,955,365	20,280,946

DIVIDENDS

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

	RM
Second single-tier interim dividend of 1.25 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 15 May 2019	10,943,968
First single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 30 September 2019	8,944,126
	<u>19,888,094</u>

Subsequent to the financial year, the Board of Directors of the Company had on 17 February 2020 declared a second single-tier interim dividend of 1.25 sen per ordinary share amounting to RM11,197,607 for the financial year ended 31 December 2019. 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 2020.

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

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

cont'd

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company had increased from 863,461,653 to 895,808,553 by way of issuance of 32,346,900 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options at exercise prices ranging from RM0.24 to RM0.53 per ordinary share for cash.

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

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

EMPLOYEES' SHARE OPTION SCHEME

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

Grant date	Exercise price	Number of options over ordinary shares				Balance as at 31.12.2019
		Balance as at 1.1.2019	Exercised	Forfeited	Lapsed	
22.01.2015	RM0.24	30,180,900	(29,940,900)	-	(240,000)	-
22.06.2015	RM0.34	1,494,000	(1,494,000)	-	-	-
22.06.2016	RM0.49	4,497,000	(852,000)	(123,000)	(3,522,000)	-
22.06.2017	RM0.53	6,588,000	(60,000)	(294,000)	(6,234,000)	-
22.05.2018	RM0.59	1,545,000	-	(224,000)	(1,321,000)	-
		44,304,900	(32,346,900)	(641,000)	(11,317,000)	-

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

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

The aggregate number of ESOS Options to be offered under the Scheme shall not in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the duration the Scheme and shall be offered to eligible Directors and employees of the Group ("Eligible Persons"). Each Option shall be exercisable into one (1) new share, fully issued and paid-up.
- Eligible Persons must be a Malaysian citizen and he is employed (1) full time by and on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group or (2) under an employment contract for a fixed duration and has been in the employment of the Group for a period of at least one (1) of continuous service prior to and up to the date of offer.
- There are no performance targets to be achieved by the Grantee before the ESOS Options can be exercised, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.
- Not more than ten percent (10%) of the new ESOS Options available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).
- The Company shall ensure that allocation of ESOS Options pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of ESOS Options as set out in the By-Laws. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.

DIRECTORS' REPORT

cont'd

EMPLOYEES' SHARE OPTION SCHEME *cont'd*

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

- (f) An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1.00 for the grant of the ESOS Options (regardless of the number of shares comprised therein).
- (g) A Grantee shall be allowed to exercise the ESOS Options granted to him during the Scheme whilst he is in the employment of the Group and within the Option Period. Upon acceptance of the Offer, the Grantee may during the Option Period and unless otherwise provided in these By-Laws, exercise the Options in the following manner:

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

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

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

- (h) The Exercise Price of each Share comprised in any ESOS Option shall be based on the higher of a price to be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten percent (10%) or the par value of the shares.
- (i) The new shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company, save and except that the new shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new shares.
- (j) The new shares to be allotted and issued to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding, a Grantee who is a non-executive Director must not sell, transfer or assign their shares obtained through the exercise of their ESOS Options offered to them pursuant to the Scheme within one (1) year from the Date of Offer such ESOS Options.
- (k) An option granted under the ESOS shall cease with immediate effect where the Grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of retirement before attaining the normal retirement age with the consent of the ESOS Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the ESOS Committee in writing. In addition, the Options shall immediately become void and of no effect upon the bankruptcy of the Grantee.

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

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

DIRECTORS' REPORT

cont'd

DIRECTORS

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

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

* *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
Pok Jiun Lim
Fan Kock Keong
Pang Tee King (Appointed on 25 March 2019)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 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 31.12.2019
	Balance as at 1.1.2019	Acquired	Disposed	
Shares in the Company				
Tang Ying See				
- Direct	6,600,000	1,200,000	-	7,800,000
- Indirect*	432,286,500	6,040,000	-	438,326,500
Chin Song Mooi				
- Direct	6,041,700	750,000	-	6,791,700
- Indirect**	432,844,800	6,490,000	-	439,334,800
Au Chun Choong				
- Direct	4,182,600	600,000	-	4,782,600
Dato' Haji Mokhtar Bin Haji Samad				
- Direct	1,860,000	300,000	-	2,160,000
Chen Moi Kew				
- Direct	2,385,000	4,800,000	(2,595,000)	4,590,000
Chan Wan Siew				
- Direct	1,350,000	300,000	-	1,650,000

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: *cont'd*

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

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

	Number of options over ordinary shares		
	Balance as at	Exercised	Balance as at
	1.1.2019		31.12.2019
Shares in the Company			
Tang Ying See	1,200,000	(1,200,000)	-
Chin Song Mooi	750,000	(750,000)	-
Au Chun Choong	600,000	(600,000)	-
Dato' Haji Mokhtar Bin Haji Samad	300,000	(300,000)	-
Chen Moi Kew	4,800,000	(4,800,000)	-
Chan Wan Siew	300,000	(300,000)	-

	Number of ordinary shares			
	Balance as at	Acquired	Disposed	Balance as at
	1.1.2019			31.12.2019
Shareholdings in holding company, Chemplex Resources Sdn. Bhd.				
Tang Ying See - Direct	782	-	-	782
Chin Song Mooi - Direct	218	-	-	218

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remunerations received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest 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 except for the share options granted pursuant to the ESOS as mentioned in Note 28 to the financial statements.

DIRECTORS' REPORT

cont'd

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

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

The total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are 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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT

cont'd

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

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

HOLDING COMPANY

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

AUDITORS

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

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 23 to the financial statements.

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

Tang Ying See
Director

Chen Moi Kew
Director

Kuala Lumpur
9 March 2020

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 56 to 111 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 2019 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
9 March 2020

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) 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 56 to 111 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 9 March 2020)

Chen Moi Kew

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of Luxchem Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Luxchem Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 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 56 to 111.

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 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

a) Impairment assessment of goodwill

As disclosed in Note 7 to the financial statements, the Group has a goodwill of RM35,802,888 which arose from the acquisition of Transform Master Sdn. Bhd.. The goodwill has been allocated to Transform Master Sdn. Bhd. as the cash generating unit ("CGU").

This CGU has been tested for impairment on yearly basis to assess the recoverability of the carrying amount of the goodwill. The management assessed the recoverable amount of the goodwill by determining the CGU's value-in-use using the discounted cash flows method.

The determination of value-in-use is highly subjective as significant judgement is required to determine the appropriate future cash flow forecast and projections, operating profit margin, discount rate and growth rate.

Audit response

Our audit procedures include the following:

- (a) compared prior period projection to actual outcome to assess reliability of management forecasting process;
- (b) compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;

INDEPENDENT AUDITORS' REPORT

to the members of Luxchem Corporation Berhad
cont'd

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

Key Audit Matters *cont'd*

a) Impairment assessment of goodwill *cont'd*

Audit response *cont'd*

Our audit procedures include the following:

- (c) verified growth rates and operating profit margin to support the key assumptions in projection;
- (d) verified pre-tax discount rate for the CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (e) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

b) Impairment assessment of investments in subsidiaries

As at 31 December 2019, the carrying amount of the investments in subsidiaries for unquoted equity shares were RM113,179,613 as disclosed in Note 9 to the financial statements.

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

Audit response

Our audit procedures included the following:

- (a) compared prior period projection to actual outcome to assess reliability of management forecasting process;
- (b) compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;
- (c) verified growth rates and operating profit margin to support the key assumptions in projection;
- (d) verified pre-tax discount rate used by each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (e) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Luxchem Corporation Berhad
cont'd

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

to the members of Luxchem Corporation Berhad
cont'd

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

OTHER MATTERS

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2021 J
Chartered Accountant

9 March 2020
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	53,019,475	49,356,123	-	-
Investment property	6	2,771,696	2,800,000	-	-
Goodwill	7	35,802,888	35,802,888	-	-
Intangible assets	8	4,309,748	4,448,937	-	-
Investments in subsidiaries	9	-	-	157,456,494	157,321,242
Other investments	10	1,766,705	1,990,649	-	-
Deferred tax assets	11	596,317	280,330	-	-
		98,266,829	94,678,927	157,456,494	157,321,242
Current assets					
Inventories	12	68,944,796	84,357,493	-	-
Trade and other receivables	13	135,610,389	145,430,161	7,129	7,182
Current tax assets		3,366,965	4,241,096	-	-
Cash and bank balances	14	126,474,086	107,676,548	21,106,249	12,579,267
		334,396,236	341,705,298	21,113,378	12,586,449
TOTAL ASSETS		432,663,065	436,384,225	178,569,872	169,907,691
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	174,372,109	163,377,293	174,372,109	163,377,293
Reserves	16	134,634,569	119,848,376	3,923,471	6,243,882
		309,006,678	283,225,669	178,295,580	169,621,175
Non-controlling interests		(628,315)	71,338	-	-
TOTAL EQUITY		308,378,363	283,297,007	178,295,580	169,621,175

