SAMCHEM HOLDINGS BERHAD

(797567-U)
(Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT 2018

RM1.1 Billion

FY18 Revenue breached the RM1 billion mark with a 17% increase to RM1.1b, from RM937.52m in 2017

Financial Year Ended 31 December	2017	2018
GROUP		
Revenue (RM'000)	937,523	**1,095,222**
Profit Before Tax (RM'000)	36,052	**32,190**
Profit After Tax (RM'000)	26,235	**23,671**
Earnings Per Share (sen)	8.23	**7.88**
Net Assets Per Share (sen)	52	**57**
Dividend Per Share (sen)	3.00	**3.00**

Samchem has been in operation for more than 20 years and is a leading industrial chemical distributor in Malaysia and South East Asia.

Samchem supplies about 500 different petrochemicals and services to more than 7,000 clients from industries such as automotive, paints and inks, oil and gas, and agriculture — across the region.

CORPORATE VISION

We strive to excel as one of the leading industrial chemicals distributors in Malaysia and the Asia-Pacific region.

We reach out to our customers with our competencies to satisfy the anticipated needs of our customers identified by our capabilities and meet the commitments that have been made to enhance relationships.

CORPORATE MISSION STATEMENTS

To integrate synergistic process outsourcing alliances and partnerships with our MNC chemical suppliers in order to satisfy our mutual needs for strategic interdependency in the chemical industry supply chain.

To form and govern conformance of the strategic choices and actions of the management with the intention to continously improve our future performance.

To be the preferred chemicals distributor to suppliers and customers.

OVERVIEW

MANAGEMENT DISCUSSIONS AND ANALYSIS

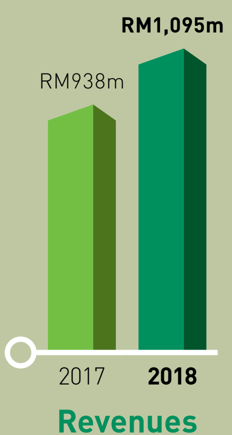
SUSTAINABILITY AND CORPORATE GOVERNANCE

FINANCIALS

OTHERS

Dear Valued Shareholders,

The year 2018 saw a challenging economic environment in Malaysia as global events, e.g., the US-China trade war, fluctuation in crude oil prices, US Fed rate hikes, currency volatility, as well as internal events such as the national elections that resulted in a change of government, accompanied by changes in economic and financial policies, impacted the economy.



However, the Samchem Group performed well, chalked up record revenues despite the challenging environment in all the countries it operates in. Fluctuation in foreign exchange as well as in chemical prices affected the Group's operations but with sustained internal effort in operational and financial efficiency, the year ended profitably. Difficulties were mitigated by expanded business activities and product portfolio brought in from prior years' effort.

There was increased revenues in all the countries in The Group's coverage, thanks to continued rising demand for petrochemicals in ASEAN which has remained a strong growth area in the global economy.

With this, I am honoured to present to you this statement for the financial year ended 31 December 2018 (FY2018).

For FY 2018, the Group achieved a new milestone, generating RM1.1 billion in revenue, with net profit before tax of RM32.2 million.

Financial Performance

In 2018, the Group achieved a new milestone, generating RM1.1 billion in revenue from RM938 million in the previous year, with net profit before tax of RM32 million (from RM36 million a year ago).

Dividend

During the year, the company has paid dividends totalling RM8.16 million to shareholders. The company has proposed a final dividend in respect of financial year ended 31 December 2018 amounting to RM2.72 million which is subject to approval of shareholders at the next Annual General Meeting.

Corporate Governance

The Board and management of Samchem strive to ensure that good governance is at the heart of the Group's policies and practices. We adhere to the highest standards, and seek to ensure business sustainability in line with our shareholders' interests. The Group's internal controls are specified in the Corporate Governance Statement in this Annual Report.

Appreciation

The Samchem Group's RM1.1 billion revenue in 2018 could only have been achieved with the commitment of our COO and his Management team, Directors and all employees of the Group. The dedication they have shown in carrying out their individual tasks and responsibilities have resulted in the Group's position today. I would like to extend my deepest gratitude for their dedication and sustained effort in striving for excellence in the pursuit of growth for Samchem. I would also like to take this opportunity to thank our shareholders, business partners and valued clientele for their support towards the Group.

Ng Thin Poh
Executive Chairman

04 management's statement

Dear Valued Shareholders,

I am pleased to deliver the 2018 Annual Report and Management's Statement for Samchem Holdings Berhad.

The Samchem Group of companies performed exceptionally well as all regions exceeded 2017 revenues, despite debilitating global and domestic events, e.g., the ongoing US-China trade war, fluctuation in foreign exchange of regional currencies, volatility in crude oil prices (which affected chemical prices) and impact from GE14 with the economic policy changes (GST, SST, cancellation/ deferment of mega projects). Despite the challenges faced – including volatile chemical prices & dampened demand — the Samchem Group achieved record revenue of RM1.1 billion, albeit with slightly lower but commendable net profit before tax, under the circumstances.

Global political and economic events stifled growth, as the growing trend of protectionism and nationalism in the past year affected emerging economies but the Asia Pacific fared better than other regions. The Samchem Group's business activities expanded and its growth trend continued to be sustained, leaning on strategic marketing and sales aspiration & internal strive in operational and financial efficiency to maintain a costs-effective environment. This resulted in increased revenues in Malaysia, Vietnam and Indonesia, thanks to the Group's strong financial & sales infrastructure, the dedication and commitment of management & support staff, turning the Group into a Billion dollar company in 2018.

Business Activities

Distribution of Chemicals and Blending of Customised Products

The core business of the Group is in Distribution of Chemicals that are used in personal care & grooming (deodorant, mouthwash, shampoo, hair gel, toothpaste, cosmetics, nail polish), household care & cleaning (detergents, multi-purpose cleaners, stain removers, fragrances) and in industries such as the automotive, manufacturing, construction, paints and inks, agriculture, oil & gas, etc. The Group's business has expanded as a result of sustained sales & marketing effort in the region for the growing portfolio of products from existing, as well as a growing list of principals.

Samchem represents ExxonMobil Chemical, Shell, Petronas, BASF; these are the largest global producers of petrochemicals in this region. After almost 30 years of collaboration with these principals, Samchem has expanded out to other ASEAN countries, acquired a wider range of products for distribution, including specialty premium chemicals and established a vast network of customer base for mutual business growth and benefit.

Besides distribution of petrochemicals from the major petrochemicals producers, Samchem distributes for a large number of specialty chemical manufacturers (Momentive, Venator, Evonik, Mitsui, Shin-Etsu, Lanxess, Afton, etc.). These are high-end, high premium products used in industries such as paints & coatings, polyurethane foam (for mattresses, car seats), automotive, printing ink, construction, agriculture, adhesives, industrial cleaning, household and personal care, electronics, oil & gas and many more.

The Group has a division that does blend of solvents to make customised products for specific applications. A growing number of companies are outsourcing their blending processes and Samchem Nusajaya's facilities has the capacity to provide these needs. This division also focuses on chemical distribution with value-added services such as storage & warehousing (DG cargo) and bulk-breaking (into drums or smaller packaging) and is complemented by Samchem Singapore Pte Ltd, the operation in Singapore (located in Westgate Tower, Jurong East) that facilitates export to other global destinations.

Authorised Distributorship for Shell Lubricants

In 2016, Samchem Lubricants was appointed authorised B2B distributor for Shell's range of lubricants in the east coast states of Pahang, Terengganu and Kelantan. Warehouses were immediately set up in Kuantan, Kota Baru and Mentakab for product storage, shortening delivery lead-time, being closer to the major industrial clusters in these 3 states.

