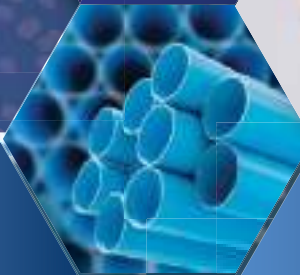


LUXCHEM

LUXCHEM CORPORATION BERHAD

Registration No. 199101014102 (224414-D)



ANNUAL REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK KWAN FOH KWAI

Independent Non-Executive Chairman

TANG YING SEE

Managing Director/Chief Executive Officer

CHIN SONG MOOI

Executive Director

CHEN MOI KEW

Executive Director/Chief Financial Officer

TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI

Independent Non-Executive Director

TAN TECK KIONG

Independent Non-Executive Director

COMPANY SECRETARIES

WONG WAI FOONG

SSM PC No. 202008001472 (MAICSA 7001358)

CHEN MOI KEW

SSM PC No. 202008001043 (MIA 6359)

NG HARN SHIN

SSM PC No. 202008001759 (MIA 22427)

AUDIT AND RISK MANAGEMENT COMMITTEE

TAUFIQ AHMAD @

AHMAD MUSTAPHA BIN GHAZALI

Chairman

DATUK KWAN FOH KWAI

Member

TAN TECK KIONG

Member

NOMINATING COMMITTEE

TAN TECK KIONG

Chairman

TAUFIQ AHMAD @

AHMAD MUSTAPHA BIN GHAZALI

Member

DATUK KWAN FOH KWAI

Member

REMUNERATION COMMITTEE

DATUK KWAN FOH KWAI

Chairman

TAUFIQ AHMAD @

AHMAD MUSTAPHA BIN GHAZALI

Member

TAN TECK KIONG

Member

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32

Tower A, Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Telephone No. : (03) 2783 9299

Facsimile No. : (03) 2783 9222

CORPORATE INFORMATION

cont'd

CORPORATE OFFICE

No. 6, Jalan SS21/58
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : (03) 7728 2155
Facsimile No. : (03) 7728 2806
Website : <http://www.luxchem.com.my>

PRINCIPAL BANKERS

CIMB Bank Berhad 197201001799 (13491-P)
Citibank Berhad 199401011410 (297089-M)
HSBC Bank Malaysia Berhad 198401015221 (127776-V)
Malayan Banking Berhad 196001000142 (3813-K)
United Overseas Bank (Malaysia) Berhad
199301017069 (271809-K)

REGISTERED OFFICE

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

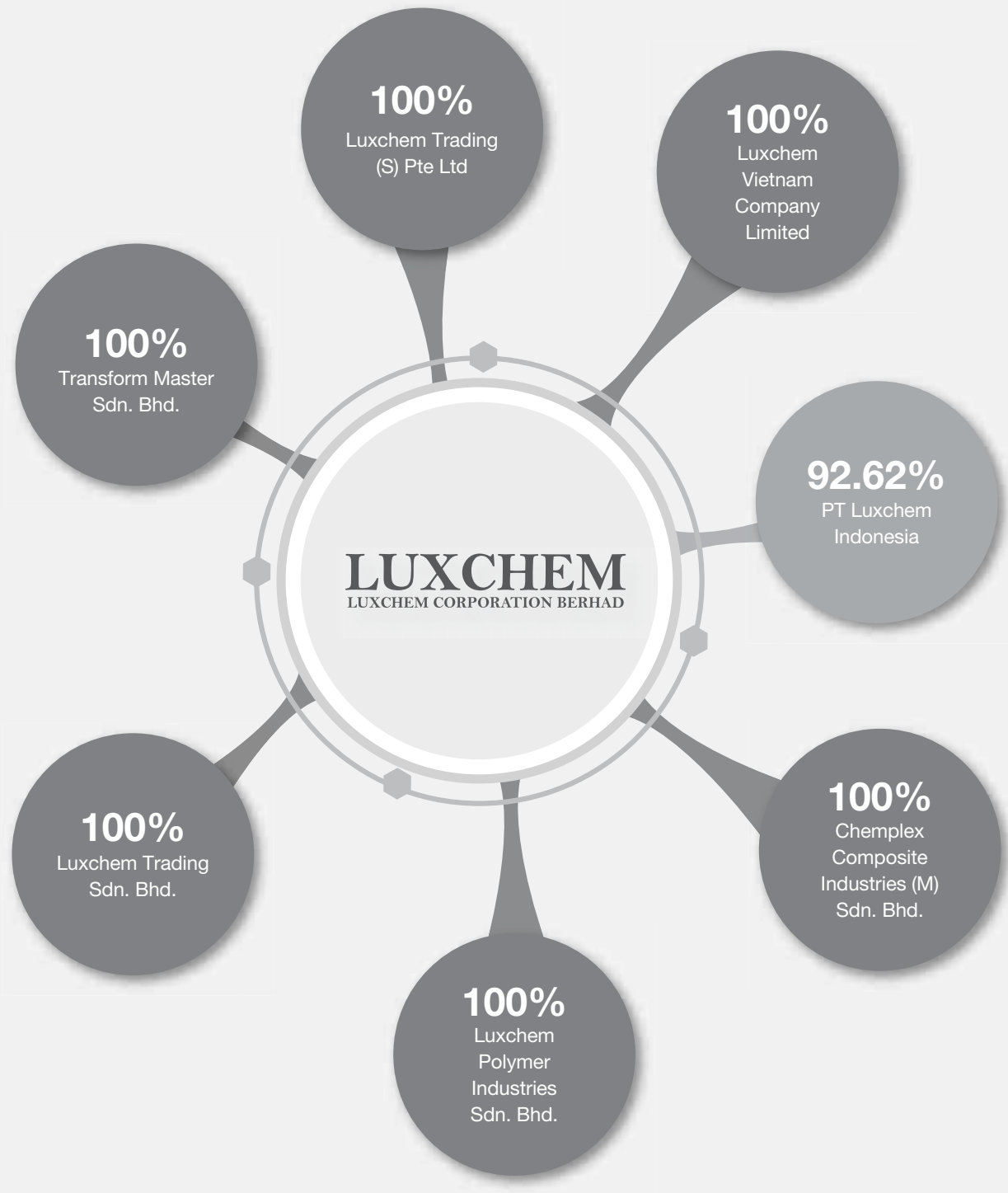
AUDITORS

BDO PLT (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 2970

STOCK EXCHANGE LISTING

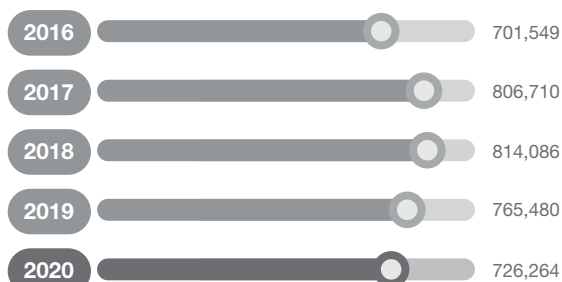
The Main Market of Bursa Malaysia
Securities Berhad
Stock Name : LUXCHEM
Stock Code : 5143
Date of listing : 27 June 2008

CORPORATE STRUCTURE

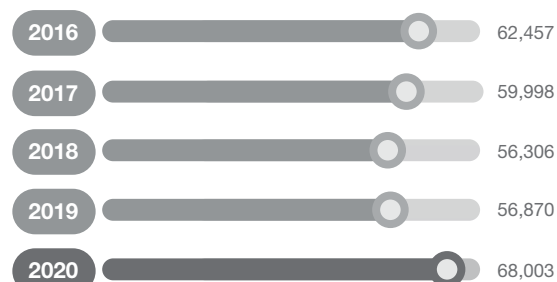


FINANCIAL HIGHLIGHTS

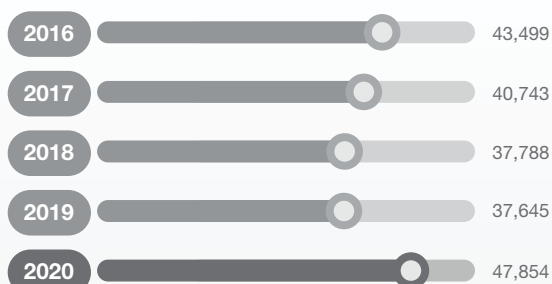
REVENUE (RM'000)



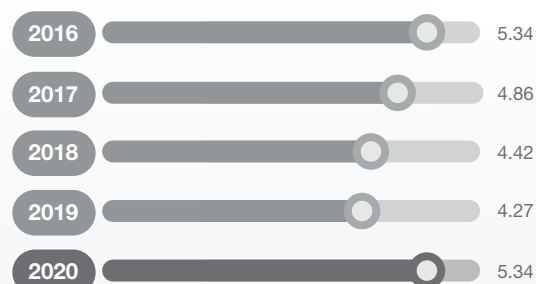
EBITDA (RM'000)



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



EARNING PER SHARE (SEN)



	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	701,549	806,710	814,086	765,480	726,264
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	62,457	59,998	56,306	56,870	68,003
Profit Before Taxation ("PBT")	59,078	55,781	49,880	50,121	62,523
Profit Attributable to Owners of the Company	43,499	40,743	37,788	37,645	47,854
Earnings Per Share - Basic (sen) *	5.34	4.86	4.42	4.27	5.34
Earnings Per Share - Diluted (sen) *	5.11	4.67	4.31	-	-

FINANCIAL HIGHLIGHTS

cont'd

* **FYE 2020:**

Earning Per Share - Basic

Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year ended 31 December 2020 of 895,808,553.

Earning Per Share - Diluted

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

* **FYE 2019:**

Earning Per Share - Basic

Computed based on Profit Attributable to Owners of the Company and divided by the weighted average number of shares in issue during the financial year ended 31 December 2019 of 881,864,209.

Earning Per Share - Diluted

The Employee's Share Option Scheme with a tenure of five (5) years 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.

* **FYE 2016:**

The weighted average number of ordinary shares in issue during the financial year 2016 has 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, 69 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 4 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.

Since his appointment as an Independent Non-Executive Chairman of the Company on 13 March 2020, he has attended all the four remaining Board of Directors' meetings out of seven held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

cont'd



Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali

Independent Non-Executive Director, Male, Malaysian, 73 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), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Masters in Business Administration (MBA) from the University of Leicester, England and MSc in International Business Administration from School of Oriental and African Studies, University of London, England.

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

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

Since his appointment as an Independent Non-Executive Director of the Company on 13 March 2020, he has attended all the four remaining Board of Directors' meetings out of seven held during the financial year ended 31 December 2020.



Mr Tan Teck Kiong

Independent Non-Executive Director, Male, Malaysian, 63 year-old

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

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

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

With over 30 years of working experience in legal services, he specialises in Corporate, Banking and Commercial Litigation as well as Divorce matters. He began with Messrs Abdul Aziz, Ong & Co as legal assistant in 1983. Subsequently, he held the position as Senior Litigation Lawyer of Messrs Kadir, Tan & Ramli in 1985 and thereafter the Litigation Partner of Messrs Tunku Mukhrizah & Partners in 1991. He is currently the Litigation Partner of 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.

Since his appointment as an Independent Non-Executive Director of the Company on 13 March 2020, he has attended all the four remaining Board of Directors' meetings out of seven held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

cont'd

**Mr Tang Ying See***Managing Director/Chief Executive Officer, Male, Malaysian, 69 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 40 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 seven Board of Directors' meetings held during the financial year ended 31 December 2020.

**Madam Chin Song Mooi***Executive Director, Female, Malaysian, 69 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 seven Board of Directors' meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

cont'd

**Madam Chen Moi Kew**

Executive Director/Chief Financial Officer, Female, Malaysian, 58 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 seven Board of Directors' meetings held during the financial year ended 31 December 2020.

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

None of the Directors have been convicted of any offences within the past five years.

2. Public Sanction or Penalty imposed

There were no public sanction or penalties imposed on the Directors by any relevant regulatory bodies during the financial year ended 31 December 2020.

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, 59 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 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, 48 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, 54 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, 37 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 Pok Jiun Lim had resigned from his position as Director of TMSB on 28 December 2020.



Mr Joseph Tjendra

President Director of PT. Luxchem Indonesia ("PTLI"), Male, Indonesian, 47 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, 48 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, 55 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 Key Senior Management have been convicted of any offences within the past five years.

2. Public Sanction or Penalty imposed

There were no public sanction or penalties imposed on the Key Senior Management by any relevant regulatory bodies during the financial year ended 31 December 2020.

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 2020 AND OUTLOOK FOR THE YEAR 2021.

A. GROUP STRUCTURE

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

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

B. OVERVIEW OF LCB BUSINESS ACTIVITIES

The Group has two reportable business segments comprising:

1. Trading

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

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

26% of trading segment revenue for FYE 2020 was contributed by export sales.

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

2. Manufacturing

Manufacturing activities comprised the following:

- (i) Manufacturing and trading of Unsaturated Polyester Resin (“UPR”) and related products; 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.

Approximately 35% of our manufacturing segment revenue for FYE 2020 was contributed by export sales. Our major exporting countries for our manufacturing segment are Vietnam, Thailand, Indonesia, Australia, Bangladesh and Philippines.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

C. GROUP FINANCIAL PERFORMANCE

Financial performance of the Group

	2020	2019	CHANGES	CHANGES
	RM	RM	RM	%
Revenue	726,264,486	765,480,385	(39,215,899)	-5.12%
Cost of sales	(632,353,552)	(685,077,192)	52,723,640	-7.70%
Gross profit	93,910,934	80,403,193	13,507,741	16.80%
Other operating income	5,635,855	5,460,863	174,992	3.20%
Selling and distribution costs	(5,769,187)	(5,999,051)	229,864	-3.83%
Administrative expenses	(23,621,412)	(21,927,949)	(1,693,463)	7.72%
Administrative expenses - Share Option Expense	-	(138,497)	138,497	-100.00%
Other operating expenses	(5,046,997)	(3,082,675)	(1,964,322)	63.72%
Operating profit	65,109,193	54,715,884	10,393,309	19.00%
Finance costs	(2,586,116)	(4,594,577)	2,008,461	-43.71%
Profit before tax	62,523,077	50,121,307	12,401,770	24.74%
Taxation	(15,577,303)	(13,165,942)	(2,411,361)	18.32%
Profit for the period	46,945,774	36,955,365	9,990,409	27.03%

Revenue

The Group's revenue for FYE 2020 has reduced by RM39.22 million or 5.12% as compared to FYE 2019. This revenue reduction arose mainly from PTLI and LPI.