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

cont'd

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
LIABILITIES					
Non-current liabilities					
Retirement benefits	17	573,219	409,821	-	-
Lease liabilities	18	494,690	653,341	-	-
Deferred tax liabilities	11	1,695,829	1,586,706	-	-
		2,763,738	2,649,868	-	-
Current liabilities					
Trade and other payables	19	56,825,388	62,955,879	259,960	286,516
Lease liabilities	18	590,772	866,645	-	-
Borrowing	20	63,001,209	86,614,826	-	-
Current tax liabilities		1,103,595	-	14,332	-
		121,520,964	150,437,350	274,292	286,516
TOTAL LIABILITIES		124,284,702	153,087,218	274,292	286,516
TOTAL EQUITY AND LIABILITIES		432,663,065	436,384,225	178,569,872	169,907,691

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 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	21	765,480,385	814,086,419	20,400,000	21,900,000
Cost of sales		(685,077,192)	(732,986,928)	-	-
Gross profit		80,403,193	81,099,491	20,400,000	21,900,000
Other operating income		5,460,863	3,347,454	570,154	371,545
Selling and distribution costs		(5,999,051)	(6,208,715)	-	-
Administration expenses		(22,066,446)	(22,864,169)	(482,905)	(493,272)
Other operating expenses		(3,082,675)	(1,185,553)	(70,853)	(141,533)
Finance costs	22	(4,594,577)	(4,308,936)	-	-
Profit before tax	23	50,121,307	49,879,572	20,416,396	21,636,740
Tax expense	24	(13,165,942)	(12,501,085)	(135,450)	(88,000)
Profit for the financial year		36,955,365	37,378,487	20,280,946	21,548,740
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		(18,966)	(68,650)	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligations		(24,558)	63,258	-	-
Fair value (loss)/gain on equity investments at fair value through other comprehensive income		(223,944)	208,708	-	-
		(248,502)	271,966	-	-
Total other comprehensive (loss)/income for the financial year, net of tax		(267,468)	203,316	-	-
Total comprehensive income for the financial year		36,687,897	37,581,803	20,280,946	21,548,740

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 2019

cont'd

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Profit attributable to:					
Owners of the parent		37,644,630	37,788,172	20,280,946	21,548,740
Non-controlling interests		(689,265)	(409,685)	-	-
		36,955,365	37,378,487	20,280,946	21,548,740
Total comprehensive income attributable to:					
Owners of the parent		37,387,550	37,994,248	20,280,946	21,548,740
Non-controlling interests		(699,653)	(412,445)	-	-
		36,687,897	37,581,803	20,280,946	21,548,740
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic	25	4.27	4.42		
- Diluted	25	4.27	4.31		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

Group	Note	Non-distributable			Distributable		Total	Non-controlling interests	Total equity
		Share capital	Exchange translation reserve	Fair value reserve	Share options reserve	Retained earnings			
		RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2019		163,377,293	(230,340)	1,695,307	4,429,517	113,953,892	283,225,669	71,338	283,297,007
Profit for the financial year		-	-	-	-	37,644,630	37,644,630	(689,265)	36,955,365
Foreign currency translations		-	(15,945)	-	-	-	(15,945)	(3,021)	(18,966)
Fair value loss on equity investments		-	-	(223,944)	-	-	(223,944)	-	(223,944)
Remeasurement of defined benefit obligations		-	-	-	-	(17,191)	(17,191)	(7,367)	(24,558)
Total comprehensive income		-	(15,945)	(223,944)	-	37,627,439	37,387,550	(699,653)	36,687,897
Transactions with owners									
Share options vested under Employees' Share Options Scheme ("ESOS")		-	-	-	138,497	-	138,497	-	138,497
Ordinary shares issued pursuant to ESOS		10,994,816	-	-	(2,851,760)	-	8,143,056	-	8,143,056
Share options forfeited		-	-	-	(85,481)	85,481	-	-	-
Share options lapsed		-	-	-	(1,630,773)	1,630,773	-	-	-
Dividends paid	26	-	-	-	-	(19,888,094)	(19,888,094)	-	(19,888,094)
Total transactions with owners		10,994,816	-	-	(4,429,517)	(18,171,840)	(11,606,541)	-	(11,606,541)
Balance as at 31 December 2019		174,372,109	(246,285)	1,471,363	-	133,409,491	309,006,678	(628,315)	308,378,363

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019
cont'd

Group	Note	← Non-distributable →				Distributable		Non-controlling interests	Total equity
		Share capital	Exchange translation reserve	Fair value reserve	Share options reserve	Retained earnings	Total		
		RM	RM	RM	RM	RM	RM	RM	
Balance as at 1 January 2018		156,055,848	(183,427)	1,486,599	5,191,827	97,442,516	259,993,363	483,783	260,477,146
Profit for the financial year		-	-	-	-	37,788,172	37,788,172	(409,685)	37,378,487
Foreign currency translations		-	(46,913)	-	-	-	(46,913)	(21,737)	(68,650)
Fair value gain on equity investments		-	-	208,708	-	-	208,708	-	208,708
Remeasurement of defined benefit obligations		-	-	-	-	44,281	44,281	18,977	63,258
Total comprehensive income		-	(46,913)	208,708	-	37,832,453	37,994,248	(412,445)	37,581,803
Transactions with owners									
Share options vested under ESOS		-	-	-	1,161,284	-	1,161,284	-	1,161,284
Ordinary shares issued pursuant to ESOS		7,321,445	-	-	(1,806,485)	-	5,514,960	-	5,514,960
Share options forfeited		-	-	-	(117,109)	117,109	-	-	-
Dividends paid	26	-	-	-	-	(21,438,186)	(21,438,186)	-	(21,438,186)
Total transactions with owners		7,321,445	-	-	(762,310)	(21,321,077)	(14,761,942)	-	(14,761,942)
Balance as at 31 December 2018		163,377,293	(230,340)	1,695,307	4,429,517	113,953,892	283,225,669	71,338	283,297,007

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

Company	Note	← Non-distributable →		Distributable	Total equity RM
		Share capital RM	Share options reserve RM	Retained earnings RM	
Balance as at 1 January 2019		163,377,293	4,429,517	1,814,365	169,621,175
Profit for the financial year		-	-	20,280,946	20,280,946
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	20,280,946	20,280,946
Transactions with owners					
Share options vested under ESOS		-	138,497	-	138,497
Ordinary shares issued pursuant to ESOS		10,994,816	(2,851,760)	-	8,143,056
Share options forfeited		-	(85,481)	85,481	-
Share options lapsed		-	(1,630,773)	1,630,773	-
Dividends paid	26	-	-	(19,888,094)	(19,888,094)
Total transactions with owners		10,994,816	(4,429,517)	(18,171,840)	(11,606,541)
Balance at 31 December 2019		174,372,109	-	3,923,471	178,295,580

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

cont'd

Company	Note	← Non-distributable →		Distributable	Total equity RM
		Share capital RM	Share options reserve RM	Retained earnings RM	
Balance as at 1 January 2018		156,055,848	5,191,827	1,586,702	162,834,377
Profit for the financial year		-	-	21,548,740	21,548,740
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	21,548,740	21,548,740
Transactions with owners					
Share options vested under ESOS		-	1,161,284	-	1,161,284
Ordinary shares issued pursuant to ESOS		7,321,445	(1,806,485)	-	5,514,960
Share options forfeited		-	(117,109)	117,109	-
Dividends paid	26	-	-	(21,438,186)	(21,438,186)
Total transactions with owners		7,321,445	(762,310)	(21,321,077)	(14,761,942)
Balance at 31 December 2018		163,377,293	4,429,517	1,814,365	169,621,175

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		50,121,307	49,879,572	20,416,396	21,636,740
Adjustments for:					
Amortisation of intangible assets	8	150,584	149,158	-	-
Bad debts written off		3,549	-	-	-
Depreciation of investment property	6	28,304	-	-	-
Depreciation of property, plant and equipment	5	3,921,491	3,610,841	-	-
Defined benefit obligations	17(b)	119,652	102,942	-	-
Dividend income		(96,053)	(119,788)	(20,400,000)	(21,900,000)
Loss/(Gain) on changes in fair value of forward exchange contracts		54,960	(50,585)	-	-
Gain on disposal of property, plant and equipment		(209,544)	(149,290)	-	-
Impairment losses on trade receivables	13(g)	1,966,432	999,737	-	-
Interest income		(1,946,149)	(1,642,043)	(569,745)	(371,004)
Interest expense	22	4,594,577	4,308,936	-	-
Inventories written down	12(d)	182,006	266,685	-	-
Inventories written off	12(f)	1,066,807	71,984	-	-
Property, plant and equipment written off	5	112,975	33,498	-	-
Net unrealised (gain)/loss on foreign exchange		(216,072)	(230,644)	463	409
Reversal of impairment loss on trade receivables	13(g)	(804,416)	(429,518)	-	-
Reversal of inventories written down	12(e)	(218,538)	(606,836)	-	-
Share options vested under ESOS		138,497	1,161,284	3,245	23,764
Operating profit/(loss) before working capital changes		58,970,369	57,355,933	(549,641)	(610,091)
Decrease/(Increase) in inventories		14,637,505	(4,481,817)	-	-
Decrease/(Increase) in trade and other receivables		8,566,349	(9,989,121)	(410)	(519)
Decrease in trade and other payables		(5,889,580)	(11,575,788)	(26,556)	(8,847)
Cash generated from/(used in) operations		76,284,643	31,309,207	(576,607)	(619,457)
Net tax paid		(11,280,800)	(14,914,205)	(121,118)	(98,698)
Interest received		1,946,149	1,642,043	569,745	371,004
Interest paid		(4,488,037)	(4,133,044)	-	-
Retirement benefits paid	17(b)	-	(9,656)	-	-
Net cash from/(used in) operating activities		62,461,955	13,894,345	(127,980)	(347,151)