In 2017, the distributorship was extended to cover the northern states of Perlis, Kedah, Penang and Perak. Samchem Lubricants effectively distributes products to the northern half of Peninsular Malaysia, supported by existing Samchem operations in Ipoh and Penang. With additional manpower, both operations were re-located to bigger premises and warehouses to accommodate sales and sales support personnel and storage requirements.

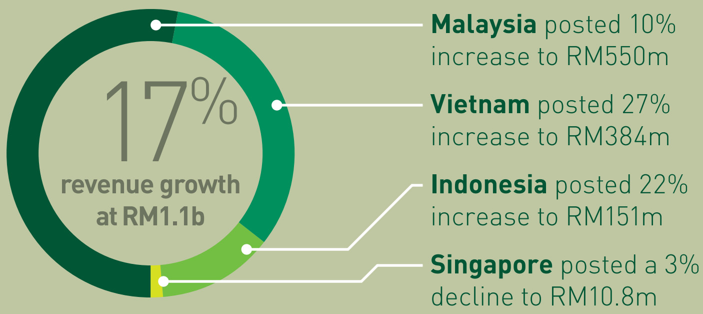
Distribution of Audio-Visual and IT Products

Sampro distributes audio-visual & IT equipment, together with ancillary products (monitor brackets, projector screens, inter-active touch panels). Sampro represents Sony, Epson, Viewsonic, Grandview and the company is the master distributor for BenQ home theatre projectors covering north, central and south Peninsular Malaysia.

Technical & Development (T&D) Division for Market Development

The T&D division supports sales of specialty chemicals, facilitating the introduction of premium grades either as an upgrade/product displacement or in market creation (with technical support from principals). The T & D division plays a crucial role in the Group's sustainability in the chemical distribution business, augmenting the Group's earnings in the premium products sector as Samchem intensifies effort to become a major Specialty Chemicals player in the domestic and regional market.

Besides this core activity, the division also oversees regulatory requirements such as Material Safety Data Sheets, compliance to the GHS (Globally Harmonised System of Classification and Labelling of Chemicals), as well as ensures the company's chemicals sales activities comply with all of the regulations and laws pertaining to the business.



Performance Overview

A new milestone was created when the Samchem Group's 2018 sales revenue surpassed the RM1 Billion mark. The Group's revenue grew from RM938 million a year ago to RM1.1 billion in 2018, achieving 17% growth.

Despite weakening global demand as the world economy settled into a slower pace in 2018, the Malaysian operations had a dynamic run and achieved 10% growth, with revenue of RM550m vs RM500m in 2017 and correspondingly higher NPBT of RM23m vs RM19m.

Indonesia's 2018 GDP growth rate at 5.17% was its highest rate since 2013, mainly driven by private consumption. Both fixed investment and government spending had increased at a slower pace and net exports contributed negatively to the GDP growth. However, with the staff commitment and drive to excel in their performance, the Samchem Indonesia team faced the challenges in the domestic economy, hit by global and regional factors and achieved revenue growth of 22% from RM124 million to RM151 million.

However, profitability was deeply impacted by wide swing in chemical prices as a result of supply-demand imbalances & currency depreciation when the economy was affected by unavoidable external global events (USA-China trade war, Fed rate hikes and crude oil price fluctuation). Despite much higher revenue, 2018 NPBT of RM0.80m was down 77% vs 2017's NPBT of RM3.42m, as a result of these uncontrollable external events.

Vietnam's GDP grew by 7.08% in 2018, the highest in the past 11 years. The country recorded strong growth in agriculture, forestry, fishery, industry, construction and services but the mining sector had negative growth for the third consecutive year. The strongest economy in ASEAN contributed significantly to the Samchem Group in 2018, as revenue increased from RM303 million to RM384 million, an impressive 27% increase.

Singapore's revenue contribution of RM10.8 million in 2018, was marginally lower from 2017's RM11.1 million.

The Group's net profit was affected by volatile foreign exchange which adversely impacted the Indonesian operation and to some extent, the Vietnamese operation. Group NPBT declined to RM32.2 million from RM36.1 million a year ago, as a result

The outstanding performance of management and staff in the Samchem Group has resulted in the commendable results, surpassing the RM1 billion revenue despite difficult market conditions.

of global and regional economic events that dampened demand and depressed chemical sales prices. Nevertheless, the outstanding performance of management and staff in the Samchem Group has resulted in the commendable results, surpassing the RM1 billion revenue despite difficult market conditions.

Business Sustainability

Samchem distributes chemicals used as components in the manufacture of personal & household care goods that are used daily, such as soaps, shampoo, toothpaste, household detergents, insecticides, pesticides, automotive fluids, etc., or as process fluids in industrial plants in the manufacture of downstream products.

Lubricants are always needed to reduce wear and tear in machineries and equipment in transport or manufacturing industries. It prevent overheating and corrosion, playing a vital role in the functioning of the machinery that keeps industries running smoothly.

Chemicals and lubricants are needed in all industries, in all emerging, developing or matured economies. There will always be a need for chemicals and lubricants in daily life and always a role for Samchem.

2018 Activities

Recognition Awards

Samchem Lubricants Sdn Bhd (SLSB) – at the Shell NSC 2018, held in Miri on 9-10 March 2018, SLSB won in 3 categories, running away with:

- Distributor achiever award
- Individual achiever award – top DFLTS
- Top distributor award

Sampro won Epson's top revenue epower dealer 2017 at their awards night on 28 March 2018.

For the second year in a row, **Samchem's Polyurethane Division** was recognised as Momentive's 2017 BU Partner of the year at the MPM Distributor Summit on 19-21 Mar 2018 @ Bali.

Future Outlook

ASEAN should continue to expand at a healthy pace. Private consumption should be supported by wage gains and strong labour markets, while fixed investment ought to expand robustly thanks to infrastructure development and FDI inflows.

The US-China trade conflict and the subsequent slowdown in China are expected to impact on ASEAN growth, in particular for export-dependent economies with a high level of exports to China such as Singapore and Malaysia.

Although there is optimism for a resolution during trade talks held early in the year, economic growth in the region is expected to ease due to reduced Chinese domestic demand, slowing global growth and headwinds in sectors such as commodities and electronic, that had started in mid-2018.

In Malaysia, private consumption is expected to support growth, but there are risks and uncertainties. After growth fuelled by cash handouts, the repeal of the GST & SST implementation, rationalisation in huge infrastructural projects and several governmental initiatives, some normalisation is expected this year.

Domestic demand should continue to drive the Indonesian economy this year, with private consumption supported by a strong labour market and elevated consumer confidence, with government consumption boosted ahead of elections in April. However, tighter monetary policy, delays to public infrastructure projects and cooling Chinese momentum could drag on the performance. A possible resurgence of US-China trade tensions poses a downside risk to the outlook.

In Vietnam, the outlook for 2019 remains bright after a robust performance in 2018. FDI inflows are expected to continue, supporting the export-oriented sectors as free trade deals boost exports, strengthening Vietnam's expanding role as a manufacturing hub in the region. Vietnam is well-positioned to capture diverted supply chains and company relocations as long as US-China trade tensions persist. The government recently announced plans to revive a USD 58 billion high-speed rail line project from Hanoi to Ho Chi Minh City. If approved, this would boost infrastructure spending significantly, supporting tourism and economic activity along the route once operational.

Corporate Social Responsibility

Samchem's work locations observe Health, Safety and Environment (or HSE) principles to ensure workers' wellbeing and the environment is taken care of. Samchem is a signatory to Responsible Care® (in Malaysia), a global initiative by the chemical industry's desire to improve health, safety and environmental performance.