Gross profit

Gross profit increased by RM13.51 million for FYE 2020. All subsidiaries reported increase in gross profit margin.

Operating profit

Operating profit increased RM10.39 million in FYE 2020. This was mainly due to higher gross profit.

Profit after tax

The Group achieved profit after tax of RM46.95 million, an increase of RM9.99 million from FYE 2019. This was mainly due to higher 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 2020 as compared to FYE 2019 is summarised below:

	MANUFACTURING SEGMENT			
	2020 RM	2019 RM	CHANGES RM	CHANGES %
Total revenue	273,337,496	267,998,261	5,339,235	1.99%
Inter-segment revenue	(143,356,019)	(130,794,699)	(12,561,320)	9.60%
External sales	129,981,477	137,203,562	(7,222,085)	-5.26%
Results				
Segment results	32,446,777	23,637,944	8,808,833	37.27%
Dividend, interest and rental income	153,831	254,500	(100,669)	-39.56%
Operating profit	32,600,608	23,892,444	8,708,164	36.45%
Finance costs	(79,189)	(173,017)	93,828	-54.23%
Profit before taxation	32,521,419	23,719,427	8,801,992	37.11%
Taxation	(7,680,861)	(5,953,977)	(1,726,884)	29.00%
Profit for the financial year	24,840,558	17,765,450	7,075,108	39.83%

Manufacturing revenue, net of inter-company transactions, reduced to RM129.98 million, a reduction of RM7.22 million or 5.26% as compared to FYE 2019. This reduction was due to lower revenue from LPI.

Profit after tax from the Manufacturing segment for FYE 2020 increased RM7.08 million as compared to FYE 2019 mainly due to higher operating profit.

Manufacturing Unsaturated Polyester Resin ("UPR")

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

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

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

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

Our products are sold locally and 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 exported directly by LPI.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

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

1. SEGMENT : MANUFACTURING *cont'd*

Manufacturing Unsaturated Polyester Resin (“UPR”) *cont'd*

Our production capacity now is 40,000MT, utilisation for FYE 2020 was about 76%.

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

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

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

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

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

- ISO9001:2015
- ISO14001:2015

TMSB's production capacity in FYE 2020 was 19,800MT and had achieved the utilisation rate of 93%.

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 2020 continued to be a challenging year as we faced fluctuations in USD exchange rates, fluctuations in raw material pricing, keen competition, pressure on pricing and lockdown due to the Covid-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

2. SEGMENT : TRADING *cont'd*

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

The performance of Trading segment in FYE 2020 as compared to FYE 2019 is summarised below:

	TRADING SEGMENT			
	2020 RM	2019 RM	CHANGES RM	CHANGES %
Total revenue	598,510,618	629,530,242	(31,019,624)	-4.93%
Inter-segment revenue	(2,227,609)	(1,253,419)	(974,190)	77.72%
External sales	596,283,009	628,276,823	(31,993,814)	-5.09%
Results				
Segment results	31,979,974	29,589,087	2,390,887	8.08%
Dividend, interest and rental income	874,412	1,217,957	(343,545)	-28.21%
Operating profit	32,854,386	30,807,044	2,047,342	6.65%
Finance costs	(2,506,927)	(4,421,560)	1,914,633	-43.30%
Profit before taxation	30,347,459	26,385,484	3,961,975	15.02%
Taxation	(7,790,342)	(7,076,515)	(713,827)	10.09%
Profit for the financial year	22,557,117	19,308,969	3,248,148	16.82%

Under Trading segment, our activities are import, export and distribution of petrochemical and other related products to the Latex, Fibreglass Reinforced Plastic ("FRP"), Polyvinyl Chloride ("PVC"), Rubber, Coating and Ceramic industries.

The major products are as follows:

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

In FYE 2020, revenue from Trading segment dropped RM31.99 million or 5.09% as compared to FYE 2019.

This decrease was mainly due to lower revenue from PTLI.

Strategies

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

E. REVENUE BY GEOGRAPHICAL SEGMENTS

Country	2020	2019	Changes	
	RM	RM	RM	%
Malaysia	511,212,542	528,686,656	(17,474,114)	-3.31%
Indonesia	86,177,969	111,428,867	(25,250,898)	-22.66%
Vietnam	77,703,376	80,043,885	(2,340,509)	-2.92%
Thailand	22,414,400	20,673,990	1,740,410	8.42%
Singapore	5,833,725	5,697,452	136,273	2.39%
Bangladesh	4,585,919	3,422,736	1,163,183	33.98%
Australia	4,179,896	3,208,856	971,040	30.26%
Sri Lanka	3,542,007	2,073,495	1,468,512	70.82%
Philippines	3,466,137	3,223,056	243,081	7.54%
New Zealand	2,837,036	2,544,015	293,021	11.52%
Cambodia	1,398,233	2,476,411	(1,078,178)	-43.54%
Others	2,913,246	2,000,966	912,280	45.59%
Total exports	215,051,944	236,793,729	(21,741,785)	-9.18%
Total	726,264,486	765,480,385	(39,215,899)	-5.12%

In FYE 2020, local sales decreased RM17.47 million or 3.31%. This was mainly due to lower sales from LTSB.

Export revenue decreased RM21.74 million or 9.18% compared to FYE 2019. The decrease was mainly due to lower exports to Indonesia through PTLI.

F. OUTLOOK

For FYE 2021, we expect similar challenging factors to continue to affect our operations due to USD/RM fluctuations, raw material price fluctuations, raw material demand and supply situations, keen competition and Covid-19 pandemic.

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

In summary, the prospect for LCB in FYE 2021 will remain to be challenging. However, we are cautiously optimistic that our Group will continue to expand and strive for better performance.

SUSTAINABILITY REPORT 2020

SUSTAINABILITY DIRECTION

In 2020, the Group continues its transitional journey through fine-tuning and aligning its business and operational decisions as well as activities towards a sustainable organisation.

The Group embraces three major sustainability pillars as follows:

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

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

REPORTING PERIOD

This Sustainability Report covers the initiatives taken by the management for the financial year ended 31 December 2020 ("FY2020").

THE SCOPE

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

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 quarterly and 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 is leading and driving the sustainability initiatives of 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 the sustainability structure above will be able, and necessary, to drive the sustainability efforts and results of the Group in this aspect.

SUSTAINABILITY REPORT 2020

cont'd

STAKEHOLDERS' ENGAGEMENT

Since the setting of the material sustainability matters for the Group in 2018, the Group has 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 and job stability, job enrichment, career progression, rewards and recognition.	
Suppliers, Principals/ Agencies	Supplier visits and correspondences, product training and meetings, market/product feedback.		Financial stability, product sales performance and brand awareness.	Social Responsibility and compliance with business ethic.
Government Agencies/Other Regulators	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.	

With stakeholders' engagements, our sustainability efforts can be planned, initiated, managed, and incorporated in our business activities and operations.

SUSTAINABILITY REPORT 2020

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS

Customers

Our sustainability initiatives/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 systems: ISO 14001:2015 and ISO 45001:2018. Our subsidiary, LPI had successfully transitioned to ISO 45001:2018 in 2020.
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 efficiency 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, update and implement policies relating to Section 17A of Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"). Comply with Personal Data Protection Act 2010. 	

SUSTAINABILITY REPORT 2020

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. Review, improve and implement employee benefits as well as rewards and recognition programmes for achieving greater employee engagement. 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. Established Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Comply with the prevailing labour legislatives (local and overseas) 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 three years as follows:

Year	2020	2019	2018
Average Training Hours Per Employee*	7.19	15.16	12.69

* LTSB + LPI + TMSB

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

Year	2020	2019	2018
Number of work fatality*	0	0	0

* LTSB + LPI + TMSB

SUSTAINABILITY REPORT 2020

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

Suppliers, Principals/Agencies

In our trading business, trade suppliers are pivotal 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"> As a trader of chemical supplies, ensure that customers and Company requirements of the products and services are communicated to the suppliers. Coordinate product testing with suppliers' to ensure products meet the set specification and environmental requirements of the Customer's. 	<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, update and implement policies relating to Section 17A of MACC Act 2009. 	

SUSTAINABILITY REPORT 2020

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

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, Extraordinary General Meeting (if necessary) and Analyst Briefing so as to ensure effective communication with the stakeholders/investors of matters important to them. Comply with Main Market Listing Requirements and to make announcement with Bursa Securities within the stipulated timeframe that investor would consider important in making an investment decision. Regular review and update of Group's website so that the shareholders and investors are provided with or able to access latest information from our website. Expand the Group's business in terms of product portfolio and operation excellence so as to ensure the sustainable growth of the Group's business. Seek to expand group's corporate structure from time to time for ensuring continuous growth and expansion. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Establish, review, update and implement policies relating to Section 17A of MACC Act 2009. Elevate and emphasise work professionalism and business ethic in the Group through Code of Best Practices exercise for directors, key management personnel, heads of department and sales personnel. To provide investor relationship feedback. Comply with Personal Data Protection Act 2010. 	

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

Year	2019	2018	2017
Dividend payout expressed in percentage to Profit After Tax	55%	52%	49%

In the past 3 years, there is zero whistleblowing report to our Internal Audit as follows:

Year	2020	2019	2018
Number of Whistleblowing Report received by Internal Auditor	0	0	0

SUSTAINABILITY REPORT 2020

cont'd

MANAGING MATERIAL SUSTAINABILITY MATTERS *cont'd*

Government Agencies/Other Regulators

The Group is operating and supporting highly regulated industries and environment. 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 or statistic department. 	
Social Interest	
Trading Segment	Manufacturing Segment
<ul style="list-style-type: none"> Comply with labour laws and regulations including implementing suggestions from labour authorities and etc. Align to/comply with safety and health regulations. Provide internship opportunity for unemployed/undergraduates. Keep abreast and comply with the laws and regulations, e.g. Companies Act 2016, Main Market Listing Requirements, Securities Commission Malaysia ("SC") and etc. 	

MANAGEMENT OF SUSTAINABILITY MATTERS IN 2020

In 2020, due to the outbreak of COVID-19 pandemic, the Government and its agencies had implemented and executed rules and regulations aiming to flatten the pandemic cases in our country. The pandemic has great impact on the Group's operations domestically and internally.

Being a responsible Group and at the same time facing surges of demands from our glove manufacturers for continual supply of raw materials necessary for glove productions, the Group continues its operations with strict adherence to the Standard Operating Procedures ("SOPs") introduced by the Government in all of its operating locations. The Group also ensured that proper operating approval were secured from the relevant government agencies such as Ministry of International Trade and Industry and Ministry of Domestic Trade and Consumer Affairs. Overall, the Group carefully carried out its operations while ensuring necessary compliance of the SOPs without sacrificing the safety and health of its workforce.

The manufacturing segment of the Group, besides experienced operational challenges due to the pandemic, also faced with challenges from officials of Department of Environment in tightening the relevant regulations. As a result, the Management of manufacturing segment worked closely with the officials, reviewed or discussed the findings and accepted the weaknesses found in its operations. The Management, upon accepting the results from the authority, took the necessary corrective and rectification works to address the weaknesses identified. At the end of 2020, all the rectification and improvement works were carried out accordingly.

The year of 2020 also marked the enforcement of Section 17A of MACC Act 2009 on 1 June 2020. The BOD and the Management of the Group commenced its initiatives to comply with the MACC requirements by studying the compliance gaps and undertook the necessary actions to address the gaps. The MACC compliance activities from year 2020 will continue into year 2021 until all the identified gaps are closed.

CONCLUSION

The Group is of the view that it has taken reasonable steps and has proper governance structure in addressing the sustainability issues during FY 2020 despite the limitations brought about by the pandemic. Although some of the sustainability initiatives were unable to carry out in 2020 as planned, our sustainability journey and efforts shall continue in subsequent years. Nonetheless, the Group will incorporate the sustainability issues in the corporate's culture and to ensure the commitment comes from the leader and top level of the corporate's hierarchy.

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 2020 (“FY 2020”) in this Annual Report with reference to the following three 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”), which was announced together with the Annual Report of the Company on 6 April 2021. Shareholders may obtain this CG Report by accessing this link www.luxchem.com.my for further details.

To uphold good corporate governance, the Company had reviewed and updated the Board Charter in accordance with Practice 2.1 of the MCCG. During the FY 2020, the Company had also replaced the three Independent Directors who had served the Board more than nine years in March 2020.

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

Except for detailed disclosures on a named basis for the remuneration of top five 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 majority of 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. During the FY 2020, there was no whistleblowing report being made to the Company.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Board welcomed the three new Independent Directors namely, Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong in FY 2020 and bade farewell to the other three Independent Directors namely, Dato’ Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong, who had served the Board faithfully and contributed selfless for approximately 12 years.

The new Independent Directors and its existing Board members are responsible for the overall corporate governance of the Group. Upon their appointments to the Board and in addition to their Board’s responsibility, the Independent Directors are also being appointed to the following Board Committees of the Company:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(I) Board Responsibilities *cont'd*

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

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. The Board Charter also serves as a reference for the Directors' fiduciary duties, responsibilities and the functions of the Board Committees.

The Board reviews the Board Charter annually and makes the necessary amendments when needed to ensure that it remains relevant and consistent with the Board's objective, current law and regulations and the best practices to enable the Board to discharge its responsibilities. The last review of the Board Charter was conducted on 27 October 2020 to take into account and reflect the changes arising from Paragraph 1.01 of the MMLR which affect the definition of Independent Director and the Company's policy to retain an independent director beyond nine years pursuant to Practice 4.2 of the MCCG.

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 Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee shall consider and determine such matters for which they are responsible in accordance with their terms of reference in force from time to time. The terms of reference of the Board Committees, as annexed in the Board Charter, were reviewed by the Board on 27 October 2020, with recommendations from the respective Board Committees.

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. Since FY 2019, the Board has extended the Code of Best Practice to the Group's Key Management, Heads of Department and sales personnel of the Group. Such extension promotes good corporate governance behaviours among all levels of employees in the Group.