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

cont'd

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5(d)	(7,210,542)	(3,826,493)	-	-
Purchase of intangible assets	8	(11,395)	(4,255,903)	-	-
Proceeds from disposal of property, plant and equipment		209,553	213,397	-	-
Advances to subsidiaries		-	-	-	(4,000,000)
Dividend received		96,053	119,788	20,400,000	21,900,000
Placement of deposits with licensed banks with original maturity of more than three (3) months		(8,704,354)	(6,122,218)	(1,200,000)	(6,106,361)
Net cash (used in)/from investing activities		(15,620,685)	(13,871,429)	19,200,000	11,793,639
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued pursuant to share options exercised		8,143,056	5,514,960	8,143,056	5,514,960
Repayment on lease liabilities		(917,036)	(1,001,727)	-	-
Interest paid on lease liabilities		(106,540)	(175,892)	-	-
Net (repayment)/drawdown of trade finance		(24,322,539)	9,960,325	-	-
Dividend paid		(19,888,094)	(21,438,186)	(19,888,094)	(21,438,186)
Net cash used in financing activities		(37,091,153)	(7,140,520)	(11,745,038)	(15,923,226)
Net increase/(decrease) in cash and cash equivalents		9,750,117	(7,117,604)	7,326,982	(4,476,738)
Cash and cash equivalents at beginning of financial year		100,222,496	107,760,153	5,579,267	10,056,005
Effect of changes in exchange rates		343,067	(420,053)	-	-
Cash and cash equivalents at end of financial year		110,315,680	100,222,496	12,906,249	5,579,267

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019
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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	62,070,680	48,512,154	256,249	71,925
Deposits placed with licensed banks	64,403,406	59,164,394	20,850,000	12,507,342
	126,474,086	107,676,548	21,106,249	12,579,267
Less:				
Placement of deposits with licensed banks with original maturity of more than three (3) months	(16,158,406)	(7,454,052)	(8,200,000)	(7,000,000)
	110,315,680	100,222,496	12,906,249	5,579,267

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Note	Leases (Note 18) RM	Borrowing (Note 20) RM
At 1 January 2018, as previously reported		-	77,450,162
Effect of adoption of MFRS 16		2,443,234	-
At 1 January 2018, as restated		2,443,234	77,450,162
Cash flows		(1,001,727)	9,960,325
Non-cash changes:			
- Acquisition of property, plant and equipment	5(d)	103,893	-
- Translation adjustments		(25,414)	(795,661)
At 31 December 2018		1,519,986	86,614,826
At 1 January 2019		1,519,986	86,614,826
Cash flows		(917,036)	(24,322,539)
Non-cash changes:			
- Acquisition of property, plant and equipment	5(d)	472,940	-
- Translation adjustments		9,572	708,922
At 31 December 2019		1,085,462	63,001,209

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 2019 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 of the Directors on 9 March 2020.

2. PRINCIPAL ACTIVITIES

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

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

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 33(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 and related products. |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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.

2019	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Revenue				
Total revenue	629,530,242	267,998,261	-	897,528,503
Inter-segment revenue	(1,253,419)	(130,794,699)	-	(132,048,118)
External sales	628,276,823	137,203,562	-	765,480,385
Results				
Segment results	29,589,087	23,637,944	(553,349)	52,673,682
Dividend and interest income	1,217,957	254,500	569,745	2,042,202
Operating profit	30,807,044	23,892,444	16,396	54,715,884
Finance costs	(4,421,560)	(173,017)	-	(4,594,577)
Profit before tax	26,385,484	23,719,427	16,396	50,121,307
Tax expense	(7,076,515)	(5,953,977)	(135,450)	(13,165,942)
Profit/(Loss) for the financial year	19,308,969	17,765,450	(119,054)	36,955,365
Segment assets	275,603,847	135,950,969	21,108,249	432,663,065
Segment liabilities	99,537,855	24,472,555	274,292	124,284,702

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cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

2019	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Other segment information				
Additions to non-current assets:				
- property, plant and equipment	4,931,990	2,751,492	-	7,683,482
- intangible assets	-	11,395	-	11,395
Depreciation and amortisation	1,991,943	2,108,436	-	4,100,379
<i>Non cash expenses other than depreciation and amortisation:</i>				
- Impairment losses on trade receivables, net of reversals	1,162,016	-	-	1,162,016
- Bad debts written off	3,549	-	-	3,549
- Property, plant and equipment written off	754	112,221	-	112,975
- Inventories written down	74,277	107,729	-	182,006
- Inventories written off	111,818	954,989	-	1,066,807
- Reversal of inventories written down	(25,524)	(193,014)	-	(218,538)
- Defined benefit obligations	119,652	-	-	119,652
- Net unrealised (gain)/loss foreign exchange	(384,939)	168,404	463	(216,072)
- Net loss on changes in fair value of forward exchange contracts	54,960	-	-	54,960
- Net gain on disposal of property, plant and equipment	(187,546)	(21,998)	-	(209,544)
- Share options vested under ESOS	119,103	16,149	3,245	138,497

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

2018	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Revenue				
Total revenue	668,610,209	281,634,078	-	950,244,287
Inter-segment revenue	(11,469,417)	(124,688,451)	-	(136,157,868)
External sales	657,140,792	156,945,627	-	814,086,419
Results				
Segment results	29,320,868	23,740,073	(634,264)	52,426,677
Dividend and interest income	1,163,388	227,439	371,004	1,761,831
Operating profit/(loss)	30,484,256	23,967,512	(263,260)	54,188,508
Finance costs	(4,026,289)	(282,647)	-	(4,308,936)
Profit/(Loss) before tax	26,457,967	23,684,865	(263,260)	49,879,572
Tax expense	(7,188,293)	(5,224,792)	(88,000)	(12,501,085)
Profit/(Loss) for the financial year	19,269,674	18,460,073	(351,260)	37,378,487
Segment assets	289,573,943	134,229,015	12,581,267	436,384,225
Segment liabilities	122,828,641	29,972,061	286,516	153,087,218
Other segment information				
Additions to non-current assets:				
- property, plant and equipment	1,344,142	2,586,244	-	3,930,386
- investment property	2,800,000	-	-	2,800,000
- intangible asset	45,595	4,210,308	-	4,255,903
Depreciation and amortisation	1,833,368	1,926,631	-	3,759,999
<i>Non cash expenses other than depreciation and amortisation:</i>				
- Impairment losses on trade receivables, net of reversals	570,219	-	-	570,219
- Property, plant and equipment written off	180	33,318	-	33,498
- Inventories written down	25,483	241,202	-	266,685
- Inventories written off	71,984	-	-	71,984
- Reversal of inventories written down	(377,000)	(229,836)	-	(606,836)
- Defined benefit obligations	102,942	-	-	102,942
- Net unrealised (gain)/loss foreign exchange	(66,896)	(164,157)	409	(230,644)
- Net (gain)/loss on changes in fair value of forward exchange contracts	(54,868)	4,283	-	(50,585)
- Net gain on disposal of property, plant and equipment	(39,792)	(109,498)	-	(149,290)
- Share options vested under ESOS	1,008,308	129,212	23,764	1,161,284

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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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.