Besides the commitment to provide a safe and healthy work environment for staff, the company will continue to engage in corporate social responsibility in giving back to society and in the process, inculcate social awareness behaviour among the staff so that they learn that they can make a difference to people and planet.

Corporate Social Responsibility Activities

Employees from Samchem Sports Club took part in a Charity Run – **The 25th Annual Charity WALK, JOG, WHEEL-A-THON WITH THE DISABLED**, which was held on 11 November 2018 at Padang Merbok, Kuala Lumpur. Organised by the Spastic Children's Association of Selangor and Federal Territory, proceeds from the event benefit over 500 intellectually and physically disabled children, adults and senior citizens across more than 30 organisations.

Kuala Selangor Nature Park Mangrove Tree Planting Program – Samchem staff participated in a mangrove tree planting program on 22 July, 2018 at the Kuala Selangor Nature Park with over 200 hectares of coastal land where a large part of it is mangrove swamps.

Mangroves protect shorelines from damaging storm and winds, waves and floods. Mangroves also help prevent erosion by stabilising sediments with their tangled root systems, filtering pollutants and trapping sediments originating from land. The diminishing mangrove forest across Selangor's coastal areas is worrying as fishermen have seen drop in income because of lower catch of fish and cockles; the dwindling catch is a result of the polluted waterways of the rivers and coastline.

The objectives of this program are to develop effective protection and/or rehabilitation of mangrove ecosystems, to respond to climate change and to mitigate its effects through the protection and rehabilitation of mangrove ecosystems. By increasing mangrove cover, it contributes to overall coastal sustainability.

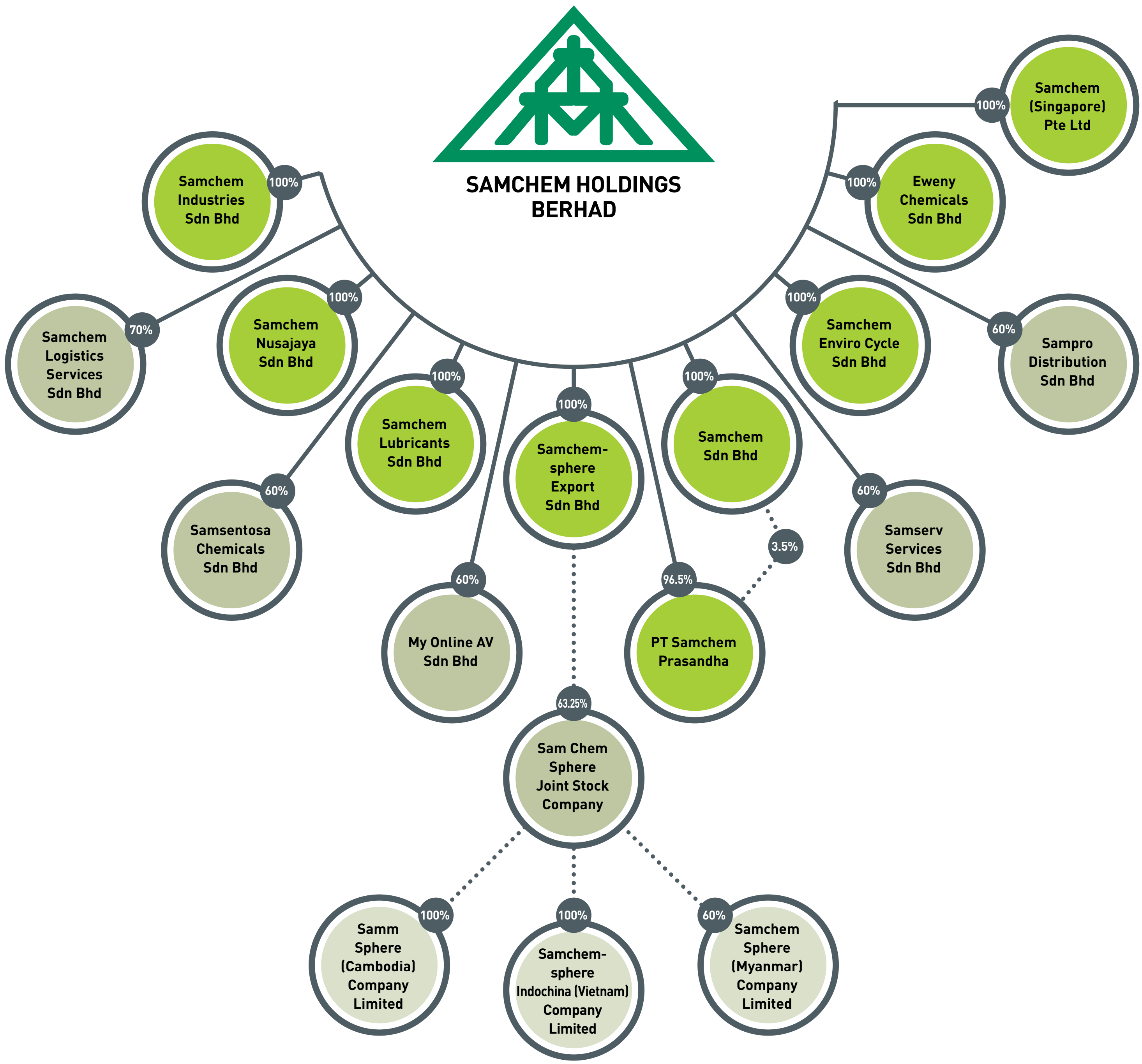
Samchem Lubricants conducted a charity event at Asrama Anak Yatim Darul Falah in Kuala Terengganu on 9 November 2018. Hampers with food and daily household use products were donated to residents there and they were educated on environment care, with a tree planting exercise carried out.

In Vietnam, Sam Chem Sphere JSC co-sponsored a Children's Charity **(construction of facilities for the Song Roy Kindergarten)**. The community project directly support needy students in Dong Nai province, 120km away from Ho Chi Minh City. It includes building 2 new classrooms, hygiene facilities and storage area which will help to improve learning facilities and environment to about 171 children.

Appreciation

On behalf of the Board of Directors, I would like to extend our deepest gratitude to the management and employees for their commitment and contribution to the outstanding 2018 results. I would also like to take this opportunity to thank our shareholders, business partners and valued clientele for their support towards the Group.

Eugene Chong
Chief Operating Officer


SAMCHEM HOLDINGS BERHAD
100% Samchem Industries Sdn Bhd
70% Samchem Logistics Services Sdn Bhd
100% Samchem Nusajaya Sdn Bhd
60% Samsentosa Chemicals Sdn Bhd
100% Samchem Lubricants Sdn Bhd
60% My Online AV Sdn Bhd
100% Samchem-sphere Export Sdn Bhd
63.25% Sam Chem Sphere Joint Stock Company
100% Samm Sphere (Cambodia) Company Limited
100% Samchem-sphere Indochina (Vietnam) Company Limited
60% Samchem Sphere (Myanmar) Company Limited
96.5% PT Samchem Prasandha
100% Samchem Sdn Bhd
3.5%
60% Samserv Services Sdn Bhd
100% Samchem Enviro Cycle Sdn Bhd
60% Sampro Distribution Sdn Bhd
100% Eweny Chemicals Sdn Bhd
100% Samchem (Singapore) Pte Ltd

Board of Directors

Ng Thin Poh
Executive Chairman/ Chief Executive Officer

Chooi Chok Khooi
Executive Director

Ng Ai Rene
Executive Director

Cheong Chee Yun
Independent Non-Executive Director

Dato' Theng Book
Independent Non-Executive Director

Lok Kai Chun
Independent Non-Executive Director

Dato' Razali Basri
Independent Non-Executive Director

Audit and Risk Management Committee

Cheong Chee Yun
Chairman

Dato' Theng Book

Lok Kai Chun
(Resigned on 11.4.2019)