The positions of Chairman and Managing Director/Chief Executive Officer ("MD") 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 qualified and competent Company Secretaries. Two 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 provide support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. In this respect, they play an advisory role to the Board, particularly with regards to compliance with regulatory requirements, codes, guidelines, legislations and the principles of best corporate governance practices.

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

Further information on the roles and responsibilities carried out by the Company Secretaries during the FY 2020 are set out in Practice 1.4 of the Company's CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(I) Board Responsibilities *cont'd*

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 the Chairman before engagement of such professional advice.

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

The fundamental of Directors' commitment to leadership and effectiveness is devotion of time and continuous improvement of knowledge and skillsets. The Board undertakes to meet at least four times a year, which are scheduled in advance to facilitate the Directors in planning their meeting schedule for the year. During the FY 2020, seven Board meetings were held and the details of attendance of each Director at the meetings were as follows:

Name of Directors	Designation	Attendance
Datuk Kwan Foh Kwai [^]	Independent Non-Executive Chairman	4/4
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali [^]	Independent Non-Executive Director	4/4
Mr Tan Teck Kiong [^]	Independent Non-Executive Director	4/4
Mr Tang Ying See	Managing Director/Chief Executive Officer	7/7
Madam Chin Song Mooi	Executive Director	7/7
Madam Chen Moi Kew	Executive Director/Chief Financial Officer	7/7
Dato' Haji Mokhtar Bin Haji Samad [*]	Independent Non-Executive Chairman	3/3
Mr Chan Wan Siew [*]	Senior Independent Non-Executive Director	3/3
Mr Au Chun Choong [*]	Independent Non-Executive Director	3/3

Note: [^] The Directors were appointed to the Board on 13 March 2020.

^{*} The Directors had resigned on 13 March 2020.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(I) Board Responsibilities *cont'd*

The details of the internal/external trainings including seminars and conferences attended by Directors during the FY 2020 were as follows:

Name of Directors	Course Title
Mr Tang Ying See	Microsoft Teams Essentials Training
Madam Chin Song Mooi	BDO Tax Budget Webinar 2020
Madam Chen Moi Kew	1. Corporate Liability, Section 17A MACC Act 2009
	2. Company Secretaries: Practical Steps Under Section 17A MACCA 2009
	3. Webinar Series: Retrenchment, Termination and Layoff
	4. Company Secretaries Training Programme Significant 2.0 (Part A)
	5. Company Secretaries Training Programme Significant 2.0 (Part B)
	6. BDO Tax Budget Webinar 2020
Datuk Kwan Foh Kwai	Mandatory Accreditation Programme for Directors of Public Listed Companies
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	1. ACCA – MICG Ethics, Governance and Transparency in Corporate Reporting Forum 2020
	2. MIA Webinar Series: Covid19 – Impact on Revenue, Inventory and Related Costs in Respect of Dealings with Customers
	3. MIA Webinar Series: Managing Risks Through a Global Pandemic
	4. MIA Webinar Series: MFRS 136 Impairment of Assets
	5. MIA Webinar Series: Consequences of Covid-19 Accounting Considerations
Mr Tan Teck Kiong	MACC Training – Anti-Bribery and Anti-Corruption Policy

(II) Board Composition

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

The Nominating Committee also assisted the Board in conducting performance evaluation and providing constructive feedback through reviewing the summary of the evaluation to the Board Members of their performance during the FY 2020. 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, if any, is assessed and recommended to the Board for appointment. The Nominating Committee may also utilise independent sources to identify suitably qualified candidates for new appointment to the Board in the future.

After conducting a thorough review, on the recommendation by the Nominating Committee, Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong, were appointed as new Independent Non-Executive Directors of the Board in FY 2020. The profiles and credentials of each of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

(II) Board Composition *cont'd*

The Board takes cognisance of the importance of independence and objectivity in relation to the decision-making process and effectiveness of the Board's function. The Board therefore has adopted the same criteria of "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 19 February 2021, all the members of the Board through the Nominating Committee, had assessed Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong and the Executive Directors. In summary, all the members of the Board met the qualification, performance criteria and expectation of the Board.

The Board is also 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.

A summary of the Board Composition is set out below:

Gender	%	Ethnicity	%	Independence	%
Male	67%	Chinese	83%	Independent Director	50%
Female	33%	Malay	17%	Non-Independent Director	50%

(III) Remuneration

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

The Board has formalised its Director Remuneration Policy on 14 February 2020 and it is published in the Company's website at www.luxchem.com.my. The Board is satisfied that 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 2020 is listed on a named basis with the detailed remuneration breakdown available under Practice 7.1 of the CG Report.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit and Risk Management Committee

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

Annually, the ARMC 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 2020, the ARMC convened one private meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and Management of the Company. As part of the ARMC review processes, the ARMC has also obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

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

The amount of audit fees and non-audit fees paid/payable to the Messrs BDO PLT ("BDO") by the Company and by the Group for the FY 2020 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 possesses 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 are encouraged to participate in continuous professional development programmes on accounting and auditing standards, practices and rules.

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

(II) Risk Management and Internal Control Framework

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

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

The Internal Auditors have performed its work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. Further disclosure on the conduct of the Internal Audit Function and performance assessment by the ARMC is reported in this Annual Report.

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 systems, 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 which is included in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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

The Company organises its announcements in appropriate categories in its corporate website to ease stakeholders in accessing the various announcements made. The Company also provides 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 period for Notice of Twenty-Eighth 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 resolutions being proposed and the operational and financial performance of the Company.

Explanations were provided for the proposed resolutions set out in the Notice of the Twenty-Eighth 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-Eighth AGM were put to vote by poll and duly passed. The Company 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.

The above voting was conducted through electronic voting system. The Company will continue to explore the leveraging of technology, to enhance the quality of engagement with its shareholders.

This Statement was approved by the Board on 19 February 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 2020, 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 2020 (“FY 2020”) in accordance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”).

1. COMPOSITION

The ARMC comprises three Independent Non-Executive Directors (“INEDs”), all of them were appointed to the Board on 13 March 2020. All the INEDs meet the independence criteria set out in Paragraph 1.01 and Practice Note 13 of the MMLR. Hence, the Company has complied with the requirements of Paragraphs 15.09(1) and (2) and 15.10 of the MMLR, and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG).

As reported in last year’s ARMC Report, there was a change of the composition of the ARMC on 13 March 2020. The changes were as follows:

From 1 January 2020 to 13 March 2020	From 13 March 2020 to 31 December 2020
<p>Mr Au Chun Choong Chairman (Independent Non-Executive Director)</p>	<p>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman (Independent Non-Executive Director)</p>
<p>Mr Chan Wan Siew Member (Senior Independent Non-Executive Director)</p>	<p>Datuk Kwan Foh Kwai Member (Independent Non-Executive Chairman)</p>
<p>Dato’ Haji Mokhtar Bin Haji Samad Member (Independent Non-Executive Chairman)</p>	<p>Mr Tan Teck Kiong Member (Independent Non-Executive Director)</p>

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

The former ARMC Chairman, Mr Au Chun Choong, was also 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 full profiles of the ARMC are available in this Annual Report and the Company’s website at www.luxchem.com.my.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

2. MEETING AND ATTENDANCE

During the FY 2020, five 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 ¹	2 / 2
Mr Chan Wan Siew ¹	2 / 2
Dato' Haji Mokhtar Bin Haji Samad ¹	2 / 2
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali ²	3 / 3
Datuk Kwan Foh Kwai ²	3 / 3
Mr Tan Teck Kiong ²	3 / 3

* Number of meetings attended/Number of meetings held during his tenure as Director.

¹ Resigned as Independent Non-Executive Director on 13 March 2020.

² Appointed as Independent Non-Executive Director on 13 March 2020.

3. SUMMARY OF WORK OF THE ARMC

During the FY 2020, the ARMC carried out its duties and functions in line with its Terms of Reference. Following are the summary of work carried out by the ARMC:

i. Ensuring Financial Statements Comply with Applicable Financial Reporting Standards

- a) Reviewed all interim financial statements and financial results of the Group with Management before recommending the same for the Board's approval and release to Bursa Securities. When reviewing the interim financial results in the quarterly meetings, the Managing Director/Chief Executive Officer ("MD/CEO") and Executive Director/Chief Financial Officer ("ED/CFO") were invited to present 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 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 27 October 2020, the meeting took note of the audit services rendered by BDO PLT and Mr Tan Seong Yuh, the engagement partner also confirmed that BDO PLT has been independent throughout the conduct of their audit engagement in accordance with the relevant ethical requirements.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

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

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.

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

- a) Reviewed and approved the internal audit plan to ensure adequate scope and coverage on key activities of the Group.
- b) Reviewed the internal audit reports of the Group, which outlined the audit issues, recommendations for improvements on reported weaknesses to ensure that management action plans are taken 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) The Terms of Reference of ARMC has been included in the Board Charter and is available on the Company’s website at www.luxchem.com.my.

The Board was satisfied that the ARMC and its members have discharged their functions, duties and responsibilities in accordance with its Term of Reference in ensuring the Company upholds its CG Standards during the FY 2020.

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.

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

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

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

The Internal Auditors report directly to the ARMC on the outcome of its appraisal of the Group's risk management activities which includes its internal control systems. 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 on a quarterly basis. 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 four ARMC meetings during the FY 2020 and conducted their reviews for the following entities and their respective key audit areas:

- i. Latex Division of Luxchem Trading Sdn Bhd on Sales, Billing, Collection & Credit Control, Procurement, Payment and Inventory Management;
- ii. Luxchem Trading Sdn Bhd (Penang Branch) on Sales, Billing, Collection & Credit Control, Procurement, Payment and Inventory Management; and
- iii. Information Technology Strategic Review for Luxchem Corporation Berhad.

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

The fee incurred for the internal audit function in respect of FY 2020 was RM84,000 (2019: RM80,000).

This ARMC Report was approved by the Board on 19 February 2021.

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 2020 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.

- **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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

• Key Element of Internal Control *cont'd*

- 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. ISO 9001:2015 and ISO 14001:2015 for Transform Master Sdn. Bhd. ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 management systems in Luxchem Polymer Industries Sdn. Bhd. forming the basis of production, operational and management procedures of all these subsidiaries;
- 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 in providing / disclosing information on frauds, wrongdoings or non-compliance to any rule or procedure by stakeholders of the Company. In addition, the Company has also established and made known its official stances on anti-corruption on a Group basis. Apart from Anti-Bribery & Anti-Corruption Policy which is available for reading at Company's website, the Company has also undertaken several activities as follows:
 - Establishment of Code of Ethics & Conduct for Business Partners, Code of Ethics & Conduct for Employees and Conflict of Interest Policy which in combination, strengthen the spirit of compliance of laws, regulations and proper and responsible conducts within the Group and its business chains.
 - Review and revision of operational processes necessary for enhancing the Group's integrity especially in the areas of appointing and assessing suitability of new and existing vendors, potential new hires, and proper and responsible conducts of employees.
 - Establishment of a structured, systematic and periodical review of internal risks relating to or combating bribery and corruption.
- 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

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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 environment. 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 2020 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 2020 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 approved by the Board on 19 February 2021.

ADDITIONAL COMPLIANCE INFORMATION

- **UTILISATION OF PROCEEDS**

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2020.

- **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 2020.

- **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 2020.

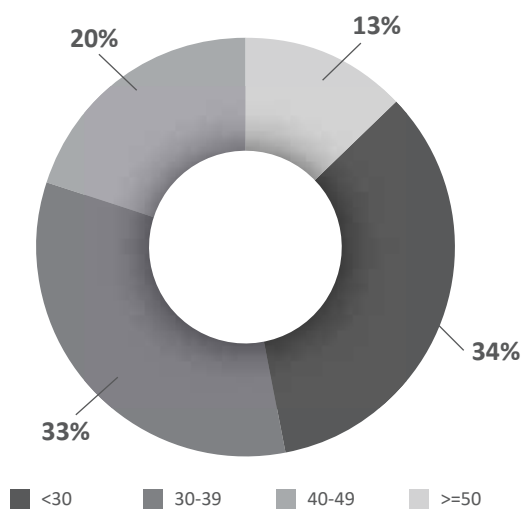
ADDITIONAL COMPLIANCE INFORMATION

cont'd

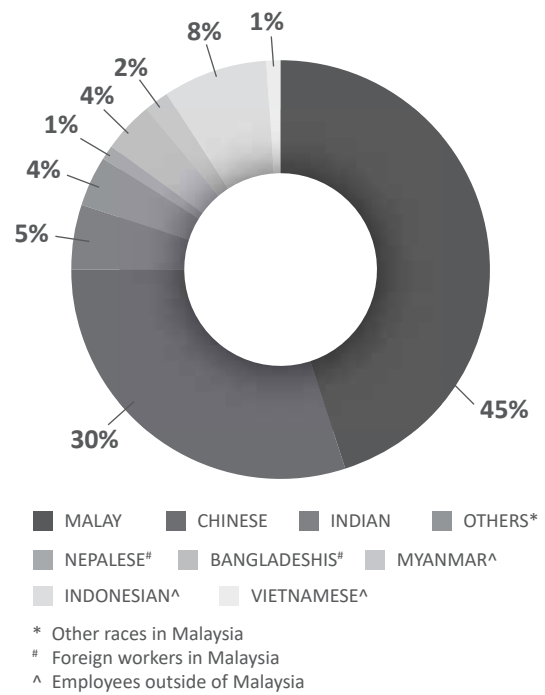
• **WORKFORCE DIVERSITY**

The Group's workforce statistics in terms of age, ethnicity, gender and nationality as at 31 December 2020 are disclosed below:

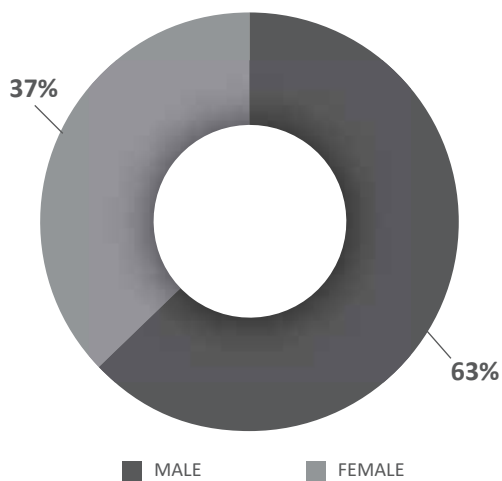
i) AGE GROUP



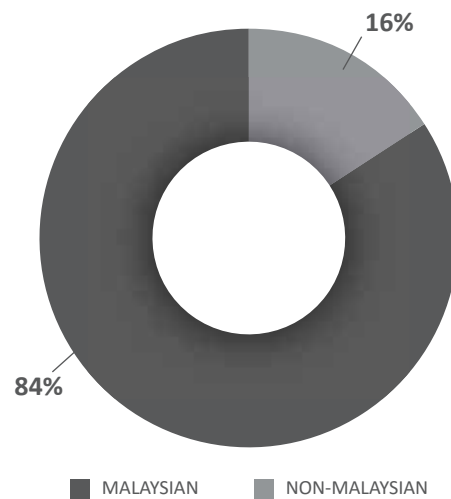
ii) ETHNICITY



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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 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	46,945,774	16,262,665
Attributable to:		
Owners of the parent	47,854,100	16,262,665
Non-controlling interests	(908,326)	-
	46,945,774	16,262,665

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 2019, paid on 13 May 2020	11,197,607
First single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 30 September 2020	8,958,085
	<u>20,155,692</u>

Subsequent to the financial year, the Board of Directors of the Company had on 19 February 2021 declared a second single-tier interim dividend of 2.00 sen per ordinary share amounting to RM19,939,491 for the financial year ended 31 December 2020. 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 2021.