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	530,674,941	95,094,454	578,197,764	91,669,635
Indonesia	111,416,423	726,989	105,640,282	569,160
Vietnam	80,070,159	82,364	90,584,478	169,153
Thailand	20,652,682	-	15,032,287	-
Singapore	3,735,972	-	3,539,313	-
Bangladesh	3,422,735	-	4,565,738	-
Philippines	3,223,056	-	2,799,793	-
Australia	3,208,856	-	4,974,776	-
New Zealand	2,544,015	-	2,415,178	-
Cambodia	2,476,411	-	3,640,258	-
Sri Lanka	2,073,495	-	544,052	-
Japan	1,128,485	-	1,555,709	-
Others	853,155	-	596,791	-
	765,480,385	95,903,807	814,086,419	92,407,948

(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 2019

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5. PROPERTY, PLANT AND EQUIPMENT

2019 Group	Balance as at 1.1.2019 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Translation adjustments RM	Depreciation charge for the year RM	Balance as at 31.12.2019 RM
Carrying amount								
Freehold land	2,411,942	-	-	-	-	-	-	2,411,942
Long term leasehold land								
- Right-of-use assets	20,687,798	-	-	-	-	-	(342,200)	20,345,598
Buildings								
- Owned	14,912,673	274,080	-	-	-	-	(370,763)	14,815,990
- Right-of-use assets	731,697	406,173	-	-	-	4,621	(612,000)	530,491
Renovation	438,026	101,600	-	-	-	(34)	(88,242)	451,350
Furniture and fittings	361,390	81,174	-	-	(163,932)	(23)	(40,623)	237,986
Plant, machinery and equipment	7,429,723	1,403,421	-	(112,975)	221,659	1,056	(1,559,172)	7,383,712
Motor vehicles								
- Owned	1,752,643	958,007	(9)	-	297,847	706	(787,765)	2,221,429
- Right-of-use assets	630,231	111,878	-	-	(297,847)	8,019	(120,726)	331,555
Capital work-in-progress	-	4,347,149	-	-	(57,727)	-	-	4,289,422
	49,356,123	7,683,482	(9)	(112,975)	-	14,345	(3,921,491)	53,019,475

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

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

2018 Group	Balance as at 1.1.2018	Effect of adoption of MFRS 16 (Note 18)	Additions	Disposals	Written off	Reclassification	Translation adjustments	Depreciation charge for the year	Balance as at 31.12.2018
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Carrying amount									
Freehold land	2,411,942	-	-	-	-	-	-	-	2,411,942
Long term leasehold land									
- Owned	20,072,492	(20,072,492)	-	-	-	-	-	-	-
- Right-of-use assets	-	20,546,700	444,099	-	-	-	-	(303,001)	20,687,798
Buildings									
- Owned	15,299,140	-	-	-	-	-	-	(386,467)	14,912,673
- Right-of-use assets	-	1,345,312	-	-	-	-	(14,594)	(599,021)	731,697
Renovation	454,092	-	104,290	-	-	-	(1,724)	(118,632)	438,026
Furniture and fittings	307,322	-	75,805	-	(4)	44,130	(62)	(65,801)	361,390
Plant, machinery and equipment	4,985,937	-	1,752,347	-	(33,494)	2,137,975	(1,546)	(1,411,496)	7,429,723
Motor vehicles									
- Owned	1,957,117	(788,768)	1,096,379	(64,107)	-	-	(5,646)	(442,332)	1,752,643
- Right-of-use assets	-	788,768	136,338	-	-	-	(10,784)	(284,091)	630,231
Capital work-in- progress	1,860,977	-	321,128	-	-	(2,182,105)	-	-	-
	47,349,019	1,819,520	3,930,386	(64,107)	(33,498)	-	(34,356)	(3,610,841)	49,356,123

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

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

	← As at 31 December 2019 →		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Freehold land	2,411,942	-	2,411,942
Long-term leasehold land			
- Right-of-use assets	22,179,869	(1,834,271)	20,345,598
Building			
- Owned	19,430,780	(4,614,790)	14,815,990
- Right-of-use assets	1,750,021	(1,219,530)	530,491
Renovation	1,703,990	(1,252,640)	451,350
Furniture and fittings	1,264,502	(1,026,516)	237,986
Plant, machinery and equipment	23,134,509	(15,750,797)	7,383,712
Motor vehicles			
- Owned	5,271,673	(3,050,244)	2,221,429
- Right-of-use assets	645,297	(313,742)	331,555
Capital work-in-progress	4,289,422	-	4,289,422
	82,082,005	(29,062,530)	53,019,475
	← As at 31 December 2018 →		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Freehold land	2,411,942	-	2,411,942
Long term leasehold land			
- Right-of-use assets	22,179,869	(1,492,071)	20,687,798
Building			
- Owned	19,156,700	(4,244,027)	14,912,673
- Right-of-use assets	1,334,145	(602,448)	731,697
Renovation	1,597,463	(1,159,437)	438,026
Furniture and fittings	1,492,444	(1,131,054)	361,390
Plant, machinery and equipment	21,631,484	(14,201,761)	7,429,723
Motor vehicles			
- Owned	4,195,861	(2,443,218)	1,752,643
- Right-of-use assets	1,445,322	(815,091)	630,231
	75,445,230	(26,089,107)	49,356,123

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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:

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	
	2019 RM	2018 RM
Purchase of property, plant and equipment	7,683,482	3,930,386
Financed by lease liabilities	(472,940)	(103,893)
Cash payments on purchase of property, plant and equipment	7,210,542	3,826,493

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTY

Group	Balance as at 1.1.2019 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2019 RM
Carrying amount				
Investment property	2,800,000	-	(28,304)	2,771,696

Group	At 31.12.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Investment property	2,800,000	(28,304)	2,771,696

Group	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2018 RM
Carrying amount				
Investment property	-	2,800,000	-	2,800,000

Group	At 31.12.2018		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Investment property	2,800,000	-	2,800,000

- (a) Investment property is initially measured at cost, which includes transaction costs. After initial recognition, investment property is stated at cost less 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 98 years (2018: 99 years).

- (c) The Level 3 fair value of investment property is RM3,450,000 (2018: RM2,800,000). The fair value is determined by the Directors based on market values for similar properties in the same vicinity. There is no transfer between levels in the hierarchy during the financial year.

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

	Group	
	2019 RM	2018 RM
Direct operating expenses	10,163	-

NOTES TO THE FINANCIAL STATEMENTS

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7. GOODWILL

	Group	
	2019 RM	2018 RM
Balance as at 1 January/31 December	35,802,888	35,802,888

(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 unit ("CGU") which is the subsidiary itself, namely Transform Master Sdn. Bhd. ("TMSB"). For segment reporting purposes, the operations of TMSB has been allocated into Manufacturing segment.

For annual impairment assessment purposes, the recoverable amount of this CGU is based on value-in-use calculation. This calculation is based on a discounted future cash flow model using the cash flow forecast and projections covering a five-year period and approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rate as disclosed in Note 7(c). The key assumptions for the computation of value-in-use are further described in Note 7(c).

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

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

	Group	
	2019	2018
Sales volume (annual growth rate)	4.44%	9.02%
Operating profit margin	11.23%	12.82%
Long-term growth rate	0.00%	0.00%
Pre-tax discount rate	7.48%	9.02%

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

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

(d) 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 goodwill to materially exceed its recoverable amount.

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31 December 2019

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8. INTANGIBLE ASSETS

Group	Balance as at 1.1.2019 RM	Additions RM	Amortisation charge for the year RM	Balance as at 31.12.2019 RM
Carrying amount				
Computer software	448,937	11,395	(150,584)	309,748
Brand equity	4,000,000	-	-	4,000,000
	4,448,937	11,395	(150,584)	4,309,748

Group	At 31.12.2019		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Computer software	1,619,213	(1,309,465)	309,748
Brand equity	4,000,000	-	4,000,000
	5,619,213	(1,309,465)	4,309,748

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

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

- (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 (2018: 5 years).

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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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-year period and approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rate as disclosed in Note 8(d). The key assumptions for the computation of value-in-use are further described in Note 8(d).

(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	
	2019	2018
Sales volume (annual growth rate)	0.00%	5.00%
Operating profit margin	10.14%	9.30%
Long-term growth rate	0.00%	0.00%
Pre-tax discount rate	7.95%	9.72%

Assumptions

Approach used in determining values

Sales volume	Compound annual growth rate over the five-year forecast period based on financial plans approved by senior management team of Luxchem Polymer Industries Sdn. Bhd. 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.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The long-term growth rate has been estimated to be Nil.
Pre-tax discount rate	Reflect specific risks relating to the brand equity and the country in which the entity operates.

(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.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted equity shares, at cost	113,179,613	113,179,613
Equity loans to subsidiaries	33,704,973	33,704,973
Equity contributions in subsidiaries in respect of ESOS	10,571,908	10,436,656
	157,456,494	157,321,242

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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9. INVESTMENTS IN SUBSIDIARIES *cont'd*

- (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 settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the investments of the Company in providing the subsidiaries with a long term source of additional capital.

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

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(h) to the financial statements.

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

- (c) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2019	2018	
Luxchem Trading Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Luxchem Polymer Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and trading of unsaturated polyester resin and related products.
Luxchem Trading (S) Pte. Ltd.*	Republic of Singapore	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Chemplex Composite Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
PT Luxchem Indonesia#	Indonesia	70%	70%	Distributor of chemicals and petrochemical products.
Luxchem Vietnam Company Limited*	Vietnam	100%	100%	Distributor of chemicals and petrochemical products.
Transform Master Sdn. Bhd.	Malaysia	100%	100%	Manufacturer of chemical products.