Dato' Razali Basri
(Appointed on 11.4.2019)

Remuneration Committee

Dato' Theng Book
Chairman

Ng Thin Poh
(Resigned on 11.4.2019)

Lok Kai Chun

Dato' Razali Basri
(Appointed on 11.4.2019)

Nomination Committee

Lok Kai Chun
Chairman

Dato' Theng Book

Cheong Chee Yun

Company Secretary

Wong Youn Kim (F)
(MAICSA 7018778)

Lee Chin Wen (F)
(MAICSA 7061168)

Registered Office

Lot 6, Jalan Sungai Kayu Ara 32/39
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Selangor Darul Ehsan
Tel: 03-5740 2000
Fax: 03-5740 2101

Corporate Office

Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 32, 40460 Shah Alam
Selangor Darul Ehsan
Tel: 03-5740 2000
Fax: 03-5740 2101
Website: www.samchem.com.my
E-mail: inquiry@samchem.com.my

Share Registrar

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7784 3922
Fax: 03-7784 1988

Auditors

Baker Tilly Monteiro Heng PLT
Baker Tilly Tower
Level 10, Tower 1
Avenue 5,
Bangsar South City
59200 Kuala Lumpur

Solicitors

Kesavan

Principal Bankers

Malayan Banking Berhad

Hong Leong Bank Berhad

United Overseas Bank Berhad

Citibank Berhad

Stock Exchange Listing

Main Market
Bursa Malaysia
Securities Berhad

Ng Thin Poh

Executive Chairman/ Chief Executive Officer

Ng Thin Poh, a Malaysian aged 61, has been re-designated as our Executive Chairman effective 1 March 2014. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded SCSB.

Chooi Chok Khooi

Executive Director

Chooi Chok Khooi, a Malaysian aged 62, was appointed to the Board on 27 February 2009. In 1976, he started his career at Eastern Hotel, Ipoh, Perak. He obtained a LCCI certificate in Accounting in 1977. Between 1978 and 1982, he was employed as an Assistant Manager in Chemikas Sdn Bhd, where he was responsible for handling the company's administrative, purchase, sales and collection activities. In 1982, he started his own sole proprietorship, namely Unichem Enterprise, which is involved in the dealings of chemicals. In 1990, Mr Chooi founded Eweny Chemicals and has been the Managing Director of the company since inception. With more than 30 years' experience in the chemical business, Mr Chooi is presently responsible for handling administrative activities in Samchem Ipoh.

Ng Ai Rene

Executive Director

Ng Ai Rene, a Malaysian aged 34, was appointed to the Board as a Non-Independent Non-Executive Director on 10 November 2017 and was redesignated as an Executive Director on 20 February 2019.

She graduated with a Bachelor of Laws (LLB) from The University of Melbourne, Australia in 2008 and was admitted to the Supreme Court of Victoria, Australia as a solicitor in 2009. Thereafter she obtained the Certificate of Legal Practice in Malaysia in 2010.

She commenced her legal career in Malaysia as a pupil in Skrine in February of 2011 and was admitted as an Advocate and Solicitor of the High Court of Malaysia on 9 March 2012. She left Skrine in 2015 and continued legal practice in Abdullah Chan & Co, Ai Rene & Co, Putri Norlisa Chair and Kesavan, focusing on corporate and commercial law and has advised and acted in various mergers and acquisitions and business restructuring across a wide range of industries. She left the legal profession on 19 February 2019 to take up the appointment as an Executive Director of Samchem Holdings Berhad.

Ng Ai Rene is the daughter of Ng Thin Poh, the Executive Chairman of Samchem Holdings Berhad.

Cheong Chee Yun

Independent Non-Executive Director

Cheong Chee Yun, a Malaysian, aged 58, is a chartered accountant member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Asian Chartered Institute of Bankers. In 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Bhd (then known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last held a managerial position. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as Director in 1999. In 2001, he joined Saferay (M) Sdn Bhd a manufacturer and exporter of Architectural Mouldings as an Executive Director. In 2003, he was also appointed a Non-Executive Director in CS Opto Semiconductors Sdn Bhd but had resigned in 2012. In 2006, he was appointed as an Operational Director in Eastmont Sdn Bhd a building construction services company. He has since resigned in November 2018. He joined Enco Holdings Sdn Bhd, a biomass thermal energy solutions provider in 2012 as Head of Finance & Corporate Affairs and is now an Executive Director of the Company. He is also a Director with Kencana Bio Energy Ptd Ltd, Singapore, a biomass power generation company. Moreover, he holds the post of Independent Non-Executive Director for Innity Bhd and ManagePay Systems Berhad currently.

Dato' Theng Book

Independent Non-Executive Director

Dato' Theng Book, a Malaysian aged 59, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated with a Bachelor of Law from the University of London, United Kingdom in 1991, and holds a Certificate of Legal Practice. He also holds a Bachelor of Science from Campbell University, United States of America awarded in 1984, Diploma in Science from Tunku Abdul Rahman College awarded in 1984 and a Diploma of Business Studies from Institute of Commercial Management, United Kingdom awarded in 1986. He began his career in the chemical business as a sales executive to the Chief Executive Officer of a foreign company involved in chemical manufacturing/trading, from 1984 to 1994. Since 1995, he has been practicing as an advocate and solicitor under the partnership known as Messrs Ling & Theng Book, Advocates & Solicitors. He is presently an Independent Non-Executive Director of Ajiya Berhad.

Lok Kai Chun

Independent Non-Executive Director

Lok Kai Chun, a Malaysian aged 66, was appointed to the Board as our Independent Non-Executive Director on 29 December 2015. He graduated with a business administration degree in London.

Mr Lok has over 20 years of experience in the banking and finance sector. He has served in various capacities with financial institutions such as Supreme Finance, Maybank finance and MBF finance where he served as a Branch Manager until his resignation in 1994.

Mr Lok joined Recos Ind Sdn Bhd soon after, to become its General Manager, in charge of the operations and manufacturing of industrial foam. He stayed with Recos for many years and resigned in 2015, having been its Executive Director for 15 years.

Currently Mr Lok is the Chief Operating Officer of Pharmacy Murni Marketing Sdn Bhd, a pharmaceutical retail outlet in Johor. Mr Lok has acquired his experience in the finance and manufacturing industry, having worked for many years in both.

Dato' Razali Basri

Independent Non-Executive Director

Dato' Razali Basri, a Malaysian aged 62, retired with the rank of Deputy Commissioner of Police ("DCP") on 12 March 2018 after having served various branches of the Royal Malaysia Police Force ("RMP") for 36 years and a further 4 years on secondment to the Ministry of Home Affairs, Putra Jaya as one of 5 pioneering members of the Prevention of Crime ("PoCA") Board, a statutory body established under the same Act. Prior to that appointment, Dato' Razali former position at RMP was the head of Legal and Prosecution Division, Bukit Aman which he helmed for five and a half years. During that period, he has represented RMP at local and international seminars and conferences.

Hailed from Taiping, Perak, Dato' Razali received his early education at King Edward VII School, Taiping. He later obtained a Diploma in Strategic Study at the University of Malaya and subsequently read law at the University of Wales, Cardiff, UK.

On his appointment as Independent Non-Executive Director with Samchem Holdings Berhad, he brings along knowledge and experiences from his days with RMP and Home Ministry on crime and legal matters, law enforcement, security issues and govermental functioning at ministry level. Concurrently, he is also the Chairman of Residents' Association in Melaka where he resides and also a Vice President of Malaysia Judo Federation.