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 presented in the consolidated statement of changes in equity.

ISSUE OF SHARES AND DEBENTURES

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

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:

Tang Ying See*	
Chin Song Mooi*	
Chen Moi Kew*	
Datuk Kwan Foh Kwai	(Appointed on 13 March 2020)
Tan Teck Kiong	(Appointed on 13 March 2020)
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	(Appointed on 13 March 2020)
Dato' Haji Mokhtar Bin Haji Samad	(Resigned on 13 March 2020)
Chan Wan Siew	(Resigned on 13 March 2020)
Au Chun Choong	(Resigned on 13 March 2020)

* 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	
Fan Kock Keong	
Pang Tee King	
Pok Jiun Lim	(Resigned on 28 December 2020)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 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 31.12.2020
	Balance as at 1.1.2020/date of appointment	Acquired	Disposed	
Shares in the Company				
Tang Ying See				
- Direct	7,800,000	4,454,600	(3,350,000)	8,904,600
- Indirect*	438,326,500	-	-	438,326,500
Chin Song Mooi				
- Direct	6,791,700	-	-	6,791,700
- Indirect**	439,334,800	4,454,600	(3,350,000)	440,439,400
Chen Moi Kew				
- Direct	4,590,000	30,000	(30,000)	4,590,000
Datuk Kwan Foh Kwai				
- Direct	2,576,600	300,000	(750,000)	2,126,600
- Indirect***	2,100,000	100,000	(100,000)	2,100,000

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

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

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

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: *cont'd*

	Number of ordinary shares			Balance as at 31.12.2020
	Balance as at 1.1.2020	Acquired	Disposed	
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.

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

DIRECTORS' BENEFITS

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

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

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

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

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

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

(III) AS AT THE DATE OF THIS REPORT

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

DIRECTORS' REPORT

cont'd

HOLDING COMPANY

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 33 to the financial statements.

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 2020 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

Kuala Lumpur
9 March 2021

Chen Moi Kew
Director

STATEMENT BY DIRECTORS

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

We, Tang Ying See and Chen Moi Kew, being two of the Directors of Luxchem Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 55 to 112 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 2020 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 2021

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 55 to 112 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 2021)

Chen Moi Kew

Before me:

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Luxchem Corporation Berhad, which comprise the statements of financial position as at 31 December 2020 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 55 to 112.

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 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

a) Impairment assessment of goodwill

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
(Incorporated in Malaysia)
cont'd

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

Key Audit Matters *cont'd*

a) Impairment assessment of goodwill *cont'd*

Audit response *cont'd*

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

- (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 2020, the carrying amount of the investments in subsidiaries for unquoted equity shares were RM116,895,329 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
(Incorporated in Malaysia)
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.

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.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Kuala Lumpur
9 March 2021

Tan Seong Yuh
03314/07/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	63,220,609	53,019,475	-	-
Investment property	6	2,743,392	2,771,696	-	-
Goodwill	7	35,802,888	35,802,888	-	-
Intangible assets	8	4,742,149	4,309,748	-	-
Investments in subsidiaries	9	-	-	161,172,210	157,456,494
Other investments	10	3,666,985	1,766,705	-	-
Deferred tax assets	11	1,569,340	596,317	-	-
		111,745,363	98,266,829	161,172,210	157,456,494
Current assets					
Inventories	12	72,882,379	68,944,796	-	-
Trade and other receivables	13	159,956,059	135,610,389	2,607,033	7,129
Current tax assets		2,422,688	3,366,965	-	-
Cash and bank balances	14	140,355,897	126,474,086	10,949,403	21,106,249
		375,617,023	334,396,236	13,556,436	21,113,378
TOTAL ASSETS		487,362,386	432,663,065	174,728,646	178,569,872
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	174,372,109	174,372,109	174,372,109	174,372,109
Reserves	16	162,481,019	134,634,569	30,444	3,923,471
		336,853,128	309,006,678	174,402,553	178,295,580
Non-controlling interests		413,258	(628,315)	-	-
TOTAL EQUITY		337,266,386	308,378,363	174,402,553	178,295,580

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
LIABILITIES					
Non-current liabilities					
Retirement benefits	17	781,762	573,219	-	-
Lease liabilities	18	268,279	494,690	-	-
Deferred tax liabilities	11	1,324,304	1,695,829	-	-
		2,374,345	2,763,738	-	-
Current liabilities					
Trade and other payables	19	81,203,301	56,825,388	325,175	259,960
Lease liabilities	18	397,984	590,772	-	-
Borrowing	20	63,793,408	63,001,209	-	-
Current tax liabilities		2,326,962	1,103,595	918	14,332
		147,721,655	121,520,964	326,093	274,292
TOTAL LIABILITIES		150,096,000	124,284,702	326,093	274,292
TOTAL EQUITY AND LIABILITIES		487,362,386	432,663,065	174,728,646	178,569,872

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	21	726,264,486	765,480,385	23,600,000	20,400,000
Cost of sales		(632,353,552)	(685,077,192)	-	-
Gross profit		93,910,934	80,403,193	23,600,000	20,400,000
Other operating income		5,635,855	5,460,863	544,027	570,154
Selling and distribution costs		(5,769,187)	(5,999,051)	-	-
Administration expenses		(23,621,412)	(22,066,446)	(564,521)	(482,905)
Other operating expenses		(5,046,997)	(3,082,675)	(7,210,741)	(70,853)
Finance costs	22	(2,586,116)	(4,594,577)	-	-
Profit before tax	23	62,523,077	50,121,307	16,368,765	20,416,396
Taxation	24	(15,577,303)	(13,165,942)	(106,100)	(135,450)
Profit for the financial year		46,945,774	36,955,365	16,262,665	20,280,946
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		261,576	(18,966)	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligations		(63,915)	(24,558)	-	-
Fair value gain/(loss) on equity investments at fair value through other comprehensive income		1,900,280	(223,944)	-	-
		1,836,365	(248,502)	-	-
Total other comprehensive income/(loss) for the financial year, net of tax		2,097,941	(267,468)	-	-
Total comprehensive income for the financial year		49,043,715	36,687,897	16,262,665	20,280,946

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 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Profit attributable to:					
Owners of the parent		47,854,100	37,644,630	16,262,665	20,280,946
Non-controlling interests		(908,326)	(689,265)	-	-
		46,945,774	36,955,365	16,262,665	20,280,946
Total comprehensive income attributable to:					
Owners of the parent		49,949,801	37,387,550	16,262,665	20,280,946
Non-controlling interests		(906,086)	(699,653)	-	-
		49,043,715	36,687,897	16,262,665	20,280,946
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic	25	5.34	4.27		
- Diluted	25	5.34	4.27		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Group	Note	← Non-distributable →			Distributable		Total	Non-controlling interests	Total equity
		Share capital	Exchange translation reserve	Fair value reserve	Retained earnings				
		RM	RM	RM	RM	RM	RM	RM	
Balance as at 1 January 2020		174,372,109	(246,285)	1,471,363	133,409,491	309,006,678	(628,315)	308,378,363	
Profit for the financial year		-	-	-	47,854,100	47,854,100	(908,326)	46,945,774	
Foreign currency translations		-	254,619	-	-	254,619	6,957	261,576	
Fair value gain on equity investments		-	-	1,900,280	-	1,900,280	-	1,900,280	
Remeasurement of defined benefit obligations		-	-	-	(59,198)	(59,198)	(4,717)	(63,915)	
Total comprehensive income		-	254,619	1,900,280	47,794,902	49,949,801	(906,086)	49,043,715	
Transactions with owners									
Accretion of interest in a subsidiary		-	-	-	(1,947,659)	(1,947,659)	1,947,659	-	
Dividends paid	26	-	-	-	(20,155,692)	(20,155,692)	-	(20,155,692)	
Total transactions with owners		-	-	-	(22,103,351)	(22,103,351)	1,947,659	(20,155,692)	
Balance as at 31 December 2020		174,372,109	8,334	3,371,643	159,101,042	336,853,128	413,258	337,266,386	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

cont'd

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 Employee' 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.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Company	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2020		174,372,109	3,923,471	178,295,580
Profit for the financial year		-	16,262,665	16,262,665
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	16,262,665	16,262,665
Transaction with owners				
Dividends paid	26	-	(20,155,692)	(20,155,692)
Total transaction with owners		-	(20,155,692)	(20,155,692)
Balance at 31 December 2020		174,372,109	30,444	174,402,553

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

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 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.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		62,523,077	50,121,307	16,368,765	20,416,396
Adjustments for:					
Amortisation of intangible assets	8	256,050	150,584	-	-
Bad debts written off		-	3,549	-	-
Depreciation of investment property	6	28,304	28,304	-	-
Depreciation of property, plant and equipment	5	3,923,878	3,921,491	-	-
Defined benefit obligations	17(b)	146,459	119,652	-	-
Dividend income		(156,413)	(96,053)	(23,600,000)	(20,400,000)
(Gain)/Loss on changes in fair value of forward exchange contracts		(180,548)	54,960	-	-
Gain on disposal of property, plant and equipment		(18,442)	(209,544)	-	-
Impairment losses on trade receivables	13(i)	3,858,681	1,966,432	-	-
Impairment losses on investment in a subsidiary	9	-	-	6,885,434	-
Interest income		(1,314,840)	(1,946,149)	(446,994)	(569,745)
Interest expense	22	2,586,116	4,594,577	-	-
Inventories written down	12(d)	987,305	182,006	-	-
Inventories written off	12(f)	608,205	1,066,807	-	-
Property, plant and equipment written off	5	208,956	112,975	-	-
Net unrealised (gain)/loss on foreign exchange		(337,515)	(216,072)	558	463
Reversal of impairment losses on trade receivables	13(i)	(1,240,015)	(804,416)	-	-
Reversal of inventories written down	12(e)	(186,883)	(218,538)	-	-
Share options vested under ESOS		-	138,497	-	3,245
Operating profit/(loss) before working capital changes		71,692,375	58,970,369	(792,237)	(549,641)
(Increase)/Decrease in inventories		(5,495,697)	14,637,505	-	-
(Increase)/Decrease in trade and other receivables		(27,473,399)	8,566,349	(462)	(410)
Increase/(Decrease) in trade and other payables		25,171,532	(5,889,580)	65,215	(26,556)
Cash generated from/(used in) operations		63,894,811	76,284,643	(727,484)	(576,607)
Net tax paid		(14,841,277)	(11,280,800)	(119,514)	(121,118)
Interest received		1,314,840	1,946,149	446,994	569,745
Interest paid		(2,529,161)	(4,488,037)	-	-
Net cash from/(used in) operating activities		47,839,213	62,461,955	(400,004)	(127,980)

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

cont'd

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5(d)	(14,453,804)	(7,210,542)	-	-
Purchase of intangible assets	8	(406,811)	(11,395)	-	-
Proceeds from disposal of property, plant and equipment		111,217	209,553	-	-
Additional investments in subsidiaries		-	-	(10,601,150)	-
Dividend received		156,413	96,053	21,000,000	20,400,000
(Placement)/Withdrawal of deposits with licensed banks with original maturity of more than three (3) months		(4,497,906)	(8,704,354)	4,000,000	(1,200,000)
Net cash (used in)/from investing activities		(19,090,891)	(15,620,685)	14,398,850	19,200,000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued pursuant to share options exercised		-	8,143,056	-	8,143,056
Repayments on lease liabilities		(681,193)	(917,036)	-	-
Interest paid on lease liabilities		(56,955)	(106,540)	-	-
Net drawdown/(repayments) of trade finance		1,620,093	(24,322,539)	-	-
Dividends paid	26	(20,155,692)	(19,888,094)	(20,155,692)	(19,888,094)
Net cash used in financing activities		(19,273,747)	(37,091,153)	(20,155,692)	(11,745,038)
Net increase/(decrease) in cash and cash equivalents		9,474,575	9,750,117	(6,156,846)	7,326,982
Cash and cash equivalents at beginning of financial year		110,315,680	100,222,496	12,906,249	5,579,267
Effect of changes in exchange rates		(90,670)	343,067	-	-
Cash and cash equivalents at end of financial year		119,699,585	110,315,680	6,749,403	12,906,249

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	39,363,585	62,070,680	149,403	256,249
Deposits placed with licensed banks	100,992,312	64,403,406	10,800,000	20,850,000
	140,355,897	126,474,086	10,949,403	21,106,249
Less:				
Placement of deposits with licensed banks with original maturity of more than three (3) months	(20,656,312)	(16,158,406)	(4,200,000)	(8,200,000)
	119,699,585	110,315,680	6,749,403	12,906,249

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Note	Leases (Note 18) RM	Borrowing (Note 20) RM
At 1 January 2019		1,519,986	86,614,826
Cash flows		(1,023,576)	(24,322,539)
Non-cash changes:			
- Acquisition of property, plant and equipment	5(d)	472,940	-
- Translation adjustments		9,572	708,922
- Unwinding of interest		106,540	-
At 31 December 2019		1,085,462	63,001,209
At 1 January 2020		1,085,462	63,001,209
Cash flows		(738,148)	1,620,093
Non-cash changes:			
- Acquisition of property, plant and equipment	5(d)	276,763	-
- Translation adjustments		(14,769)	(827,894)
- Unwinding of interest		56,955	-
At 31 December 2020		666,263	63,793,408

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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 2020 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 2021.

2. PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 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 34(a) to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

4. OPERATING SEGMENTS

(a) Operating Segments

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

- (i) **Trading** Import, export and distribution of petrochemical and other related products.
- (ii) **Manufacturing** Manufacturing and trading of unsaturated polyester resin, latex chemical dispersions, latex processing chemicals and related products.

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

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

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

2020	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Revenue				
Total revenue	598,510,618	273,337,496	-	871,848,114
Inter-segment revenue	(2,227,609)	(143,356,019)	-	(145,583,628)
External sales	596,283,009	129,981,477	-	726,264,486
Results				
Segment results	31,979,974	32,446,777	(792,795)	63,633,956
Dividend, interest and rental income	874,412	153,831	446,994	1,475,237
Operating profit/(loss)	32,854,386	32,600,608	(345,801)	65,109,193
Finance costs	(2,506,927)	(79,189)	-	(2,586,116)
Profit/(Loss) before tax	30,347,459	32,521,419	(345,801)	62,523,077
Tax expense	(7,790,342)	(7,680,861)	(106,100)	(15,577,303)
Profit/(Loss) for the financial year	22,557,117	24,840,558	(451,901)	46,945,774
Segment assets	312,564,337	163,846,646	10,951,403	487,362,386
Segment liabilities	111,192,629	38,577,278	326,093	150,096,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

2020	Trading RM	Manufacturing RM	Other RM	Consolidated RM
Other segment information				
Additions to non-current assets:				
- property, plant and equipment	11,785,480	2,945,087	-	14,730,567
- intangible assets	-	406,811	-	406,811
Depreciation and amortisation	1,776,059	2,432,173	-	4,208,232
<i>Non cash expenses other than depreciation and amortisation:</i>				
- Impairment losses on trade receivables, net of reversals	2,618,666	-	-	2,618,666
- Property, plant and equipment written off	982	207,974	-	208,956
- Inventories written down	682,491	304,814	-	987,305
- Inventories written off	158,298	449,907	-	608,205
- Reversal of inventories written down	(70,433)	(116,450)	-	(186,883)
- Defined benefit obligations	146,459	-	-	146,459
- Net unrealised (gain)/loss foreign exchange	(466,640)	128,567	558	(337,515)
- Net gain on changes in fair value of forward exchange contracts	(128,098)	(52,450)	-	(180,548)
- Net gain on disposal of property, plant and equipment	-	(18,442)	-	(18,442)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

4. OPERATING SEGMENTS *cont'd*

(a) Operating Segments *cont'd*

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
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 2020

cont'd

4. OPERATING SEGMENTS *cont'd*

(b) Geographical Segments

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

	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	511,212,542	105,913,581	528,686,656	95,094,454
Indonesia	86,177,969	486,406	111,428,867	726,989
Vietnam	77,703,376	103,031	80,043,885	82,364
Thailand	22,414,400	-	20,673,990	-
Singapore	5,833,725	6,020	5,697,452	-
Bangladesh	4,585,919	-	3,422,736	-
Australia	4,179,896	-	3,208,856	-
Sri Lanka	3,542,007	-	2,073,495	-
Philippines	3,466,137	-	3,223,056	-
New Zealand	2,837,036	-	2,544,015	-
Cambodia	1,398,233	-	2,476,411	-
Others	2,913,246	-	2,000,966	-
	726,264,486	106,509,038	765,480,385	95,903,807

(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 2020

cont'd

5. PROPERTY, PLANT AND EQUIPMENT

2020 Group	Balance as at 1.1.2020 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Translation adjustments RM	Depreciation charge for the year RM	Balance as at 31.12.2020 RM
Carrying amount								
Freehold land	2,411,942	-	-	-	-	-	-	2,411,942
Long term leasehold land								
- Right-of-use assets	20,345,598	-	-	-	-	-	(342,200)	20,003,398
Buildings								
- Owned	14,815,990	1,535,423	-	(188,667)	257,186	-	(459,669)	15,960,263
- Right-of-use assets	530,491	206,575	-	-	-	(10,261)	(450,313)	276,492
Renovation	451,350	45,839	-	-	-	(63)	(62,322)	434,804
Furniture and fittings	237,986	110,606	-	-	-	(90)	(45,330)	303,172
Plant, machinery and equipment	7,383,712	1,016,563	(3)	(3,649)	109,389	(1,563)	(1,617,992)	6,886,457
Motor vehicles								
- Owned	2,221,429	182,198	(92,772)	-	108,443	(1,240)	(851,440)	1,566,618
- Right-of-use assets	331,555	92,358	-	-	(108,443)	(8,967)	(94,612)	211,891
Capital work-in-progress	4,289,422	11,541,005	-	(16,640)	(648,215)	-	-	15,165,572
	53,019,475	14,730,567	(92,775)	(208,956)	(281,640)	(22,184)	(3,923,878)	63,220,609

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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cont'd

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

	← As at 31 December 2020 →		
	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	(2,176,471)	20,003,398
Buildings			
- Owned	20,902,043	(4,941,780)	15,960,263
- Right-of-use assets	1,929,002	(1,652,510)	276,492
Renovation	1,743,260	(1,308,456)	434,804
Furniture and fittings	1,374,809	(1,071,637)	303,172
Plant, machinery and equipment	24,206,442	(17,319,985)	6,886,457
Motor vehicles			
- Owned	5,519,013	(3,952,395)	1,566,618
- Right-of-use assets	337,902	(126,011)	211,891
Capital work-in-progress	15,165,572	-	15,165,572
	95,769,854	(32,549,245)	63,220,609

	← 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
Buildings			
- 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

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

- (a) All items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land and right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses.
- (b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods used are as follows:

Buildings	50 years
Renovation	5 to 50 years
Furniture and fittings	5 to 10 years
Plant, machinery and equipment	2 to 10 years
Motor vehicles	5 years

Freehold land has unlimited useful life and is not depreciated.

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

- (c) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

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

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

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

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

	Group	
	2020 RM	2019 RM
Purchase of property, plant and equipment	14,730,567	7,683,482
Financed by lease liabilities	(276,763)	(472,940)
Cash payments on purchase of property, plant and equipment	14,453,804	7,210,542

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTY

Group	Balance as at 1.1.2020 RM	Additions RM	Depreciation charge for the year RM	Balance as at 31.12.2020 RM
Carrying amount				
Investment property	2,771,696	-	(28,304)	2,743,392

Group	At 31.12.2020		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Investment property	2,800,000	(56,608)	2,743,392

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

- (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 97 years (2019: 98 years).

- (c) The Level 3 fair value of investment property is RM3,450,000 (2019: RM3,450,000). 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) At the end of reporting period, rental income of the Group derived from the investment property amounted to RM3,984 (2019: NIL).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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6. INVESTMENT PROPERTY *cont'd*

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

	Group	
	2020	2019
	RM	RM
Direct operating expenses	11,921	10,163

7. GOODWILL

	Group	
	2020	2019
	RM	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. The key assumptions for the computation of value-in-use are further described in Note 7(c) to the financial statements.

(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	
	2020	2019
Sales volume (annual growth rate)	8.49%	4.44%
Operating profit margin	13.56%	11.23%
Pre-tax discount rate	13.54%	7.48%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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7. GOODWILL *cont'd*

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

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

Assumptions	Approach used in determining values
Sales volume	Compound annual growth rate over the five-year forecast period based on financial plans approved by senior management team of TMSB and they reflect management's expectation of achievable growth based on past performance and market development.
Operating profit margin	Based on past performance and management's expectations for the future.
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.

8. INTANGIBLE ASSETS

Group	Balance as at 1.1.2020 RM	Additions RM	Reclassification RM	Amortisation charge for the year RM	Balance as at 31.12.2020 RM
Carrying amount					
Computer software	309,748	406,811	281,640	(256,050)	742,149
Brand equity	4,000,000	-	-	-	4,000,000
	4,309,748	406,811	281,640	(256,050)	4,742,149

Group	At 31.12.2020		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Computer software	2,307,664	(1,565,515)	742,149
Brand equity	4,000,000	-	4,000,000
	6,307,664	(1,565,515)	4,742,149

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS *cont'd*

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
			← At 31.12.2019 →	
Group	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	

- (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 (2019: 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.

- (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. The key assumptions for the computation of value-in-use are further described in Note 8(d) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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8. INTANGIBLE ASSETS *cont'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	
	2020	2019
Sales volume (annual growth rate)	0.00%	0.00%
Operating profit margin	11.98%	10.14%
Pre-tax discount rate	12.58%	7.95%

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.
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	
	2020	2019
	RM	RM
Unquoted equity shares, at cost	123,780,763	113,179,613
Less: Impairment losses	(6,885,434)	-
	116,895,329	113,179,613
Equity loans to subsidiaries	33,704,973	33,704,973
Equity contributions in subsidiaries in respect of ESOS	10,571,908	10,571,908
	161,172,210	157,456,494

NOTES TO THE FINANCIAL STATEMENTS

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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, operating profit 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(j) to the financial statements.

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

- (c) In March 2020, the Company acquired an additional 22.62% equity interest in PT Luxchem Indonesia ("PTLI") for a total cash consideration of USD2.3 million, equivalent to approximately RM10.1 million. Pursuant to that, the Company now holds 92.62% equity interest in PTLI.
- (d) In October 2020, the Company had injected a capital of SGD150,000, equivalent to approximately RM459,300 in Luxchem Trading (S) Pte. Ltd., being a wholly owned subsidiary of the Company, for the purpose of working capital.
- (e) As at the end of reporting period, the Company had made impairment of RM6,885,434 (2019: Nil) due to continuous losses incurred by this subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES *cont'd*

(f) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2020	2019	
Luxchem Trading Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Luxchem Polymer Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and trading of unsaturated polyester resin and related products.
Luxchem Trading (S) Pte. Ltd.*	Republic of Singapore	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
Chemplex Composite Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Importers, exporters and distributors of chemical, industrial and other preparations.
PT Luxchem Indonesia#	Indonesia	92.62%	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

(g) 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 2020 and 31 December 2019.

10. OTHER INVESTMENTS

	Group	
	2020	2019
	RM	RM
Equity securities:		
- Quoted shares in Malaysia	3,556,984	1,656,704
- Unquoted shares in Malaysia	110,001	110,001
	3,666,985	1,766,705

(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. Fair value of unquoted ordinary shares of the Group are estimated based on price to earnings valuation method. The sensitivity analysis for the investments in unquoted shares is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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10. OTHER INVESTMENTS *cont'd*

- (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	
		2020 RM	2019 RM
Balance as at 1 January		1,099,512	1,306,376
Recognised in profit or loss	24	(1,339,998)	(191,606)
Recognised in other comprehensive income		(18,028)	(8,186)
Translation adjustments		13,478	(7,072)
Balance as at 31 December		(245,036)	1,099,512

Presented after appropriate offsetting:

	Group	
	2020 RM	2019 RM
Deferred tax assets	(1,569,340)	(596,317)
Deferred tax liabilities	1,324,304	1,695,829
	(245,036)	1,099,512

- (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	Total
	RM	RM
Balance as at 1 January 2020	(596,317)	(596,317)
Recognised in profit or loss	(968,473)	(968,473)
Recognised in other comprehensive income	(18,028)	(18,028)
Translation adjustments	13,478	13,478
Balance as at 31 December 2020	(1,569,340)	(1,569,340)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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11. DEFERRED TAX *cont'd*

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

Deferred tax assets of the Group cont'd

	Other temporary differences RM	Total RM
Balance as at 1 January 2019	(280,330)	(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	(596,317)	(596,317)

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 January 2020	1,785,020	(89,191)	1,695,829
Recognised in profit or loss	(171,393)	(200,132)	(371,525)
Balance as at 31 December 2020	1,613,627	(289,323)	1,324,304
Balance as at 1 January 2019	1,376,920	209,786	1,586,706
Recognised in profit or loss	408,100	(298,977)	109,123
Balance as at 31 December 2019	1,785,020	(89,191)	1,695,829

12. INVENTORIES

	Group	
	2020 RM	2019 RM
At cost		
Raw materials	21,813,021	17,581,951
Consumables	538,895	683,480
Finished goods	11,661,912	8,245,944
Trading goods	38,478,279	41,984,361
	72,492,107	68,495,736

NOTES TO THE FINANCIAL STATEMENTS

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12. INVENTORIES *cont'd*

	Group	
	2020 RM	2019 RM
At net realisable value		
Raw materials	201,756	223,287
Trading goods	188,516	225,773
	390,272	449,060
	72,882,379	68,944,796

- (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 RM615,729,293 (2019: RM669,212,066).
- (d) During the financial year, the amounts of inventories written down recognised as expenses amounted to RM987,305 (2019: RM182,006).
- (e) During the financial year, the Group had recognised a reversal of RM186,883 (2019: RM218,538), 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 RM608,205 (2019: RM1,066,807).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables				
Third parties	154,893,126	136,509,385	-	-
Less: Impairment losses	(4,901,531)	(3,450,265)	-	-
Total trade receivables	149,991,595	133,059,120	-	-

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13. TRADE AND OTHER RECEIVABLES *cont'd*

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables				
Amounts owing by subsidiaries	-	-	2,605,033	5,129
Third parties	9,643,811	2,011,254	2,000	2,000
Total other receivables	9,643,811	2,011,254	2,607,033	7,129
Total receivables	159,635,406	135,070,374	2,607,033	7,129
Prepayments	268,203	540,015	-	-
Derivative assets	52,450	-	-	-
	159,956,059	135,610,389	2,607,033	7,129

- (a) Total receivables are classified as financial assets measured at amortised costs. Derivative assets are classified as financial assets at fair value through profit or loss.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 0 to 120 days (2019: 0 to 180 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Non-trade amounts owing by subsidiaries is unsecured, interest free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) Fair value of derivative assets of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