* Not audited by BDO PLT or BDO Member Firm

Audited by BDO Member Firm

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31 December 2019

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9. INVESTMENTS IN SUBSIDIARIES *cont'd*

- (d) The Group does not have any subsidiary that has non-controlling interests, which is individually material to the Group for both financial years ended 31 December 2019 and 31 December 2018.

10. OTHER INVESTMENTS

	Group	
	2019 RM	2018 RM
Equity securities:		
- Quoted shares in Malaysia	1,656,704	1,880,648
- Unquoted shares in Malaysia	110,001	110,001
	1,766,705	1,990,649

- (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 and unquoted shares of the Group are categorised as Level 1 and Level 3 in the fair value hierarchy respectively.
- (c) There is no transfer between levels in the hierarchy during the financial year.
- (d) 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:

	Note	Group	
		2019 RM	2018 RM
Balance as at 1 January		1,306,376	945,659
Recognised in profit or loss	24	(191,606)	330,412
Recognised in other comprehensive income		(8,186)	21,086
Translation adjustments		(7,072)	9,219
Balance as at 31 December		1,099,512	1,306,376

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2019 RM	2018 RM
Deferred tax assets, net	(596,317)	(280,330)
Deferred tax liabilities, net	1,695,829	1,586,706
	1,099,512	1,306,376

- (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 temporary differences RM	Set off of tax RM	Total RM
Balance as at 1 January 2019	(693,658)	413,328	(280,330)
Recognised in profit or loss	(300,729)	-	(300,729)
Recognised in other comprehensive income	(8,186)	-	(8,186)
Translation adjustments	(7,072)	-	(7,072)
Balance as at 31 December 2019	(1,009,645)	413,328	(596,317)
Balance as at 1 January 2018	(692,458)	413,328	(279,130)
Recognised in profit or loss	(31,505)	-	(31,505)
Recognised in other comprehensive income	21,086	-	21,086
Translation adjustments	9,219	-	9,219
Balance as at 31 December 2018	(693,658)	413,328	(280,330)

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Set off of tax RM	Total RM
Balance as at 1 January 2019	1,621,008	379,026	(413,328)	1,586,706
Recognised in profit or loss	408,100	(298,977)	-	109,123
Balance as at 31 December 2019	2,029,108	80,049	(413,328)	1,695,829
Balance as at 1 January 2018	1,252,251	385,866	(413,328)	1,224,789
Recognised in profit or loss	368,757	(6,840)	-	361,917
Balance as at 31 December 2018	1,621,008	379,026	(413,328)	1,586,706

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12. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Raw materials	17,581,951	20,052,030
Consumables	683,480	569,358
Finished goods	8,245,944	10,908,861
Trading goods	41,984,361	52,529,097
	68,495,736	84,059,346
At net realisable value		
Raw materials	223,287	298,147
Trading goods	225,773	-
	449,060	298,147
	68,944,796	84,357,493

- (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 RM669,212,066 (2018: RM718,476,544).
- (d) During the financial year, the amounts of inventories written down recognised as expenses amounted to RM182,006 (2018: RM266,685).
- (e) During the financial year, the Group had recognised a reversal of RM218,538 (2018: RM606,836), 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 recognised as expenses amounted to RM1,066,807 (2018: RM71,984).

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13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	136,509,385	141,263,362	-	-
Less: Impairment losses	(3,450,265)	(2,459,611)	-	-
Total trade receivables	133,059,120	138,803,751	-	-
Other receivables				
Amount owing by a subsidiary	-	-	5,129	5,182
Other receivables	2,011,254	5,600,399	2,000	2,000
Total other receivables	2,011,254	5,600,399	7,129	7,182
Total receivables	135,070,374	144,404,150	7,129	7,182
Prepayments	540,015	1,026,011	-	-
	135,610,389	145,430,161	7,129	7,182

- (a) Total receivables are classified as financial assets measured at amortised costs.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 0 to 180 days (2018: 0 to 180 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Non-trade amount owing by a subsidiary is unsecured, interest free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) The currency exposure profile of trade and other receivables (excluding prepayments) is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	105,180,825	112,312,994	2,000	2,000
Indonesian Rupiah	17,595,213	18,075,604	-	-
United States Dollar	12,223,978	13,849,887	-	-
Singapore Dollar	65,298	73,603	-	-
Vietnamese Dong	4,921	4,949	5,129	5,182
Chinese Yuan Renminbi	139	86,437	-	-
Euro	-	676	-	-
	135,070,374	144,404,150	7,129	7,182

NOTES TO THE FINANCIAL STATEMENTS

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

	Group		Company	
	2019 RM	2018 RM	RM	2019 RM
Effects of 10% changes to RM against foreign currencies				
Profit after tax				
- Indonesian Rupiah	1,337,236	1,373,746	-	-
- United States Dollar	929,022	1,052,591	-	-
- Singapore Dollar	4,963	5,594	-	-
- Vietnamese Dong	374	376	390	394
- Chinese Yuan Renminbi	11	6,569	-	-
- Euro	-	51	-	-

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

Group	Gross RM	Impaired RM	Total RM
2019			
Current	86,479,381	-	86,479,381
Past due			
1 to 30 days	29,595,027	-	29,595,027
31 to 60 days	8,350,223	-	8,350,223
61 to 90 days	2,559,301	-	2,559,301
91 to 120 days	854,588	-	854,588
More than 120 days	8,670,865	(3,450,265)	5,220,600
	50,030,004	(3,450,265)	46,579,739
	136,509,385	(3,450,265)	133,059,120
2018			
Current	91,957,789	(13,168)	91,944,621
Past due			
1 to 30 days	32,870,533	(42,197)	32,828,336
31 to 60 days	8,587,506	(34,820)	8,552,686
61 to 90 days	3,147,250	(73,932)	3,073,318
91 to 120 days	1,620,712	(59,321)	1,561,391
More than 120 days	3,079,572	(2,236,173)	843,399
	49,305,573	(2,446,443)	46,859,130
	141,263,362	(2,459,611)	138,803,751

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

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

During this process, the probability of non-payment by the trade receivables is 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. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other operating expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

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	Fully credit impaired	
	2019	2018
	RM	RM
Balance as at 1 January	2,459,611	1,961,682
Charge for the year	1,966,432	999,737
Reversal during the year	(804,416)	(429,518)
Written off	(185,352)	(59,665)
Translation adjustments	13,990	(12,625)
Balance as at 31 December	3,450,265	2,459,611

- (h) Impairment for other receivables is 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

	← Group →			
	2019		2018	
	RM	% of total	RM	% of total
By country				
Malaysia	20,628,484	16	29,046,788	21
Thailand	2,870,355	2	2,710,999	2
	23,498,839	18	31,757,787	23

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 six (6) major customers representing approximately 18% (2018: seven (7) major customers representing approximately 23%) 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.

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:

	2019	2018
	RM	RM
Maximum exposure	136,509,385	141,263,362
Collateral obtained	(50,096,155)	(42,846,487)
Net exposure	86,413,230	98,416,875

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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14. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	62,070,680	48,512,154	256,249	71,925
Deposits with licensed banks	64,403,406	59,164,394	20,850,000	12,507,342
	126,474,086	107,676,548	21,106,249	12,579,267

(a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 54 and 95 days respectively (2018: 35 and 96 days).

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	85,183,433	73,185,291	21,106,249	12,579,267
United States Dollar	35,556,346	25,813,620	-	-
Indonesian Rupiah	5,173,559	8,166,631	-	-
Singapore Dollar	272,184	180,001	-	-
Euro	190,499	214,614	-	-
Vietnamese Dong	98,065	116,391	-	-
	126,474,086	107,676,548	21,106,249	12,579,267

(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	
	2019 RM	2018 RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	2,702,282	1,961,835
- Indonesian Rupiah	393,190	620,664
- Singapore Dollar	20,686	13,680
- Euro	14,478	16,311
- Vietnamese Dong	7,453	8,846

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14. CASH AND BANK BALANCES *cont'd*

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

	Group		Company	
	2019	2018	2019	2018
Fixed rates	2.68%	2.79%	3.27%	3.53 %

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			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
Balance as at 1 January	863,461,653	163,377,293	844,852,653	156,055,848
Ordinary shares issued pursuant to the exercise of ESOS	32,346,900	10,994,816	18,609,000	7,321,445
Balance as at 31 December	895,808,553	174,372,109	863,461,653	163,377,293

- (a) During the financial year, the issued and paid-up ordinary share capital of the Company had increased from 863,461,653 to 895,808,553 by way of issuance of 32,346,900 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options at exercise prices ranging from RM0.24 to RM0.53 per ordinary share for cash.

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

- (b) During the financial year ended 31 December 2018, the issued and paid-up ordinary share capital of the Company had increased from 844,852,653 to 863,461,653 by way of issuance of 18,609,000 new ordinary shares pursuant to the exercise of the Company's Employees' Share Options at exercise prices ranging from RM0.24 to RM0.59 per ordinary share for cash.