NOTES

i. Ng Thin Poh and Ng Ai Rene are father and daughter. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.

ii. None of the Directors has any conviction for offences, other than traffic offences, within the past 10 years.

iii. Other than the related party transactions disclosed in Note 28 of the Financial Statements, none of the Directors has conflict of interest with the Company.

iv. Except as disclosed above, none of the Directors holds any directorship in other public companies.

v. The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2018 with reference to Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the latest Malaysian Code on Corporate Governance ("MCCG").

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 30 April 2019. Shareholders may obtain this CG Report by accessing this link [www.samchem.com.my] for further details and are advised to read this overview statement together with the CG Report.

Except for the practices for segregating the position of chairman and the chief executive, gender diversity policy and integrating reporting framework, the Board has in all material aspect complies with the Practices as set out in the MCCG. The explanation for the departed practices are reported in the announced CG Report in Practices 1.3, 4.5, 7.1 and 11.2 respectively.

Principle A: Board Leadership and Effectiveness

(I) Board Responsibilities

The Board continues to ensure its effectiveness and to provide strong leadership to the Group and Management. In order to ensure that business is being properly managed, the Board is entrusted to overseeing the overall management of the business affairs of the Group and to perform periodic review of the financial results to overseeing the conduct of the business.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval. The Board has defined its Board Charter and schedule of matter setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval. The Board Charter and Schedule of Matter are published on the Company's website at http://www.samchem.com.my

The Chairman is responsible for instilling good governance practices, leadership and effectiveness of the Board. Presently, the Board Chairman is also the Chief Executive of the Group. The combination of the roles of Chairman and Chief Executive enable the Executive Chairman to align the interest of the board, management and shareholders for maximising shareholders' wealth as well as to serve as an interface between board and management. As a safeguarding measure, more than half of the Board members are Independent Non-Executive Directors who are able to express objective and independent views in the interest of minority shareholders.

The Board has established the Audit and Risk Management, Nomination and Remuneration Committees to assist the Board in discharging its duties and responsibilities effectively. The terms of reference of each Board Committee are set out in Board Charter. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

The Board has established the Code of Conducts and Ethics and Whistleblowing policy in the Company's website and has published the same at http://www.samchem.com.my. Internally, the Board communicates the Code of Conducts and Ethics and Whistleblowing Policy to staff members through the Human Resource Department so that all staff members are clear on what is considered acceptable behaviour and practice in the Company and the policies and procedures on whistleblowing.

The Board is assisted by two (2) qualified and competent Company Secretaries. Both Company Secretaries are members of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries advise the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

Further information of the roles and responsibilities carried out by the Company Secretaries during the financial year ended 31 December 2018 are set out in Practice 1.4 of the Company's CG Report.

The Board understand 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. The Board ensures that each Director is provided with timely notices. Board papers are issued prior to the Board meetings to enable the Directors to review and consider the agenda items to be discussed and where necessary, to obtain further explanations in order to be fully briefed before the meeting.

All Board members have unrestricted access to timely and accurate information in furtherance their duties and subject to Board's approval may seek independent professional advice when necessary in discharging its various duties, at the Company's expense.

The Company Secretaries ensure that all Board and Board Committees' meetings are properly convened. The Company Secretaries will ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board members as soon as possible before the next meetings.

The underlying factors of directors' commitment to the Company are devotion of time and continuous improvement of knowledge and skill sets.

The Board meets at least once every quarter and additional meetings are convened as and when necessary. During the Financial Year, five (5) Board meetings and two (2) special meeting were held. The record of attendance is as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED BY DIRECTORS DURING THE TENURE IN OFFICE
Ng Thin Poh	7/7
Chooi Chok Khooi	6/7
Ng Ai Rene	7/7
Cheong Chee Yun	7/7
Dato' Theng Book	6/7
Lok Kai Chun	7/7
Dato' Razali Basri	3/3

Save for Dato' Theng Book and Mr. Cheong Chee Yun, none of the Directors hold directorship in other listed company.

The Directors are aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates.

During the financial year ended 31 December 2018, the external training programmes and seminars attended by the Director are as follows:

DIRECTORS	COURSES / SEMINAR / CONFERENCE
Ng Thin Poh	MSSG Reporting & CG Guide by Bursa Malaysia
Ng Ai Rene	Mandatory Accreditation Programme
	MSSG Reporting & CG Guide by Bursa Malaysia
Cheong Chee Yun	Transfer Pricing Application, Enforcement and Documentation
	S223 &S228 Related Party Transactions under the CA2016
	GST to SST: The Past, Present & Future
	Case Study Workshop for Independent Directors
	Corporate Reporting in Malaysia; MFRS and non-financial disclosures
	2018 Post Budget Tax Seminar
Dato' Theng Book	Independent Directors Programme: The Essence of Independence
	Basic Occupational First Aid, CPR & AED Training
	Recent Development in Construction Law
	Advocacy & Malaysian Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Amaltepua 2001)
Dato' Razali Basri	Mandatory Accreditation Programme
	Companies of Future: The Role for Boards

(II) Board Composition

The Board is satisfied with the current composition of the Board in providing a check and balance in the Board as well as diversity of perspectives and views in Board's decision-making process. Presently, the Board consists of Executive and Non-Executive Directors with a mixture of suitably qualified and experienced professionals. The Board comprises seven (7) members, where more than half of the Board is Independent Non-Executive Directors. This is in line with Practice 4.1 of the MCCG where it requires non-large company to have at least half of the Board members comprises independent directors.

Annually, the Nominating Committee would review the independence of the Independent Directors. Criteria for assessment of independence are based on the requirements and definition of "independent director" as set out in the MMLR. Each Independent Directors is required to confirm their independence by giving the Board a written confirmation of their independence. In addition, consideration would also be given to assess whether the independent directors are able to meet the minimum criteria of "fit and proper" test of Independence, which is part of an annual assessment test, as enumerated in the Policy on appointment and continuous assessment of Directors and the suitability and ability of the Independent non-Executive Director to perform his duties and responsibilities effectively shall be based on his calibre, qualifications, experience, expertise, personal qualities and knowledge of the Company and industry.

In accordance to Board Charter, the maximum tenure of an independent non-executive Director shall not exceed the cumulative term of nine years from the date of first appointment as Director or upon the expiry of the on-going term of appointment as Director whichever is the later. Any extension beyond nine years will require Board justification and shareholder approval unless the said Director wishes to be re-designated as non-independent non-executive Director which shall be a consideration for the Board to decide.

The Board does not have formal gender diversity policy presently. Nonetheless, the Board supports the gender diversity initiative and has a female Executive Director in the Board.

The appointment of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The current diversity in the ethnicity, age distribution and skillsets of the existing Board is as follows:

	RACE/ETHNICITY				NATIONALITY		GENDER	
	MALAY	CHINESE	INDIAN	OTHERS	MALAYSIAN	FOREIGN	MALE	FEMALE
Number of Directors	1	6	–	–	7	–	6	1
Top Three Senior Management	–	3	–	–	3	–	2	1

AGE GROUP (YEARS)	30-39	40-49	50-59	60-69
Number of Directors	1	–	2	4
Top Three Senior Management	–	2	–	1
SKILL	**ACCOUNT-ING & FINANCE MANAGE-MENT**	**CHEMISTRY**	**LEGAL / LAW**	**BUSINESS MANAGE-MENT**
Number of Directors	1	1	3	2
Top Three Senior Management	1	1	–	1

The Nomination Committee is chaired by an Independent Non-Executive Director. The Nomination Committee considers recommendations from existing board members, management, major shareholders and third-party sources to identify suitably qualified candidates, when necessary before recommending to the Board for further deliberation.