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

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

Group	Contractual amount in foreign currency (FC)	Equivalent amount in Ringgit Malaysia (RM)	Average contract rate FC/RM	Expiry date
31 December 2020				
United States Dollar	2,000,000	8,103,450	4.05	29.01.2021 - 26.02.2021

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	126,216,745	105,180,825	2,602,000	2,000
Indonesian Rupiah	15,092,021	17,595,213	-	-
United States Dollar	17,297,546	12,223,978	-	-
Singapore Dollar	230,393	65,298	-	-
Vietnamese Dong	15,999	4,921	5,033	5,129
Euro	782,702	-	-	-
Chinese Yuan Renminbi	-	139	-	-
	159,635,406	135,070,374	2,607,033	7,129

- (g) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects of 10% changes to RM against foreign currencies				
Profit after tax				
- Indonesian Rupiah	1,146,994	1,337,236	-	-
- United States Dollar	1,314,613	929,022	-	-
- Singapore Dollar	17,510	4,963	-	-
- Vietnamese Dong	1,216	374	383	390
- Euro	59,485	-	-	-
- Chinese Yuan Renminbi	-	11	-	-

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31 December 2020

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

Group	Gross RM	Impaired RM	Total RM
2020			
Current	102,745,931	(64,384)	102,681,547
Past due			
1 to 30 days	38,523,518	-	38,523,518
31 to 60 days	5,215,263	(141,132)	5,074,131
61 to 90 days	1,505,536	(53,021)	1,452,515
91 to 120 days	1,114,856	(208,837)	906,019
More than 120 days	5,788,022	(4,434,157)	1,353,865
	52,147,195	(4,837,147)	47,310,048
	154,893,126	(4,901,531)	149,991,595
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

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

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

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

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13. TRADE AND OTHER RECEIVABLES *cont'd*

(i) *cont'd*

The reconciliation of movements in impairment losses is as follows:

Group	Fully credit impaired	
	2020	2019
	RM	RM
Balance as at 1 January	3,450,265	2,459,611
Charge for the year	3,858,681	1,966,432
Reversal during the year	(1,240,015)	(804,416)
Written off	(1,138,539)	(185,352)
Translation adjustments	(28,861)	13,990
Balance as at 31 December	4,901,531	3,450,265

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

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

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

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

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

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

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

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13. TRADE AND OTHER RECEIVABLES *cont'd*

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

	← Group →			
	2020		2019	
	RM	% of total	RM	% of total
By country				
Malaysia	49,183,924	33	20,628,484	16
Thailand	-	-	2,870,355	2
	49,183,924	33	23,498,839	18

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 fourteen (14) major customers representing approximately 33% (2019: six (6) major customers representing approximately 18%) 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:

	2020	2019
	RM	RM
Maximum exposure	154,893,126	136,509,385
Collateral obtained	(54,257,290)	(50,096,155)
Net exposure	100,635,836	86,413,230

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.

14. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	39,363,585	62,070,680	149,403	256,249
Deposits with licensed banks	100,992,312	64,403,406	10,800,000	20,850,000
	140,355,897	126,474,086	10,949,403	21,106,249

(a) Deposits with licensed banks of the Group and of the Company have an average maturity period of 60 and 93 days respectively (2019: 54 and 95 days).

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14. CASH AND BANK BALANCES *cont'd*

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	118,576,067	85,183,433	10,949,403	21,106,249
United States Dollar	18,106,379	35,556,346	-	-
Indonesian Rupiah	2,608,762	5,173,559	-	-
Singapore Dollar	768,069	272,184	-	-
Euro	205,320	190,499	-	-
Vietnamese Dong	91,300	98,065	-	-
	140,355,897	126,474,086	10,949,403	21,106,249

(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	
	2020 RM	2019 RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	1,376,085	2,702,282
- Indonesian Rupiah	198,266	393,190
- Singapore Dollar	58,373	20,686
- Euro	15,604	14,478
- Vietnamese Dong	6,939	7,453

(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	
	2020	2019	2020	2019
Fixed rates	1.62%	2.68%	1.90%	3.27%

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.

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15. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
Balance as at 1 January	895,808,553	174,372,109	863,461,653	163,377,293
Ordinary shares issued pursuant to the exercise of ESOS	-	-	32,346,900	10,994,816
Balance as at 31 December	895,808,553	174,372,109	895,808,553	174,372,109

- (a) In the previous 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 ranked pari passu in all respects with the existing ordinary shares of the Company.

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

16. RESERVES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Non-distributable:				
Exchange translation reserve	8,334	(246,285)	-	-
Fair value reserve	3,371,643	1,471,363	-	-
	3,379,977	1,225,078	-	-
Distributable:				
Retained earnings	159,101,042	133,409,491	30,444	3,923,471
	162,481,019	134,634,569	30,444	3,923,471

(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.

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17. RETIREMENT BENEFITS

	Group	
	2020	2019
	RM	RM
Present value of unfunded defined benefit obligations	781,762	573,219

(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.

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

	Note	Group	
		2020	2019
		RM	RM
Balance as at 1 January		573,219	409,821
Recognised in profit or loss			
Current service costs		101,316	82,128
Interest on obligation		44,925	37,524
Past service costs		218	-
	27	146,459	119,652
Recognised in other comprehensive income			
Actuarial loss arising from changes in financial assumptions		81,943	32,744
Translation adjustments		(19,859)	11,002
Balances as at 31 December		781,762	573,219

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	
	2020	2019
	%	%
Discount rate	6.25	8.00
Expected rate of average salary increases	9.00	9.00

NOTES TO THE FINANCIAL STATEMENTS

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17. RETIREMENT BENEFITS *cont'd*

- (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	
	2020	2019
	RM	RM
Discount rate increases by 1%	(63,656)	(48,202)
Discount rate decreases by 1%	72,315	54,634
Future average salary growth increases by 1%	65,907	50,940
Future average salary growth decreases by 1%	(59,463)	(45,999)

18. LEASES

The Group as lessee

Right-of-use assets

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

	Balance as at 1.1.2020	Additions	Depreciation charge for the year	Reclassification	Translation adjustments	Balance as at 31.12.2020
2020	RM	RM	RM	RM	RM	RM
Leasehold land	20,345,598	-	(342,200)	-	-	20,003,398
Buildings	530,491	206,575	(450,313)	-	(10,261)	276,492
Motor vehicles	331,555	92,358	(94,612)	(108,443)	(8,967)	211,891
	21,207,644	298,933	(887,125)	(108,443)	(19,228)	20,491,781
2019						
Leasehold land	20,687,798	-	(342,200)	-	-	20,345,598
Buildings	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

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18. LEASES *cont'd*

The Group as lessee *cont'd*

Lease liabilities

	Group	
	2020	2019
	RM	RM
Lease liabilities		
Non-current liabilities	268,279	494,690
Current liabilities	397,984	590,772
Total lease liabilities	666,263	1,085,462
Lease liabilities owing to:		
- financial institutions	96,700	164,243
- non-financial institutions	569,563	921,219
	666,263	1,085,462

(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.

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

	Balance as at		Lease payments		Interest expenses	Translation adjustments	Balance as at	
	1.1.2020	Additions	Principal	Interest			31.12.2020	RM
2020	RM	RM	RM	RM	RM	RM	RM	
Leasehold land	360,872	-	(75,723)	(14,277)	14,277	-	285,149	
Buildings	560,347	206,575	(472,092)	(31,277)	31,277	(10,416)	284,414	
Motor vehicles	164,243	70,188	(133,378)	(11,401)	11,401	(4,353)	96,700	
	1,085,462	276,763	(681,193)	(56,955)	56,955	(14,769)	666,263	
2019								
Leasehold land	433,361	-	(72,489)	(17,511)	17,511	-	360,872	
Buildings	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	

NOTES TO THE FINANCIAL STATEMENTS

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18. LEASES *cont'd*

The Group as lessee *cont'd*

Lease liabilities *cont'd*

(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	
	2020 RM	2019 RM
Depreciation charge of right-of-use assets	887,125	1,074,926
Interest expense on lease liabilities	56,955	106,540
Expenses relating to short-term leases	341,426	4,800
Expenses relating to leases of low value assets	27,984	32,243
	1,313,490	1,218,509

(e) The weighted average incremental borrowing rate applied to the lease liabilities is 5.42% (2019: 7.27%).

(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	One (1) to five (5) years	More than five (5) years	Total
	RM	RM	RM	RM
31 December 2020				
Lease liabilities	397,984	268,279	-	666,263
31 December 2019				
Lease liabilities	590,772	494,690	-	1,085,462

(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	One (1) to five (5) years	More than five (5) years	Total
	RM	RM	RM	RM
31 December 2020				
Lease liabilities	422,503	281,538	-	704,041
31 December 2019				
Lease liabilities	636,595	523,699	-	1,160,294

The Group as lessor

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

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18. LEASES *cont'd*

The Group as lessor *cont'd*

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

	Group	
	2020 RM	2019 RM
Less than one (1) year	78,000	-
One (1) to two (2) years	78,000	-
Two (2) to three (3) years	67,516	-
	223,516	-

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Third parties	72,928,538	49,744,148	-	-
Other payables				
Other payables	2,324,006	2,005,720	7,130	-
Accruals	5,920,579	4,917,244	318,045	259,960
Total other payables	8,244,585	6,922,964	325,175	259,960
Total payables	81,173,123	56,667,112	325,175	259,960
Derivative liabilities	30,178	158,276	-	-
	81,203,301	56,825,388	325,175	259,960

- (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 (2019: 0 to 90 days) from date of invoice.

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19. TRADE AND OTHER PAYABLES *cont'd*

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	33,273,759	24,005,895	325,175	259,960
United States Dollar	46,886,969	31,146,280	-	-
Indonesian Rupiah	837,631	1,443,054	-	-
Chinese Yuan Renminbi	50,407	-	-	-
Vietnam Dong	13,098	47,645	-	-
Singapore Dollar	38,160	24,238	-	-
Euro	73,099	-	-	-
	81,173,123	56,667,112	325,175	259,960

- (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	
	2020 RM	2019 RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	3,563,410	2,367,117
- Indonesian Rupiah	63,660	109,672
- Chinese Yuan Renminbi	3,831	-
- Vietnam Dong	995	3,621
- Singapore Dollar	2,900	1,842
- Euro	5,556	-

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

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

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER PAYABLES *cont'd*

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

Group	Contractual amount in foreign currency (FC)	Equivalent amount in Ringgit Malaysia (RM)	Average contract rate FC/RM	Expiry date
31 December 2020				
United States Dollar	2,781,941	11,317,468	4.07	04.01.2021 - 15.02.2021
31 December 2019				
United States Dollar	3,035,334	12,595,407	4.15	02.01.2020 - 14.02.2020

20. BORROWING

	Group	
	2020 RM	2019 RM
Trade finance	63,793,408	63,001,209

- (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 30 to the financial statements.
- (c) The currency exposure profile of borrowing is as follows:

	Group	
	2020 RM	2019 RM
Ringgit Malaysia	46,911,574	35,864,658
United States Dollar	6,608,083	12,317,111
Indonesia Rupiah	10,273,751	14,819,440
	63,793,408	63,001,209

- (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	
	2020 RM	2019 RM
Effects of 10% changes to RM against foreign currencies		
Profit after tax		
- United States Dollar	502,214	936,100
- Indonesia Rupiah	780,805	1,126,277

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20. BORROWING *cont'd*

- (e) The weighted average effective interest rates of trade finance of the Group is 3.41% (2019: 5.85%) per annum.
- (f) The interest rate profile of the borrowing as at the end of each reporting period is as follows:

	Group	
	2020 RM	2019 RM
Floating rate	63,793,408	63,001,209

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

- (g) The carrying 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 2020	63,793,408	-	-	63,793,408
31 December 2019	63,001,209	-	-	63,001,209

- (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 2020	64,342,200	-	-	64,342,200
31 December 2019	64,107,053	-	-	64,107,053

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21. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers	726,264,486	765,480,385	-	-
Other revenue:				
- Dividend income	-	-	23,600,000	20,400,000
	726,264,486	765,480,385	23,600,000	20,400,000
Revenue from contracts with customers is recognised as follows:				
At point in time	726,264,486	765,480,385	-	-

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.

(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	
		2020 RM	2019 RM
Lease liabilities	18(b)	56,955	106,540
Trade finance interest		2,529,161	4,488,037
		2,586,116	4,594,577

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23. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	293,130	301,078	75,000	75,000
- Non statutory audit:				
- current year	5,000	5,000	5,000	5,000
Share option expense:				
- Executive Directors of the Company	-	11,357	-	-
- Non-executive Directors of the Company	-	3,245	-	3,245
- Executive Directors of subsidiaries	-	8,959	-	-
- employees	-	114,936	-	-
Directors' remuneration:				
- Executive Directors of the Company				
- fees	10,000	10,000	-	-
- salaries and other remuneration	2,529,598	2,199,518	-	-
- benefits-in-kind	45,400	45,400	-	-
- Non-executive Directors of the Company				
- fees	103,493	96,000	103,493	96,000
- other remuneration	16,152	20,760	16,152	20,760
- Executive Directors of subsidiaries				
- fees	50,000	47,726	-	-
- salaries and other remuneration	3,396,898	3,052,093	-	-
- benefits-in-kind	40,900	43,530	-	-
- Non-executive Director of a subsidiary				
- fees	9,139	9,225	-	-
Loss on foreign exchange:				
- realised	1,142,668	685,479	-	-
- unrealised	152,331	181,385	558	463
Loss on changes in fair value of forward exchange contracts	-	54,960	-	-

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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	
	2020	2019	2020	2019
	RM	RM	RM	RM
And crediting:				
Dividend income:				
- quoted investment	35,413	30,053	-	-
- unquoted investment	121,000	66,000	-	-
- subsidiaries	-	-	23,600,000	20,400,000
Gain on foreign exchange:				
- realised	535,409	127,504	97,033	409
- unrealised	489,846	397,457	-	-
Gain on changes in fair value of forward exchange contracts	180,548	-	-	-
Gain on disposal of property, plant and equipment	18,442	209,544	-	-
Interest income from deposits with financial institutions	1,314,840	1,946,149	446,994	569,745
Rental income	3,984	-	-	-