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

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

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16. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Exchange translation reserve	(246,285)	(230,340)	-	-
Fair value reserve	1,471,363	1,695,307	-	-
Share options reserve	-	4,429,517	-	4,429,517
	1,225,078	5,894,484	-	4,429,517
Distributable:				
Retained earnings	133,409,491	113,953,892	3,923,471	1,814,365
	134,634,569	119,848,376	3,923,471	6,243,882

(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.

(c) Share options reserve

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

17. RETIREMENT BENEFITS

	Group	
	2019 RM	2018 RM
Present value of unfunded defined benefit obligations	573,219	409,821

- (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

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17. RETIREMENT BENEFITS *cont'd*

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

	Note	Group	
		2019 RM	2018 RM
Balance as at 1 January		409,821	414,669
Recognised in profit or loss			
Current service costs		82,128	73,129
Interest on obligation		37,524	27,663
Past service costs		-	2,150
	27	119,652	102,942
Recognised in other comprehensive income			
Actuarial loss/(gain) arising from changes in financial assumptions		32,744	(84,345)
Benefits paid		-	(9,656)
Translation adjustments		11,002	(13,789)
Balances as at 31 December		573,219	409,821

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	
	2019 %	2018 %
Discount rate	8.00	9.00
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	
	2019 RM	2018 RM
Discount rate increases by 1%	(48,202)	(36,332)
Discount rate decreases by 1%	54,634	41,233
Future average salary growth increases by 1%	50,940	38,984
Future average salary growth decreases by 1%	(45,999)	(35,122)

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18. LEASES

The Group as lessee

Right-of-use assets

Rights-of-use assets related to leasehold land, building 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.

	Balance as at 1.1.2019	Addition	Depreciation charge for the year	Reclassification	Translation adjustments	Balance as at 31.12.2019
2019	RM	RM	RM	RM	RM	RM
Leasehold land	20,687,798	-	(342,200)	-	-	20,345,598
Building	731,697	406,173	(612,000)	-	4,621	530,491
Motor vehicles	630,231	111,878	(120,726)	(297,847)	8,019	331,555
	22,049,726	518,051	(1,074,926)	(297,847)	12,640	21,207,644

	Balance as at 1.1.2018	Effect of adoption of MFRS 16	Addition	Depreciation charge for the year	Translation adjustments	Balance as at 31.12.2018
2018	RM	RM	RM	RM	RM	RM
Leasehold land	-	20,546,700	444,099	(303,001)	-	20,687,798
Building	-	1,345,312	-	(599,021)	(14,594)	731,697
Motor vehicles	-	788,768	136,338	(284,091)	(10,784)	630,231
	-	22,680,780	580,437	(1,186,113)	(25,378)	22,049,726

Lease liabilities

	Group	
	2019	2018
	RM	RM
Lease liabilities		
Non-current liabilities	494,690	653,341
Current liabilities	590,772	866,645
Total lease liabilities	1,085,462	1,519,986
Lease liabilities owing to:		
- financial institutions	164,243	303,973
- non-financial institutions	921,219	1,216,013
	1,085,462	1,519,986

- (a) 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.

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18. LEASES *cont'd*

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

2019	Balance as at 1.1.2019	Addition	Lease payments		Interest expenses	Translation adjustments	Balance as at 31.12.2019
	RM		RM	Principal RM			Interest RM
Leasehold land	433,361	-	(72,489)	(17,511)	17,511	-	360,872
Building	782,652	406,173	(633,173)	(71,255)	71,255	4,695	560,347
Motor vehicles	303,973	66,767	(211,374)	(17,774)	17,774	4,877	164,243
	1,519,986	472,940	(917,036)	(106,540)	106,540	9,572	1,085,462

2018	Balance as at 1.1.2018	Effect of adoption of MFRS 16	Addition	Lease payments		Interest expenses	Translation adjustments	Balance as at 31.12.2018
	RM	RM		RM	Principal RM			Interest RM
Leasehold land	-	474,208	-	(40,847)	(11,653)	11,653	-	433,361
Building	-	1,345,312	-	(548,170)	(131,659)	131,659	(14,490)	782,652
Motor vehicles	-	623,714	103,893	(412,710)	(32,580)	32,580	(10,924)	303,973
	-	2,443,234	103,893	(1,001,727)	(175,892)	175,892	(25,414)	1,519,986

(c) 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.

(d) The following are the amounts recognised in profit or loss:

	Group	
	2019 RM	2018 RM
Depreciation charge of right-of use assets	1,074,926	1,186,113
Interest expense on lease liabilities	106,540	175,892
Expenses relating to short-term leases	4,800	26,496
Expenses relating to leases of low value assets	32,243	35,516
	1,218,509	1,424,017

(e) The weighted average incremental borrowing rate applied to the lease liabilities is 7.27% (2018: 8.98%). The sensitivity analysis of the effect of the changes in interest rate is not significant, hence the effect of the changes in the interest rates it is not presented.

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18. LEASES *cont'd*

- (f) 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
31 December 2019				
Lease liabilities	590,772	494,690	-	1,085,462
31 December 2018				
Lease liabilities	866,645	616,247	37,094	1,519,986

- (g) 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	On demand or within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
31 December 2019				
Lease liabilities	636,595	523,699	-	1,160,294
31 December 2018				
Lease liabilities	964,431	664,156	37,500	1,666,087

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	49,744,148	54,495,769	-	-
Other payables				
Other payables	2,005,720	3,679,351	-	78,846
Accruals	4,917,244	4,677,443	259,960	207,670
Total other payables	6,922,964	8,356,794	259,960	286,516
Total payables	56,667,112	62,852,563	259,960	286,516
Derivative liabilities	158,276	103,316	-	-
	56,825,388	62,955,879	259,960	286,516

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19. TRADE AND OTHER PAYABLES *cont'd*

- (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 (2018: 0 to 90 days) from date of invoice.
- (c) The currency exposure profile of total payables is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	24,005,895	28,803,132	259,960	286,516
United States Dollar	31,146,280	32,431,409	-	-
Indonesian Rupiah	1,443,054	1,525,198	-	-
Vietnam Dong	47,645	31,803	-	-
Singapore Dollar	24,238	23,212	-	-
Japanese Yen	-	37,809	-	-
	56,667,112	62,852,563	259,960	286,516

- (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	
	2019 RM	2018 RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	2,367,117	2,464,787
- Indonesian Rupiah	109,672	115,915
- Vietnam Dong	3,621	2,417
- Singapore Dollar	1,842	1,764
- Japanese Yen	-	2,873

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

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

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20. BORROWING

	Group	
	2019	2018
	RM	RM
Trade finance	63,001,209	86,614,826

- (a) Borrowing is classified as financial liabilities measured at amortised cost.
- (b) Trade finance is secured by a corporate guarantee given by the Company to bankers for credit facilities granted to certain subsidiaries as disclosed in Note 31 to the financial statements.
- (c) The currency exposure profile of borrowing is as follows:

	Group	
	2019	2018
	RM	RM
Ringgit Malaysia	35,864,658	47,505,192
United States Dollar	12,317,111	10,639,531
Indonesia Rupiah	14,819,440	28,470,103
	63,001,209	86,614,826

- (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	
	2019	2018
	RM	RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	936,100	808,604
- Indonesia Rupiah	1,126,277	2,163,728

- (e) The weighted average effective interest rates of trade finance of the Group is 5.85% (2018: 5.96%) per annum.
- (f) The interest rate profile of the borrowing as at the end of each reporting period is as follows:

	Group	
	2019	2018
	RM	RM
Floating rate	63,001,209	86,614,826

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.

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20. BORROWING *cont'd*

- (g) The carrying amount of the borrowing is 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.
- (h) The following table sets out the carrying amounts and the remaining maturities of the borrowing of the Group.

Group	Within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
Financial liabilities				
Borrowing				
31 December 2019	63,001,209	-	-	63,001,209
31 December 2018	86,614,826	-	-	86,614,826

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

Group	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
Financial liabilities				
Borrowing				
31 December 2019	64,107,053	-	-	64,107,053
31 December 2018	88,290,519	-	-	88,290,519

21. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers	765,480,385	814,086,419	-	-
Other revenue:				
- Dividend income	-	-	20,400,000	21,900,000
	765,480,385	814,086,419	20,400,000	21,900,000
Revenue from contracts with customers is recognised as follows:				
At point in time	765,480,385	814,086,419	-	-

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.