There is no restriction on the number of Directorships save as advised the limit of five (5) listed company Directorships by Bursa Malaysia under its Listing Requirements & Corporate Governance Guidelines. Board members are at liberty to accept other board appointments in other companies so long as the appointment is not in conflict of interest with the Company and does not affect his performance for the Company.

Board members are required to notify the Chairman of the Board and/or Company Secretary before accepting new external Directorships and indicating the time that will be spent on the new Directorship.

The Nomination Committee undertakes annual assessment to evaluate the performance of each individual Directors, the effectiveness of the Board and the Board Committees by way of self-assessment. Directors are required to fill out the self-assessment forms and provide their feedback, views and suggestions for improvement. The results of these self-assessment forms are compiled and tabled to the Nominating Committee for review and deliberation.

(III) Remuneration

The remuneration of Directors will be formulated to be competitive and realistic with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Company effectively. For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken. The level of remuneration for the Executive Directors is assessed by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.

The determination of directors' remuneration is subject to Board's approval. The director concerned should abstain from discussing his/her own remuneration.

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The amount of Directors' fee and benefits for the new financial year proposed for the shareholders' approval at the forthcoming AGM is RM350,000 and RM30,000 respectively.

The details of remuneration paid or payable to the Directors for the Financial Year and top three Senior Management are disclosed in Practice 7.1 and 7.2 of Corporate Governance Report.

Principle 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"). The ARMC members are financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process. Presently, the members of ARMC comprising fully Independent Non-Executive Directors and the Chairman of the ARMC is not the Chairman of the board.

When considering the appointment of former key audit partner from its current External Auditor's firm, the ARMC is mindful of the minimum two (2) years cooling off period best practice under the MCCG before appointing this partner as a member of the ARMC. The Board is satisfied that, with the present composition structure and practice, the ARMC is able to objectively review and report its findings and recommendations to the Board.

The present External Auditors of the Company was engaged since the financial year 2013. Annually, the ARMC will review the appointment, performance and remuneration of the External Auditors before recommending them to the Board to approve the recommendation for seeking shareholders' approval at the forthcoming AGM for re-appointment. In assessing the External Auditors, the ARMC will consider the adequacy of resources of the firm, quality of service and competency of the staffs assigned to the audit as well as the auditors' independence and fee.

The ARMC will convene meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary. As part of the ARMC review processes, the ARMC will also obtain 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.

II. **Risk Management and Internal Control**

The Board as a whole are responsible for the oversight of risk management through Audit and Risk Management Committee ("ARMC") while the Executive Directors together with the senior management team are primarily responsible for managing risks and implementing internal controls in the Group.

Information of the Group's internal control and risk management is presented in the Statement on Risk Management and Internal Control set out on pages 17 to 18 of the Annual Report. The Board has also commented in the said statement that they are satisfied with the effectiveness and adequacy the existing level of systems of risk management and internal control.

Subsequent to the financial year, management also conducted risk management awareness refresher trainings and workshops to the senior staff members. The objective of these trainings and workshops are to reinforce staff members' awareness of risk management as well as to identify and assess potential new risks and challenges in the operation and the effectiveness action plans to address these risks. These risk workshops were conducted and facilitated by the Internal Auditors.

The Internal Audit Function is carried out by IA Essential Sdn. Bhd. ("IA Essential") an internal audit consulting firm. The internal audit function is headed by a Director who is assisted by a manager and supported by an audit executive. The Director in charge is a qualified accountant while the rest of the team members are accounting graduates. The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders. The ARMC will review the engagement between the Group and IA Essential to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

I. **Communication with Stakeholders**

The Board maintains an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:

i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on ARMC and Board of Directors;

ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;

iii. the Company website at www.samchem.com.my;

iiii. meetings with research analysts and fund managers if required to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; and

v. participation in surveys and research conducted by professional organisations as and when such requests arise.

Shareholders and investors are also encouraged to interact and provide feedback to the Chairman for opinions or concerns. Separately, the Company has also reported its Sustainability Statement on pages 16 of this Annual Report covering the aspects of governance, environment and social responsibility for stakeholders' reference.

II. **Conduct of General Meetings**

The Annual General Meeting serves as an important means for shareholders communication. Presently, the notice of the Annual General Meeting together with the Annual Reports are sent to shareholders 28 days prior to the meeting in line with the best practices as recommended by the MCCG and in accordance to the Company's Constitution and the provision in the Companies Act 2016.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages participation of shareholders during questions and answers sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on their behalf.

Explanation for each proposed resolution set out in the Notice of AGM will be provided, if needed during AGM to assist shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29A(1) of the MMLR, all resolutions set out in the Notice of AGM will be put to vote by poll. The Company will also appoint an independent scrutineer to validate the vote cast in the AGM. The outcome of the AGM will be announced to Bursa Securities on the same meeting day while the summary of key matters discussed during the AGM will be posted on the Company website.

This Statement is made in accordance with the approval and resolution of the Board of Directors.

The Board believes that as the Group expands its business, the responsibility towards the society increases and the operating conditions shall be harmonised to ensure that the people within and outside the Group benefit from the existence of our organisation. On this note, the Board is pleased to share with the shareholders of the principles and planned actions to embark on the sustainable initiatives in the Group. This is in accordance with the MMLR, where listed issuers with financial years ending on or after 31 December 2018 are required to report a Sustainability Statement in their annual report.

At Samchem, we strive to excel as one of the leading industrial chemicals distributors in Malaysia and the Asia-Pacific region. We reach out to our customers with our competencies to satisfy the anticipated needs of our customers through our capabilities and meet the commitments that have been promised to enhance relationships. In this respect, we will:

i. integrate synergistic process outsourcing alliances and partnerships with our MNC chemical suppliers in order to satisfy our mutual needs for strategic interdependency in the chemical industry supply chain;

ii. strategise our choices and actions with the intention to continuously improve our conformance and performances; and

iii. be the preferred choice of chemicals distributor to suppliers and customers.

Being a signatory of Responsible Care® (in Malaysia), a global initiative by the chemical industry's desire to improve health, safety and environmental performance, Samchem continues to pledge to observe the key provision of the statements of philosophy of Responsible Care to environmental, health and safety in managing their businesses as follows:

- To recognise and respond to community concerns about chemicals and our operations;
- To develop and produce chemicals that can be manufactured, transported, used and disposed of safely;
- To make health, safety and environmental considerations a priority in our planning for all existing and new products and processes;
- To report promptly to officials, employees, customers and the public, information on chemical related health or environmental hazards and to recommend protective measures;
- To counsel customers on the safe use, transportation and disposal of chemical products;
- To operate our plants and facilities in a manner that protects the environment and the health and safety of our employees and the public;
- To extend knowledge by conducting or supporting research on the health, safety and environmental effects of our products, processes and waste materials;
- To work with others to resolve problems created by past handling and disposal of hazardous substances; and
- To promote the principles and practices of Responsible Care by sharing experiences and offering assistance to others who produce, handle, use, transport or dispose of chemicals.

In order to establish a formal sustainability framework within the Group, going forward, the Board will:

- Define its oversight structure for overseeing the sustainability reporting;
- Review the context of economic, environmental and social factors which the Group is operating at;
- Identify the materiality and impact arising from the Group's business activities on these economic, environmental and social factors;
- Ensure focus and attention are being given to manage the identified material factors appropriately; and
- Define measures and target to monitor management initiatives on sustainability.

The Group observes the health, safety and environment principles in the workplace to ensure workers' wellbeing and the environment is taken care of. Besides the commitment to provide a safe and healthy work environment for staff, the Company will continue to engage in corporate social responsibility in giving back to society and inculcate social awareness behaviour among the staff.