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

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

24. TAXATION

	Note	Group		Company	
		2020	2019	2020	2019
		RM	RM	RM	RM
Current tax expense based on profit for the financial year:					
Malaysian income tax		16,878,680	12,949,436	106,100	135,306
Foreign income tax		48,514	294,585	-	-
(Over)/Under provision in prior years		(9,893)	113,527	-	144
		16,917,301	13,357,548	106,100	135,450
Deferred tax					
Relating to origination and reversal of temporary differences		(1,176,280)	152,009	-	-
Over provision in prior years		(163,718)	(343,615)	-	-
	11	(1,339,998)	(191,606)	-	-
		15,577,303	13,165,942	106,100	135,450

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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24. TAXATION *cont'd*

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2019: 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	62,523,077	50,121,307	16,368,765	20,416,396
Tax expense at the rate of 24% (2019: 24%)	15,005,538	12,029,114	3,928,504	4,899,935
Tax effects in respect of:				
Differences in tax rates of foreign jurisdictions	57,035	(16,301)	-	-
Deferred tax asset not recognised	28,411	6,988	-	-
Non-allowable expenses	838,214	1,402,477	1,841,596	131,371
Tax exempt income	(178,284)	(26,248)	(5,664,000)	(4,896,000)
	15,750,914	13,396,030	106,100	135,306
(Over)/Under provision in prior years:				
- current tax	(9,893)	113,527	-	144
- deferred tax	(163,718)	(343,615)	-	-
	15,577,303	13,165,942	106,100	135,450

- (d) Unrecognised deferred tax asset

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

	Group	
	2020 RM	2019 RM
Unused tax losses		
- No expiry	178,202	68,844
- Expires by 31 December 2021	341,241	341,241
- Expires by 31 December 2022	329,836	329,836
- Expires by 31 December 2024	9,110	9,110
- Expires by 31 December 2025	9,022	-
	867,411	749,031

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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24. TAXATION *cont'd*

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

2020	Before tax	Group	After tax
	RM	Tax effect RM	RM
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	261,576	-	261,576
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligations	(81,943)	18,028	(63,915)
Fair value gain on equity investments at fair value through other comprehensive income	1,900,280	-	1,900,280
	1,818,337	18,028	1,836,365
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)

25. EARNINGS PER SHARE

	Group	
	2020	2019
Profit for the financial year attributable to ordinary equity holders of the parent (RM)	47,854,100	37,644,630
Weighted average number of ordinary shares in issue	895,808,553	881,864,209
Earnings per ordinary share (sen)		
- Basic	5.34	4.27
- Diluted	5.34	4.27

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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25. EARNINGS PER SHARE *cont'd*

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

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

26. DIVIDENDS

	Group and Company	
	2020	2019
	RM	RM
Second single-tier interim dividend of 1.25 sen per ordinary share in respect of the financial year ended 31 December 2019	11,197,607	-
First single-tier interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2020	8,958,085	-
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 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019	-	8,944,126
	20,155,692	19,888,094

Subsequent to the financial year, the Board of Directors of the Company had on 19 February 2021 declared a second single-tier interim dividend of 2.00 sen per ordinary share amounting to RM19,939,491 for the financial year ended 31 December 2020. 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 2021.

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

27. EMPLOYEE BENEFITS

	Note	Group	
		2020	2019
		RM	RM
Salaries, wages and bonuses		18,792,745	17,209,184
Defined contribution plan		2,045,721	1,869,780
Defined benefit obligations	17	146,459	119,652
Share options vested under ESOS			
- Directors		-	23,561
- Employees		-	114,936
Others employee benefits		540,142	683,650
		21,525,067	20,020,763

NOTES TO THE FINANCIAL STATEMENTS

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28. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

(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	
	2020	2019
	RM	RM
Dividend income received/receivable from subsidiaries	23,600,000	20,400,000

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

(c) Compensation of key management personnel

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

	Group	
	2020	2019
	RM	RM
Short-term employee benefits	5,431,290	4,832,187
Defined contribution plan	581,422	516,538
Defined benefit obligations	83,100	66,459
Share options vested under ESOS	-	23,561
Others	19,468	20,138
	6,115,280	5,458,883
Benefits-in-kind	86,300	88,930
	6,201,580	5,547,813

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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28. RELATED PARTY DISCLOSURES *cont'd*

(c) Compensation of key management personnel *cont'd*

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

	Group	
	2020	2019
Balance as at 1 January	-	7,950,000
Exercised	-	(7,950,000)
Balance as at 31 December	-	-

29. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM	RM
Approved and contracted for		
Purchase of:		
- property, plant and equipment	1,071,779	11,876,138
- intangible assets	39,072	113,717
Approved but not contracted for		
Purchase of property, plant and equipment	1,529,784	2,626,106

30. CONTINGENT LIABILITIES

	Company	
	2020	2019
	RM	RM
Unsecured		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries:		
- Limit of guarantee	252,475,670	256,916,930
- Amount utilised	63,793,408	63,001,209

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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30. CONTINGENT LIABILITIES *cont'd*

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

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

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

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

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.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Borrowing	63,793,408	63,001,209	-	-
Trade and other payables	81,173,123	56,667,112	325,175	259,960
Total liabilities	144,966,531	119,668,321	325,175	259,960
Less: Cash and bank balances	(140,355,897)	(126,474,086)	(10,949,403)	(21,106,249)
Net debt/(surplus)	4,610,634	(6,805,765)	(10,624,228)	(20,846,289)
Total capital	336,853,128	309,006,678	174,402,553	178,295,580
Net debt/(surplus)	4,610,634	(6,805,765)	(10,624,228)	(20,846,289)
	341,463,762	302,200,913	163,778,325	157,449,291
Gearing ratio	0.01	N/A	N/A	N/A

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2020.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

(b) Financial risk management *cont'd*

(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 18, 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.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO until 18 March 2021.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group does not anticipate significant supply disruptions and would continue to monitor its fund and operational needs.

- (b) On 14 December 2020, the Company had entered into a heads of agreement for the proposed acquisition by the Company of 55% equity interest each in Lexis Chemical Sdn. Bhd., Lexis Specialties Sdn. Bhd. and Lexis Corporation Sdn. Bhd. for a total purchase consideration of RM121.0 million to be satisfied partly via cash and partly via issuance of new ordinary shares in the Company. The proposed acquisition is not completed as at the date of this report.

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 19 February 2021, the issued ordinary share capital of the Company had increased from 895,808,553 to 966,558,553 by way of issuance of 70,750,000 new ordinary shares pursuant to private placement at issue price of RM0.71 per ordinary share.
- (b) On 22 February 2021, the issued ordinary share capital of the Company had increased from 966,558,553 to 970,808,553 by way of issuance of 4,250,000 new ordinary shares pursuant to private placement at issue price of RM0.71 per ordinary share.
- (c) On 24 February 2021, the issued ordinary share capital of the Company had increased from 970,808,553 to 985,808,553 by way of issuance of 15,000,000 new ordinary shares pursuant to private placement at issue price of RM0.73 per ordinary share.
- (d) On 1 March 2021, the issued ordinary share capital of the Company had increased from 985,808,553 to 996,974,553 by way of issuance of 11,166,000 new ordinary shares pursuant to private placement at issue price of RM0.75 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

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34. 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
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

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 2021

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
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee (“IFRIC”) issued a final agenda decision on 26 November 2019 regarding “Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)”.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 December 2020. There is no material impact on the financial statements of the Group as at the end of reporting period.

LIST OF PROPERTIES

as at 5 March 2021

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 2020 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	44 years/ freehold	-	Shoplot (4 storey mid terraced shop- office)/office	1,650/ 5,446	RM611,865/ April 08, 1991	414,405
2.	Lot 3385, Jalan Banting Pandamaran, 42000 Port Klang, Selangor Darul Ehsan/ No. G.M 1708, Lot 3385, Mukim Klang, Klang, Selangor	26 years/ freehold	-	Warehouse	80,150/ 32,400	RM2,978,359/ August 30, 1991	1,931,281
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	36 years/ leasehold/ March 22, 2045	25	Office/Store	10,000/ 6,500	RM519,816/ February 06, 1992	249,458
4.	No. 3, Jalan TTC 30, Taman Teknologi Cheng, 75250 Fasa 4A, Melaka PN 20123, Lot 4819 Mukim Cheng, District of Melaka Tengah, Melaka	23 years/ leasehold August 14, 2096	76	Industrial land/ factory warehouse	190,112/ 85,741	RM7,296,751/ February 04, 1997 RM2,876,575/ November 30, 2014 RM15,000/ November 09, 2015 RM29,300/ February 27, 2017 RM69,000/ February 16, 2019 RM161,000/ February 19, 2019 RM19,080/ May 13, 2019 RM25,000/ May 31, 2019 RM1,152,156/ July 1, 2020 RM5,500/ September 1, 2020 RM12,753/ October 1, 2020	8,822,788

LIST OF PROPERTIES

as at 5 March 2021

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 2020 RM
5.	Plot 129a, Bukit Minyak Industrial Park, 14100 Seberang Perai, Pulau Pinang/ H.S. (D) 42609, P.T. 317, Mukim 13, Seberang Perai Tengah, Pulau Pinang	11 years/ leasehold/ November 03, 2058	38	Industrial land/ factory warehouse	87,120/ 49,776	RM3,856,664/ March 28, 1997 RM2,525,526/ June 01, 2017	5,204,923
6.	No. 4, Jalan Bistari 4, Taman Industri Jaya, 81300 Skudai, Johor Darul Takzim/ PN 13419, Lot 56749, Mukim of Pulai, Johor Bahru, Johor	23 years/ leasehold/ September 03, 2911	891	1 1/2 storey semi-detached factory	21,780/ 17,403	RM1,468,495/ March 28, 2005	1,213,837
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	44 years/ freehold	-	Shoplot (4 storey mid terraced shop- office)/office	1,650/ 5,446	RM1,800,000/ June 22, 2005	1,677,333
8.	Lot P2, Lumut Port Industrial Park, 32000 Sitiawan, Perak Darul Ridzuan PN 296183, Lot 15592, Mukim of Lumut, District of Manjung, Perak	15 years/ leasehold/ July 09, 2105	85	Industrial land/ factory warehouse office building	67,608/ 45,302	RM3,900,000/ July 15, 2011	3,558,660
9.	Lot 23, Phase 3A, Pulau Indah Industrial Park P.N 7935, Lot No. 74078, District and Mukim of Klang, Selangor	84 years/ leasehold/ February 24, 2097	77	Industrial land	366,775	RM14,671,008/ September 14, 2017	14,489,044
10.	Lot 23a (DBKK No. 6) Bigwheel Industrial Park Mile 7 1/2, Menggatal Jalan Tuaran 88450 Kota Kinabalu, Sabah	2 years/ leasehold/ *December 3, 2117	97	Semi- detached 3-storey 4-in-1 corporate office, showroom, factory & warehouse	8,581/ 5,766	RM2,800,000 December 21, 2018	2,743,391

* Subject to change after issuance of strata title

ANALYSIS OF SHAREHOLDINGS

as at 5 March 2021

Class of Shares	:	Ordinary Shares
Total number of Issued Shares	:	996,974,553
Amount of Shares issued as fully paid	:	RM249,652,162.61
Voting Rights	:	One vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders		No. of Shares		Percentage	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 99	11	-	253	-	-	-
100 - 1,000	1,193	5	805,122	2,500	0.080	-
1,001 - 10,000	5,361	41	30,572,000	260,600	3.066	0.026
10,001 - 100,000	3,220	35	105,594,300	1,057,100	10.591	0.106
100,001 - 49,848,726 (*)	557	19	365,244,078	8,186,400	36.635	0.821
49,848,727 AND ABOVE (**)	2	-	485,252,200	-	48.672	-
Total	10,344	100	987,467,953	9,506,600	99.044	0.953
Grand Total		10,444		996,974,553		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	41.758	-	-
Tang Ying See	8,904,600	0.893	423,111,700 ^(a)	42.440
Chin Song Mooi	6,791,700	0.681	425,224,600 ^(b)	42.651
Chow Cheng Moey	68,932,200	6.914	10,600,000 ^(c)	1.063

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 5 March 2021

cont'd

LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Direct	Shareholdings		
		%	Indirect	%
TANG YING SEE	8,904,600	0.893	438,326,500 ^(a)	43.966
CHIN SONG MOOI	6,791,700	0.681	440,439,400 ^(b)	44.178
CHEN MOI KEW	4,590,000	0.460	-	-
DATUK KWAN FOH KWAI	2,126,600	0.213	2,200,000 ^(c)	0.221

Notes:

- (a) Deemed interested by virtue of the shareholdings held by his spouse, Chin Song Mooi and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and his son, Tang Chii Shyan pursuant to Section 59(11)(c) of the Companies Act 2016.
- (b) Deemed interested by virtue of the shareholdings held by her spouse, Tang Ying See and substantial shareholdings in Chemplex Resources Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and 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 5 MARCH 2021

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

No	Holder Name	No. of Shares Held	Percentage (%)
1	CHEMPLEX RESOURCES SDN. BHD.	416,320,000	41.758
2	CHOW CHENG MOEY	68,932,200	6.914
3	OH WEI WAH	27,800,000	2.788
4	TANG CHII SHYAN	15,214,800	1.526
5	NG KIT HENG	14,029,300	1.407
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	12,822,029	1.286
7	LIM KUANG SIA	10,600,000	1.063
8	TANG YING SEE	8,904,600	0.893
9	FONG AH CHAI	7,600,000	0.762
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TA KIN YAN	7,550,000	0.757
11	OH ZHI SEN	6,916,000	0.693
12	CHIN SONG MOOI	6,791,700	0.681
13	AU CHUN CHOONG	5,010,000	0.502
14	CHIA KEE FOO	5,000,000	0.501
15	CHIA KEE KWEI	5,000,000	0.501
16	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU CHUN CHOONG	4,772,600	0.478
17	CHEN MOI KEW	4,590,000	0.460
18	LIM JEE SOON	4,250,000	0.426

ANALYSIS OF SHAREHOLDINGS

as at 5 March 2021

cont'd

LIST OF TOP 30 HOLDERS AS AT 5 MARCH 2021 *cont'd*

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

No	Holder Name	No. of Shares Held	Percentage (%)
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR CHEAH LEE SENG (CHE0461C)</i>	4,120,000	0.413
20	LIM HUI GUAN	3,900,000	0.391
21	MISA SDN BHD	3,674,400	0.368
22	NG AH KIEW	3,214,700	0.322
23	FAN KOCK KEONG	3,141,800	0.315
24	CHIA SEONG POW	3,100,000	0.310
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP (7003423)</i>	3,000,000	0.300
26	CHIA KEE YEW	3,000,000	0.300
27	FOO KHON PU	3,000,000	0.300
28	LEE CHOONG ONN	3,000,000	0.300
29	CH'NG CHAN SENG	2,972,200	0.298
30	CHANG YOON CHOY	2,445,000	0.245

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting (“29th AGM”) of the Company will be held on a fully virtual basis at the Broadcast Venue: 6, Jalan SS 21/58, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 27 May 2021**, at **10.00 a.m.** via Remote Participation and Voting facilities (“RPV”) which are available at Tricor Investor & Issuing House Services Sdn. Bhd (“Tricor”)’s online website at <https://tiih.online>, for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To approve the payment of Directors’ fees of RM113,492.00 for the financial year ended 31 December 2020. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors’ fees of RM124,000.00 for the financial year ending 31 December 2021. | Ordinary Resolution 2 |
| 4. | To approve the payment of Directors’ Benefits up to an amount of RM27,000.00 for the financial year ending 31 December 2021. | Ordinary Resolution 3 |
| 5. | To re-elect the following Directors who are retiring by rotation in accordance with Clause 76(3) of the Constitution of the Company and, who being eligible, offer themselves for re-election: | |
| | (a) Madam Chin Song Mooi | Ordinary Resolution 4 |
| | (b) Madam Chen Moi Kew | Ordinary Resolution 5 |
| 6. | To appoint Messrs BDO PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business

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

- | | | |
|----|---|------------------------------|
| 7. | AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 | Ordinary Resolution 7 |
|----|---|------------------------------|

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being (“Proposed 20% General Mandate”).