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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

	Note	Group	
		2019 RM	2018 RM
Lease liabilities	18(b)	106,540	175,892
Trade finance interest		4,488,037	4,133,044
		<u>4,594,577</u>	<u>4,308,936</u>

23. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	301,078	296,936	75,000	72,000
- Non statutory audit				
- current year	5,000	5,000	5,000	5,000
Share option expense:				
- Executive Directors of the Company	11,357	83,185	-	-
- Non-executive Directors of the Company	3,245	23,764	3,245	23,764
- Executive Directors of subsidiaries	8,959	73,111	-	-
- employees	114,936	981,224	-	-

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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	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' remuneration:				
- Executive Directors of the Company				
- fees	10,000	10,000	-	-
- salaries and other remuneration	2,199,518	2,289,711	-	-
- benefits-in-kind	45,400	45,400	-	-
- Non-executive Directors of the Company				
- fees	96,000	96,000	96,000	96,000
- other remuneration	20,760	19,760	20,760	19,760
- Executive Directors of subsidiaries				
- fees	47,726	48,870	-	-
- salaries and other remuneration	3,052,093	2,703,611	-	-
- benefits-in-kind	43,530	50,321	-	-
- Non-executive Director of a subsidiary				
- fees	9,225	-	-	-
Loss on foreign exchange:				
- realised	685,479	1,540,546	-	-
- unrealised	181,385	63,703	463	409
Loss on changes in fair value of forward exchange contracts	54,960	-	-	-
And crediting:				
Bad debt recovered	-	46,990	-	-
Dividend income:				
- quoted investment	30,053	28,488	-	-
- unquoted investment	66,000	91,300	-	-
- subsidiaries	-	-	20,400,000	21,900,000
Gain on foreign exchange:				
- realised	127,504	228,689	409	520
- unrealised	397,457	294,347	-	-
Gain on changes in fair value of forward exchange contracts	-	50,585	-	-
Gain on disposal of property, plant and equipment	209,543	149,290	-	-
Interest income from deposits with financial institutions	1,946,149	1,642,043	569,745	371,004

Interest income

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

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24. TAX EXPENSE

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year:					
Malaysian income tax		12,949,436	12,188,000	135,306	88,000
Foreign income tax		294,585	310,493	-	-
Under/(Over) provision in prior years		113,527	(327,820)	144	-
		13,357,548	12,170,673	135,450	88,000
Deferred tax					
Relating to origination and reversal of temporary differences		152,009	337,252	-	-
Over provision in prior years		(343,615)	(6,840)	-	-
	11	(191,606)	330,412	-	-
		13,165,942	12,501,085	135,450	88,000

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2018: 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	50,121,307	49,879,572	20,416,396	21,636,740
Tax expense at the rate of 24% (2018: 24%)	12,029,114	11,971,097	4,899,935	5,192,818
Tax effects in respect of:				
Differences in tax rates of foreign jurisdictions	(16,301)	(7,542)	-	-
Deferred tax asset not recognised	6,988	13,264	-	-
Non allowable expenses	1,402,477	1,344,234	131,371	151,182
Tax exempt income	(26,248)	(485,308)	(4,896,000)	(5,256,000)
	13,396,030	12,835,745	135,306	88,000
Under/(Over) provision in prior years:				
- current tax	113,527	(327,820)	144	-
- deferred tax	(343,615)	(6,840)	-	-
	13,165,942	12,501,085	135,450	88,000

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24. TAX EXPENSE *cont'd*

(d) As at 31 December 2019, a foreign subsidiary has an estimated unabsorbed tax losses amounting to RM727,182 (2018: RM698,066) that can be carried forward for five (5) years to offset against future taxable income.

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

	Before tax RM	Group Tax effect RM	After tax RM
2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(18,966)	-	(18,966)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	(32,744)	8,186	(24,558)
Fair value loss on equity investments at fair value through other comprehensive income	(223,944)	-	(223,944)
	(256,688)	8,186	(248,502)
2018			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	(68,650)	-	(68,650)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	84,344	(21,086)	63,258
Fair value gain on equity investments at fair value through other comprehensive income	208,708	-	208,708
	293,052	(21,086)	271,966

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25. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2019	2018
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	37,644,630	37,788,172
Weighted average number of ordinary shares in issue	881,864,209	855,857,346
Basic earnings per ordinary share (sen)	4.27	4.42

(b) Diluted

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

	Group	
	2019 RM	2018 RM
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	37,644,630	37,788,172
Weighted average number of ordinary share in issue	881,864,209	855,857,346
Effect of dilution due to ESOS	-	20,536,318
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	881,864,209	876,393,664
Diluted earnings per ordinary share (sen)	4.27	4.31

There is no effect of dilution due to ESOS upon expiry of ESOS on 30 November 2019.

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26. DIVIDENDS

	Group	
	2019 RM	2018 RM
Second single-tier interim dividend of 1.25 sen per ordinary share in respect of the financial year ended 31 December 2018	10,943,968	-
First single-tier interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019	8,944,126	-
Second single-tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017	-	12,823,450
First single-tier interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2018	-	8,614,736
	19,888,094	21,438,186

Subsequent to the financial year, the Board of Directors of the Company had on 17 February 2020 declared a second single-tier interim dividend of 1.25 sen per ordinary share amounting to RM11,197,607 for the financial year ended 31 December 2019. 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 2020.

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

27. EMPLOYEE BENEFITS

	Note	Group	
		2019 RM	2018 RM
Salaries, wages and bonuses		17,209,184	16,138,399
Defined contribution plan		1,869,780	1,779,472
Defined benefit obligations	17	119,652	102,942
Share options vested under ESOS			
- Directors		23,561	180,060
- Employees		114,936	981,224
Others employee benefits		683,650	756,878
		20,020,763	19,938,975

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

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

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

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

The aggregate number of ESOS Options to be offered under the Scheme shall not in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the duration the Scheme and shall be offered to eligible Directors and employees of the Group ("Eligible Persons"). Each Option shall be exercisable into one (1) new share, fully issued and paid-up.

- (b) Eligible Persons must be a Malaysian citizen and he is employed (1) full time by and on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group or (2) under an employment contract for a fixed duration and has been in the employment of the Group for a period of at least one (1) of continuous service prior to and up to the date of offer.
- (c) There are no performance targets to be achieved by the Grantee before the ESOS Options can be exercised, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.
- (d) Not more than ten percent (10%) of the new ESOS Options available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).
- (e) The Company shall ensure that allocation of ESOS Options pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of ESOS Options as set out in the By-Laws. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.
- (f) An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1.00 for the grant of the ESOS Options (regardless of the number of shares comprised therein).
- (g) A Grantee shall be allowed to exercise the ESOS Options granted to him during the Scheme whilst he is in the employment of the Group and within the Option Period. Upon acceptance of the Offer, the Grantee may during the Option Period and unless otherwise provided in these By-Laws, exercise the Options in the following manner:

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

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

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

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

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

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

- (i) The new shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company, save and except that the new shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new shares.
- (j) The new shares to be allotted and issued to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding, a Grantee who is a non-executive Director must not sell, transfer or assign their shares obtained through the exercise of their ESOS Options offered to them pursuant to the Scheme within one (1) year from the Date of Offer such ESOS Options.
- (k) An option granted under the ESOS shall cease with immediate effect where the Grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of retirement before attaining the normal retirement age with the consent of the ESOS Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the ESOS Committee in writing. In addition, the Options shall immediately become void and of no effect upon the bankruptcy of the Grantee.

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

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

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

Grant date	Exercise price	← Number of options over unissued ordinary shares →					
		Balance as at 1.1.2019	Movements during the financial year			Balance as at 31.12.2019	Exercisable as at 31.12.2019
			Exercised	Forfeited	Lapsed		
22.01.2015	RM0.24	30,180,900	(29,940,900)	-	(240,000)	-	-
22.06.2015	RM0.34	1,494,000	(1,494,000)	-	-	-	-
22.06.2016	RM0.49	4,497,000	(852,000)	(123,000)	(3,522,000)	-	-
22.06.2017	RM0.53	6,588,000	(60,000)	(294,000)	(6,234,000)	-	-
22.05.2018	RM0.59	1,545,000	-	(224,000)	(1,321,000)	-	-
		44,304,900	(32,346,900)	(641,000)	(11,317,000)	-	-

Share options exercised during the financial year resulted in the issuance of 32,346,900 (2018: 18,609,000) ordinary shares at a weighted average price of RM0.25 (2018: RM0.30). The related weighted average ordinary share price at the date of exercise was RM0.52 (2018: RM0.66).

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

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

	2019	2018
Expected life (years)	-	1.52
Average share price at grant date (RM)	-	0.62
Exercise price (RM)	-	0.59
Fair value of share options (RM)	-	0.11
Risk free rate of interest (%)	-	3.51
Expected dividend yield (%)	-	3.08
Expected volatility (%)	-	32.56

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

29. 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.

(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	
	2019	2018
	RM	RM
Dividend income received from subsidiaries	20,400,000	21,900,000

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

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29. RELATED PARTY DISCLOSURES *cont'd*

(c) Compensation of key management personnel

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

	Group	
	2019	2018
	RM	RM
Short-term employee benefits	4,832,187	4,649,211
Contribution to Employees Provident Fund	516,538	500,286
Defined benefit obligations	66,459	51,580
Share options vested under ESOS	23,561	180,060
Others	20,138	18,455
	5,458,883	5,399,592
Benefits-in-kind	88,930	95,721
	5,547,813	5,495,313

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

	Group	
	2019	2018
Balance as at 1 January	7,950,000	10,500,000
Exercised	(7,950,000)	(2,550,000)
Balance as at 31 December	-	7,950,000

The terms and conditions of the ESOS are detailed in Note 28 to the financial statements.