Introduction

This Statement on Risk Management and Internal Control is made in accordance with the Statement on Risk Management and Internal Control: *Guidelines for Directors of Listed Issuers* and paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, which requires Malaysian public listed companies to maintain a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets.

Board Responsibilities

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of having an effective and appropriate system of risk management and internal control to enhance good corporate governance. In this respect, the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

The systems of risk management and internal control cover inter alia, governance, financial organisation, operational and compliance control. However the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, this system can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board also acknowledges the guidelines on the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which further emphasises the need for maintaining a sound system of risk management and internal control.

The management also assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Risk Management Framework

The Risk Management Committee ("RMC") comprises members of the Audit and Risk Management Committee ("ARMC") and Senior Management to oversee the Company's risk management framework and policies. The RMC is primarily tasked to review the Risk Registers annually and to identify, evaluate and manage the significant risks faced by the core business of the Group. In discharging its duties and responsibilities during the financial year, the RMC reviewed, deliberated and discussed the key corporate risks at its quarterly Board meetings.

A culture of risk-awareness is created to ensure greater understanding of risk management and that its principles are embedded in the Group's management and control systems. The Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are reviews of operational and financial performance at Management, ARMC and Board Meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks. During the financial year, the ARMC, assisted by management, reviewed and assessed the impact of changes in MFRS 9 and MFRS 15. An assessment and review will also be done for the readiness of the Group and the possible financial impacts, if any, in implementing MFRS 16 which is expected to be adopted in 2019. Other matters including proper disclosures in the financial reports, authority to carry out investigations, access to information and professional advice were also addressed.

The ARMC conducts annual review of the independence of the external auditors as well as internal auditors prior to recommendation for the appointment/re-appointment evaluating their audit plans, audit scope, functions and competencies.

Internal Audit Function

The Group's Internal Audit function is outsourced to an external consultant to assist the Board and ARMC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system, the scope of the review of the outsourced internal audit function is determined by the ARMC with feedback from Management.

The internal audit scope has been agreed with the ARMC and the outsourced internal audit function is currently in the process of executing as per the approved internal audit plan.

Other Key Internal Control Processes

The Board has considered the system of internal control in operation during the financial year and some of the key elements include the following:

- Annual budget is prepared for the Group.
- The Executive Directors and departmental heads meet quarterly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget;
- Board Committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- Continuous compliance and maintenance of the requirements of ISO 9001:2015 and ISO 14001:2015 since February 2008 in major subsidiaries in Malaysia. This includes continuous implementation, improvement and compliance to our business process, health, environmental and safety guidelines. Audits on the management systems are carried out by the Management and by a certification body. These audits are conducted annually to provide assurance of compliance with ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System.
- The ARMC reviews the quarterly financial results, annual report, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management. The ARMC also monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors. To further enhance corporate governance the ARMC has also requested the Internal auditors to internalize and adopt as a standard audit requirement to review for related party transactions within the Group for all their internal audit scope.
- The outsourced internal audit function reviews the adequacy and integrity of the system of internal control according to the approved internal audit plan and reports its findings to the ARMC. During the financial year, some areas of improvement to internal control were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal control have not resulted in any material losses and/or require further disclosure in this Statement.

Assurance Provided by the Group Executive Officer and Chief Financial Officer

In line with the Guidelines, the Chief Executive Officer and Group Financial Controller have provided verbal assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

Conclusion

The Board is of the view that the systems of internal controls and risk management, are in place for the year under review and up to the date of approval of this statement and is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Board also recognises that the systems of internal control and risk management must continuously improve in line with the growth of the Group and evolving business environment. Therefore, the Board is committed to put in place adequate plans, where necessary, to continuously improve the Group's system of internal control and risk management.

Review of Statement on Internal Control by External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review engagement was performed pursuant to the scope set out in Audit and Assurance Practice Guide 3 Guidance for Auditors on Engagement to Report on Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants.

Based on their limited assurance engagement, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that this statement is not prepared in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidance for Directors of listed issuers, nor is the statement factually inaccurate.

This Statement is made in accordance with the approval and resolution of the Board of Directors.

The Audit and Risk Management Committee (ARMC) of Samchem Holdings Berhad is pleased to present the ARMC Report for the financial year ended 31 December 2018.

Composition of the ARMC and Attendance

The ARMC met six times during the financial year ended 31 December 2018. The members of the ARMC, their attendance at the ARMC Meetings held during the financial year ended 31 December 2018 are as follows:

MEMBERS OF THE ARMC	TOTAL MEETINGS ATTENDED
Cheong Chee Yun – Chairman *Independent Non-Executive Director*	6/6
Dato' Theng Book – Member *Independent Non-Executive Director*	6/6
Lok Kai Chun – Member (resigned on 11.4.2019) *Independent Non-Executive Director*	5/6
Dato' Razali Basri – Member (appointed on 11.4.2019) *Independent Non-Executive Director*	—

Terms of Reference of ARMC

(A) Terms of Membership

The ARMC shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman, who shall be elected by the ARMC, must be an independent director.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least three (3) years' working experience and he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or he must hold a degree/master/doctorate in accounting or finance and have at least 3 years' post qualification experience in accounting or finance; or he must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the ARMC resulting in the non-compliance with the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three (3) months.

The Board of Directors shall review the term of office and the performance of an ARMC and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the ARMC.

(B) Meetings and Quorum of the ARMC

In order to form a quorum in respect of a meeting of the ARMC, the majority of the members present must be independent directors. The Company Secretary shall act as secretary of the ARMC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The ARMC may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors and/or internal auditors.

In any event, should the external auditors or internal auditors request, the Chairman of the ARMC shall convene a meeting of the committee to consider any matter the external auditors or internal auditors believe should be brought to the attention of the Director or shareholders.

(C) Functions of the ARMC

The duties and responsibilities of the ARMC include the following:

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
3. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
5. To review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on:
   a. Changes in or implementation of major accounting policies and practices;
   b. Significant adjustments arising from the audit;
   c. The going concern assumption; and
   d. Compliance with accounting standards and other legal requirements.
6. To discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);
7. To review the external auditor's management letter and management's response;

8. To do the following in relation to the internal audit function:
   a. review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   b. review the internal audit programmes and the results of the internal audit processes or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
   c. review any appraisal or assessment of the performance of the internal auditors;
   d. approve any appointment or termination of the internal auditors; and
   e. take cognisance of resignation of internal auditors and provide the resigning parties an opportunity to submit his reasons for resigning.
9. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group;
10. To consider the major findings of internal investigations and the management's response;
11. To consider any other functions or duties as may be agreed by the Committees and the Board.

(D) Rights of the ARMC

The ARMC has ensured that it shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure determined by the Board:

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. be able to obtain independent professional or other advice when needed; and
6. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

(E) Procedure of ARMC

The ARMC regulates its own procedures by:

1. the calling of meetings;
2. the notice to be given of such meetings;
3. the voting and proceedings of such meetings;
4. the keeping of minutes; and
5. the custody, protection and inspection of such minutes.

(F) Summary of Activities of the ARMC

During the financial year up to the date of this Report, the ARMC carried out the following activities in discharging their duties and responsibilities:

I Financial Results

Review quarterly results and audited annual financial statements of the Group and Company before recommending to the Board for release to Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The review should focus primarily on:

a. major judgmental areas, significant and unusual events;
b. significant adjustments resulting from audit;
c. the going concern assumptions;
d. compliance with applicable approved accounting standards in Malaysia; and
e. compliance with Listing Requirements of Bursa Malaysia and other regulatory requirements.