NOTICE OF ANNUAL GENERAL MEETING

cont'd

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

- a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate")

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

NOTICE OF ANNUAL GENERAL MEETING

cont'd

8. PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE

Ordinary Resolution 8

THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

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

- a. the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- b. the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

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

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

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;

NOTICE OF ANNUAL GENERAL MEETING

cont'd

- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

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

9. **AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT NEW ORDINARY SHARES IN THE COMPANY ("LCB SHARES") UNDER THE PROPOSED GENERAL MANDATE FOR RIGHTS ISSUE ON A PRO RATA BASIS ("PROPOSED RIGHTS ISSUE MANDATE")**

Ordinary Resolution 9

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approval of the relevant regulatory authorities, where such approval is required, approval be and is hereby given to the Board of Directors of the Company ("Board") to:

- (a) provisionally issue and allot by way of a rights issue on a pro rata basis of new LCB Shares ("Rights Shares") to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced by the Board later;
- (b) issue such new Rights Shares as may be required to give effect to the Proposed Rights Issue Mandate, including any persons entitled on renunciation of the provisional allotments;
- (c) determine and fix the entitlement basis and issue price of the new Rights Shares which shall be announced by the Board later;
- (d) utilise the proceeds to be derived from the Proposed Rights Issue Mandate for the purposes as determined and announced by the Board later; and
- (e) vary the manner and/or purpose of such proceeds as the Board may deem fit and in the best interest of the Company,

provided that:

- (i) such new Rights Shares to be issued pursuant to this resolution, does not exceed fifty per centum (50%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being; and
- (ii) the new Rights Shares shall not price at more than thirty per centum (30%) discount to the theoretical ex-rights price.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

THAT such approval on the Proposed Rights Issue Mandate shall continue to be in force until 31 December 2021.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such new Rights Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company to do all such acts and things as may be necessary or expedient in order to give full effect to the Proposed Rights Issue Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed Rights Issue Mandate.”

By Order of the Board

WONG WAI FOONG (SSM PC NO. 202008001472)(MAICSA 7001358)

CHEN MOI KEW (SSM PC NO. 202008001043)(MIA 6359)

NG HARN SHIN (SSM PC NO. 202008001759)(MIA 22427)

Company Secretaries

Petaling Jaya

6 April 2021

Notes on the Appointment of Proxy:

1. *As part of the initiatives to curb the spread of Covid-19, the Twenty-Ninth Annual General Meeting (“29th AGM”) of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities available on Tricor Investor & Issuing House Services Sdn. Bhd.’s TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the ‘Administrative Details’ section of the 29th AGM in order to register, participate and vote remotely via the RPV facilities.*
2. *The broadcast venue of the 29th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 52(3) of the Company’s Constitution which stipulate that the Chairman shall be at the main venue. Member(s)/proxy(ies)/corporate representative(s) **WILL NOT BE ALLOWED** to attend the 29th AGM in person at the broadcast venue on the day of the meeting.*
3. *Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 29th AGM via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its **TIIH Online** website at <https://tiih.online>. Please follow the Procedures for RPV provided in the Administrative Details of the 29th AGM and read the notes below in order to participate remotely via RPV.*
4. *Members may submit questions to the Board of Directors prior to the 29th AGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than Tuesday, 25 May 2021 at 10.00 a.m. or to use the query box to transmit questions to the Chairman/Board via RPV during live streaming.*
5. *For the purpose of determining who shall be entitled to attend this General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 18 May 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 29th AGM via RPV.*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

6. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
7. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
8. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
9. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
10. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
11. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
12. *A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 29th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Details of the 29th AGM.*
13. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
 - (i) *In hard copy form*
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar’s Office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - (ii) *Online*
In the case of an appointment made via online lodgement facility, please login to the link website at <https://tiih.online> and select “e-Services” to login. Please refer to the Annexure 1 in the Administrative Guide on how to register to TIIH Online and submit your Form of Proxy electronically.
14. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar’s Office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
15. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
16. *Last date and time for lodging this proxy form is 10.00 a.m. on Tuesday, 25 May 2021.*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

17. A corporate member who has appointed a representative, please deposit the **ORIGINAL** or **DULY CERTIFIED** certificate of appointment with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment should be executed in the following manner:
- (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Explanatory Notes to Ordinary Business:

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

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

2. Ordinary Resolution 1 – Directors' Fees for the financial year ended 31 December 2020

The Board of Directors, upon Remuneration Committee's recommendation, had reviewed the Directors' fees after taking into consideration time commitment and responsibilities of the respective Director. Payment of the Directors' fees for the financial year ended 31 December 2020 amounting to RM113,492.00 will be made by the Company if the proposed Ordinary Resolution 1 is passed in the forthcoming Annual General Meeting.

3. Ordinary Resolutions 2 & 3 – Directors' Fees and Directors' Benefits for the financial year ending 31 December 2021

On 8 March 2021, the Remuneration Committee had reviewed the fees and benefits of the Board of Directors ("Board") and Board Committees for the financial year ending 31 December 2021 taking into consideration of the market trends for similar positions, time commitment and responsibilities of the respective Directors. The structure of Directors' fees and Directors' benefits is as follows:

Type of Fees	Amount
Board fees	
Independent Non-Executive Directors	RM38,000.00 per annum per Director
Executive Directors	RM10,000.00 per annum for Madam Chen Moi Kew
Type of Benefits	
Meeting Attendance Allowance	
Board Committee and Board Meeting Allowances	RM1,000.00 per day

Payment of the Directors' fees and Directors' benefits will be made by the Company as and when incurred if the proposed Ordinary Resolutions 2 & 3 are passed.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

4. Ordinary Resolutions 4 & 5 – Re-election of Directors who retire in accordance with Clause 76(3) of the Constitution of the Company

Madam Chin Song Mooi and Madam Chen Moi Kew are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 29th AGM.

The Board has, through the Nominating Committee (“NC”), considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

5. Ordinary Resolution 6 – Re-appointment of Auditors

The Board has through the Audit and Risk Management Committee, considered the re-appointment of Messrs BDO PLT as Auditors of the Company. The factors considered by the Audit and Risk Management Committee in making the recommendation to the Board to table their re-appointment at the 29th AGM are disclosed in the pages 31 to 32 of this Annual Report.

Explanatory Notes to Special Business:

6. Ordinary Resolution 7 - Authority to issue and allot shares pursuant to Sections 75 and 76 of the Act

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being (“Proposed 20% General Mandate”) up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit (“Proposed 10% General Mandate”) according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting (“AGM”) or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year’s mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders’ approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, the Company had allotted 101,166,000 new ordinary shares via private placement under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the Twenty-Eighth Annual General Meeting of the Company held on 30 July 2020 and the 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

7. Ordinary Resolution 8 – Proposed Renewal of Share Buy-Back Mandate

The proposed Ordinary Resolution 8, if passed will empower the Company to renew its existing authorisation to purchase its own ordinary shares up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 6 April 2021 for further information.

NOTICE OF ANNUAL GENERAL MEETING

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8. Ordinary Resolution 9 – Authority for Directors to issue and allot New Ordinary Shares in the Company under the Proposed General Mandate for Rights Issue on a Pro Rata Basis

Bursa Malaysia Securities Berhad (“Bursa Securities”) had on 10 November 2020, introduced further flexibility to facilitate secondary fund raising through an enhanced rights issue framework which allows listed issuers to undertake a rights issue of ordinary shares on a pro rata basis through a higher general mandate, under Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to not more than 50% of the total number of issued shares (excluding treasury shares) of the company, and such new ordinary shares are not priced at more than 30% discount to the theoretical ex-rights price, subject to compliance with certain conditions, up to 31 December 2021.

The proposed Ordinary Resolution 9, if passed, will give authority to the Company to undertake a rights issue exercise on a pro rata basis (“Proposed Rights Issue”) and the Directors of the Company to issue and allot new ordinary shares in the capital of the Company in relation to the Proposed Rights Issue (“New Rights Shares”), which does not exceed fifty per centum (50%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being, and the new Rights Shares shall be priced at not more than thirty per centum (30%) discount to the theoretical ex-rights price (“Proposed Rights Issue Mandate”).

The Proposed Rights Issue Mandate shall continue to be in force until 31 December 2021.

The Proposed Rights Issue is a new mandate. The Proposed Rights Issue Mandate is to provide flexibility to the Company to issue new ordinary shares without the need to convene separate general meeting to obtain its shareholders’ approval so as to avoid incurring additional costs and time.

The Board is of the opinion that the Proposed Rights Issue Mandate is in the best interests of the Company and its shareholders, and will allow the Company to further enhance the liquidity of the Group.

The purpose of the Proposed Rights Issue Mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or or such other application as the Directors may deem fit in the best interest of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

There is no Director standing for election at the 29th AGM of the Company.

LUXCHEM

LUXCHEM CORPORATION BERHAD
Registration No. 199101014102 (224414-D)
(Incorporated in Malaysia)

PROXY FORM

*I/We _____ NRIC/Passport/Company No. _____ Tel/Hp No. _____

_____ of _____

_____ being member(s) of Luxchem Corporation Berhad, hereby appoint:

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

and

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

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Twenty-Ninth Annual General Meeting ("29th AGM") of the Company to be on a fully virtual basis at the Broadcast Venue: 6, Jalan SS 21/58, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 27 May 2021 at 10.00 a.m.** or at any adjournment thereof, and to vote as indicated below:

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020			
		Ordinary Resolution ("OR")	For	Against
2.	Approval of Directors' Fees of for the financial year ended 31 December 2020	OR 1		
3.	Approval of Directors' Fees for the financial year ending 31 December 2021	OR 2		
4.	Approval of Directors' benefits for the financial year ending 31 December 2021	OR 3		
5.	Re-election of Madam Chin Song Mooi as Director	OR 4		
6.	Re-election of Madam Chen Moi Kew as Director	OR 5		
7.	Appointment of Messrs BDO PLT as Auditors of the Company and authorising the Directors to fix their remuneration	OR 6		
Special Business				
8.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016	OR 7		
9.	Proposed Renewal of Share Buy-Back Mandate	OR 8		
10.	Proposed Rights Issue Mandate on a Pro Rata Basis	OR 9		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.]

Dated this day _____ of _____ 2021

Number of ordinary shares held	
CDS account no.	

*Signature/Common Seal of Shareholder

* Delete if not applicable

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Notes:

1. As part of the initiatives to curb the spread of Covid-19, the Twenty-Ninth Annual General Meeting ("29th AGM") of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Tricor Investor & Issuing House Services Sdn. Bhd.'s TIH Online website at <https://tjih.online>. Please follow the procedures provided in the Administrative Details' section of the 29th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The broadcast venue of the 29th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 52(3) of the Company's Constitution which stipulate that the Chairman shall be at the main venue. Member(s)/proxy(ies)/corporate representative(s) **WILL NOT BE ALLOWED** to attend the 29th AGM in person at the broadcast venue on the day of the meeting.
3. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 29th AGM via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIH Online** website at <https://tjih.online>. Please follow the Procedures for RPV provided in the Administrative Details of the 29th AGM and read the notes below in order to participate remotely via RPV.
4. Members may submit questions to the Board of Directors prior to the 29th AGM via Tricor's TIH Online website at <https://tjih.online> by selecting "e-Services" to login, pose questions and submit electronically no later than Tuesday, 25 May 2021 at 10.00 a.m. or to use the query box to transmit questions to the Chairman/Board via RPV during live streaming.
5. For the purpose of determining who shall be entitled to attend this General Meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 18 May 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend in this 29th AGM via RPV.
6. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
7. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
8. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
9. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
10. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
11. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
12. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 29th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online website at <https://tjih.online>. Please follow the Procedures for RPV in the Administrative Details of the 29th AGM.

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AFFIX
STAMP

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

c/o Tricor Investor & Issuing House Services Sdn. Bhd.
(197101000970) (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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13. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - (ii) Online
In the case of an appointment made via online lodgement facility, please login to the link website at <https://tjih.online> and select "e-Services" to login. Please refer to the Annexure 1 in the Administrative Guide on how to register to TIH Online and submit your Form of Proxy electronically.
14. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
15. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
16. Last date and time for lodging this proxy form is 10.00 a.m. on Tuesday, 25 May 2021.
17. A corporate member who has appointed a representative, please deposit the **ORIGINAL** or **DULY CERTIFIED** certificate of appointment with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.



www.luxchem.com.my

LUXCHEM CORPORATION BERHAD
Registration No. 199101014102 [224414-D]

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

**Tel : (603) 7728 2155
Fax : (603) 7729 9782**