30. CAPITAL COMMITMENT

	Group	
	2019	2018
	RM	RM
Approved and contracted for		
Purchase of:		
- property, plant and equipment	11,876,138	315,430
- intangible assets	113,717	322,545
Approved but not contracted for		
Purchase of property, plant and equipment	2,626,106	-

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31. CONTINGENT LIABILITIES

	Company	
	2019	2018
	RM	RM
Unsecured		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries:		
- Limit of guarantee	256,916,930	252,545,425
- Amount utilised	63,001,209	86,614,826

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.

32. 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 2019 and 31 December 2018.

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, borrowing, trade and other payables, less cash and bank balances. Borrowing comprises of trade finance. Total capital represents equity attributable to the owners of the parent.

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

(a) Capital management *cont'd*

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Borrowing	63,001,209	86,614,826	-	-
Trade and other payables	56,667,112	62,852,563	259,960	286,516
Total liabilities	119,668,321	149,467,389	259,960	286,516
Less: Cash and bank balances	(126,474,086)	(107,676,548)	(21,106,249)	(12,579,267)
Net (surplus)/debt	(6,805,765)	41,790,841	(20,846,289)	(12,292,751)
Total capital	308,378,363	283,297,007	178,295,580	169,621,175
Net (surplus)/debt	(6,805,765)	41,790,841	(20,846,289)	(12,292,751)
	301,572,598	325,087,848	157,449,291	157,328,424
Gearing ratio	N/A	0.13	N/A	N/A

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2019.

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.

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

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

(b) Financial risk management *cont'd*

(i) Foreign currency risk *cont'd*

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 Note 13, Note 14, Note 19 and Note 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 Note 14(d) and Note 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 Note 19 and Note 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 2019

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33. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

(a) New MFRSs adopted during the financial year

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

Title	Effective Date
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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 MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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

Title	Effective Date
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates 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

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 2019 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	43 years/ freehold	-	Shoplot (4 storey mid terraced shop-office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	421,042
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor	25 years/ freehold	-	Warehouse	80,150/ 32,400	RM2,978,359/ August 30, 1991	1,976,209
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	35 years/ leasehold/ March 22, 2045	26	Office/Store	10,000/ 6,500	RM519,816/ February 06, 1992	259,754
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	22 years/ leasehold August 14, 2096	77	Industrial land/ factory warehouse	190,112/ 74,237	RM7,577,597/ February 04, 1997 RM2,876,575/ November 30, 2014 RM15,000/ November 09, 2015 RM29,300/ February 27, 2017 RM69,000/ February 16, 2019 RM161,000/ February 19, 2019 RM19,080/ May 13, 2019 RM25,000/ May 31, 2019	8,040,563
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	10 years/ leasehold/ November 03, 2058	39	Industrial land/ factory warehouse	87,120/ 49,776	RM3,856,664/ March 28, 1997 RM2,525,526/ June 01, 2017	5,328,563

LIST OF PROPERTIES CONT'D

No.	Postal Address/ title identification	Approximate age of building/ tenure/date of expiry of lease	Years lease remaining	Description and existing use	Land area/ build up area/(sq ft)	Cost of investment/ date of transaction	Audited Carrying Amount @ 31 December 2019 RM
6.	No. 4, Jalan Bistari 4, Taman Industri Jaya, 81300 Skudai, Johor Darul Takzim/ PN 13419, Lot 56749, Mukim of Pulai, Johor Bahru, Johor	22 years/ leasehold/ September 03, 2911	892	1 1/2 storey semi- detached factory	21,780/ 17,403	RM1,468,495/ March 28, 2005	1,232,920
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	43 years/ freehold	-	Shoplot (4 storey mid terraced shop- office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,685,333
8.	Lot P2, Lumut Port Industrial Park, 32000 Sitiawan, Perak Darul Ridzuan PN 296183, Lot 15592, Mukim of Lumut, District of Manjung, Perak	14 years/ leasehold/ July 09, 2105	86	Industrial land/ factory warehouse office building	67,608/ 45,302	RM3,900,000/ July 15, 2011	3,600,762
9.	Lot 23, Phase 3A, Pulau Indah Industrial Park PN 7935, Lot No. 74078, District and Mukim of Klang, Selangor	83 years/ leasehold/ February 24, 2097	78	Industrial land	366,775	RM14,671,008/ September 14, 2017	14,679,313
10.	Lot 23a (DBKK No. 6) Bigwheel Industrial Park Mile 7 1/2, Menggatal Jalan Tuaran 88450 Kota Kinabalu, Sabah	1 year/ leasehold/ *December 3, 2117	98	Semi- detached 3-storey 4-in-1 corporate office, showroom, factory & warehouse	8,581/ 5,766	RM2,800,000 December 21, 2018	2,771,696

* Subject to change after issuance of strata title

ANALYSIS OF SHAREHOLDINGS

as at 29 April 2020

Class of Shares	:	Ordinary Shares
Total number of Issued Shares	:	895,808,553
Amount of Shares issued as fully paid	:	RM177,077,662.61
Voting Rights	:	One vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	8	0.122	104	0.000
100 - 1,000	712	10.901	451,296	0.050
1,001 - 10,000	2,797	42.826	16,858,800	1.881
10,001 - 100,000	2,487	38.079	85,796,529	9.577
100,001 - 44,790,426 (*)	525	8.038	307,449,624	34.320
44,790,427 and above (**)	2	0.030	485,252,200	54.169
Total	6,531	100.00	895,808,553	100.00

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	46.474	-	-
Tang Ying See	7,800,000	0.870	423,111,700 ^(a)	47.232
Chin Song Mooi	6,791,700	0.758	424,120,000 ^(b)	47.345
Chow Cheng Moey	68,932,200	7.694	600,000 ^(c)	0.067

Note:

- (a) Deemed interested by virtue of the shareholdings held by his spouse, Chin Song Mooi and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (b) Deemed interested by virtue of the shareholdings held by her spouse, Tang Ying See and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (c) Deemed interested by virtue of the shareholdings held by her spouse, Lim Kuang Sia pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

as at 29 April 2020

cont'd

LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Direct	Shareholdings		
		%	Indirect	%
TANG YING SEE	7,800,000	0.870	438,326,500 ^(a)	48.931
CHIN SONG MOOI	6,791,700	0.758	439,334,800 ^(b)	49.043
CHEN MOI KEW	4,590,000	0.512	-	-
DATUK KWAN FOH KWAI	2,626,600	0.293	2,150,000 ^(c)	0.240

Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong were appointed as the Board of Directors of Luxchem Corporation Berhad on 13 March 2020. As of 29 April 2020, they do not hold any shares of Luxchem Corporation Berhad.

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

LIST OF TOP 30 HOLDERS AS AT 29 APRIL 2020

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	46.474
2	CHOW CHENG MOEY	68,932,200	7.694
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	17,753,800	1.981
4	TANG CHII SHYAN	15,214,800	1.698
5	OH WEI WAH	8,753,675	0.977
6	LIM LENG BUNG	8,595,000	0.959
7	TANG YING SEE	7,800,000	0.870
8	FONG AH CHAI	7,500,000	0.837
9	CHIN SONG MOOI	6,791,700	0.758
10	LIM JEE SOON	5,500,000	0.613
11	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,170,600	0.577
12	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG	4,772,600	0.532
13	CHEN MOI KEW	4,590,000	0.512
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEAH LEE SENG (CHE0461C)	4,170,000	0.465
15	LIM HUI GUAN	3,900,000	0.435
16	NG AH KIEW	3,794,700	0.423

ANALYSIS OF SHAREHOLDINGS

as at 29 April 2020

cont'd

LIST OF TOP 30 HOLDERS AS AT 29 APRIL 2020 cont'd

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

No	Holder Name	Shares Held	Percentage
17	FAN KOCK KEONG	3,757,000	0.419
18	MISA SDN BHD	3,674,400	0.410
19	FOO KHON PU	3,000,000	0.334
20	LEE CHOONG ONN	3,000,000	0.334
21	DATUK KWAN FOH KWAI	2,626,600	0.293
22	CHANG YOON CHOY	2,445,000	0.272
23	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YEO WHA</i>	2,400,000	0.267
24	LEE PEI PEI	2,333,184	0.260
25	TEW KAR WAI @ TEOH KAR WAI	2,300,000	0.256
26	LEE HUNG KUEN	2,200,000	0.245
27	CHEN TAM CHAI	2,079,600	0.232
28	LEE CHEE SIAN	2,036,265	0.227
29	CHIN CHET MOOI	2,022,600	0.225
30	CHONG DII TSANG	1,980,000	0.221



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