II External Audit

Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2018 to ensure that their scope of work adequately covers the activities of the Group;

Reviewed the results and issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Committee; and

Reviewed their performance and independence before recommending to the Board their reappointment and remuneration.

III Internal Audit

Reviewed with the internal auditor, their audit plan for the financial year ended 31 December 2018 ensuring that principal risk areas were adequately identified and covered in the plan;

Reviewed the competencies of the internal auditors to execute the plan;

Reviewed the adequacy of the terms of reference of internal audit; and

Reviewed Group readiness to comply with the new accounting standards MFRS 9 and MFRS 15. Discussed with the management and external auditors on the readiness of the Group as well as potential financial impacts of the above standards. The Group does not expect any material financial impacts to the Group's existing business model and activities. Management has also informed that the Group shall be able to implement the standards accordingly.

The fees paid to the internal auditor for the provision of internal audit services for the financial year ended 31 December 2018 was RM48,000.

1. Utilisation of Proceeds from the Initial Public Offering

Save for the RM3.535 million gross proceeds raised from its Initial Public Offering ("IPO") in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad, which had been fully utilised in financial period ended 31 December 2011, there were no proceeds raised from any corporate proposal during the financial year 2013.

2. Share Buy-back

The Company did not carry out any share buy-back for the financial year under review.

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of sanctions/penalties

There were no sanctions or penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, directors or management during the financial year.

6. Non-Audit fees

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2018 is RM8,000.

7. Profit Forecast or Projections

The Company did not announce any profit forecast or projections during the financial year.

8. Profit Guarantee

During the financial year, there were no profit guarantees given by the Group.

9. Recurrent Related Party Transactions of Revenue or Trading Nature

The recurrent related party transactions for the financial year ended 31 December 2018 was as follows:

COMPANY IN THE SAMCHEM GROUP INVOLVED	TRANSACTING PARTIES	NATURE OF TRANSACTION	TRANSACTION VALUE (RM)
Sam Chem Sphere Joint Stock Company (JSC)	Vigor Sphere Pte Ltd (VS)	Sales from VS to JSC	2,993,086
Sam Chem Sphere Joint Stock Company (JSC)	Vigor Sphere Pte Ltd (VS)	Sales from JSC to VS	854,650

10. Revaluation Policy

The Company does not have a revaluation policy on landed properties.

11. Material Contract

There were no material contracts entered by the Company and its subsidiaries involving Directors' interests during the financial year.

12. Corporate Social Responsibility

As the Group expands its business, the Board believes that the responsibility towards the society increases and the operating conditions shall be harmonised to ensure that the people within and outside the Group benefit from the existence of our organisation.

Safety and Health

The Group is committed to provide a safe and healthy working environment for the employees under the stringent requirements of HSE ('Health, Safety and Environment'). We constantly monitor and keep ourselves updated with the latest HSE requirements and regulations through various training programmes carried out by our suppliers, customers and external organisers. Our Group also undergoes regular audits of its warehousing and logistics functions which are carried out by representatives from our MNC suppliers and has complied with the stringent requirements of all such audits to-date.

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal Activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

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

Results

	GROUP RM	COMPANY RM
Profit for the financial year	23,670,945	7,300,368
Profit attributable to:		
Owners of the Company	21,422,566	7,300,368
Non-controlling interests	2,248,379	—
	23,670,945	7,300,368

Dividends

The amount of dividends declared and paid by the Company since the end of the previous financial year were as follows:

(i) A final single-tier exempt dividend of 1.0 sen per ordinary share on 272,000,000 ordinary shares of RM0.50 each amounting to RM2,720,000 in respect of the financial year ended 31 December 2017 approved at the Annual General Meeting on 18 May 2018, which was paid on 13 June 2018;

(ii) A first interim single-tier exempt dividend of 1.0 sen per ordinary share on 272,000,000 ordinary shares of RM0.50 each amounting to RM2,720,000 in respect of the financial year ended 31 December 2018, which was paid on 8 August 2018; and

(iii) A second interim single-tier exempt dividend of 1.0 sen per ordinary share on 272,000,000 ordinary shares of RM0.50 each amounting to RM2,720,000 in respect of the financial year ended 31 December 2018, which was paid on 9 November 2018.

At the forthcoming Annual General Meeting, a single tier final dividend of 1.0 sen per ordinary share, amounting to RM2,720,000 in respect of the current financial year, will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

Reserves or Provisions

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

Bad and Doubtful Debts

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

Change of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items of Material and Unusual Nature

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Issue of Shares and Debentures

The Company has not issued any shares or debentures during the financial year.

Directors

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ng Thin Poh*
Chooi Chok Khooi*
Dato' Theng Book
Cheong Chee Yun
Lok Kai Chun
Ng Ai Rene
Dato' Razali Bin Basri (Appointed on 14 May 2018)

** Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Cheah Sum Boon
Dennis Ho Chin Chye
Eugene Chong Wee Yip
Francis Huang Low Soo Yee
Heng Kok Hui
Lee Kong Hoi
Ng Bing Hong
Rindang Ayu
Wee Chai Peng

Directors' Interests

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	NUMBER OF ORDINARY SHARES			
	AT 1.1.2018	BOUGHT	SOLD	AT 31.12.2018
Direct Interest				
Ng Thin Poh	121,109,004	631,100	—	121,740,104
Chooi Chok Khooi	9,322,092	—	—	9,322,092
Lok Kai Chun	14,600	—	—	14,600
Ng Ai Rene	200,000	—	—	200,000
Indirect Interest*				
Ng Thin Poh	200,000	—	—	200,000

** Held through spouse and children.*

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Ng Thin Poh is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 6 to 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

Auditors' Remuneration

The details of the auditors' remuneration are disclosed in Note 5 to the financial statements.

Indemnity to Auditors

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Auditors

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

The report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

NG THIN POH
Director

NG AI RENE
Director

Date: 11 April 2019

FINANCIALS

OTHERS

statements of profit or loss and other comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Revenue	4	**1,095,221,812**	937,522,883	**9,570,000**	8,374,200
Cost of sales		**(999,355,767)**	(839,511,073)	**—**	—
Gross profit		**95,866,045**	98,011,810	**9,570,000**	8,374,200
Other income		**8,477,927**	9,229,637	**481,065**	—
Selling and distribution expenses		**(15,380,024)**	(14,502,187)	**—**	—
Administrative expenses		**(43,988,213)**	(45,168,951)	**(707,496)**	(2,266,303)
Net (impairment losses)/reversal of impairment losses on receivables		**(50,442)**	74,024	**—**	—
Other expenses		**(4,060,343)**	(5,999,889)	**(2,012,850)**	(406,211)
		(63,479,022)	(65,597,003)	**(2,720,346)**	(2,672,514)
Profit from operations		**40,864,950**	41,644,444	**7,330,719**	5,701,686
Finance income		**720,077**	1,145,661	**—**	—
Finance costs		**(9,395,175)**	(6,737,795)	**—**	—
Profit before tax	5	**32,189,852**	36,052,310	**7,330,719**	5,701,686
Tax expense	7	**(8,518,907)**	(9,816,818)	**(30,351)**	(751,432)
Profit for the financial year		**23,670,945**	26,235,492	**7,300,368**	4,950,254
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss:					
Net fair value changes on available-for-sale financial assets		**—**	(4,766)	**—**	—
Foreign currency translation		**19,914**	(2,999,885)	**—**	—
Total other comprehensive income/(loss), net of tax		**19,914**	(3,004,651)	**—**	—
Total comprehensive income for the financial year		**23,690,859**	23,230,841	**7,300,368**	4,950,254
Profit attributable to:					
Owners of the Company		**21,422,566**	22,378,626	**7,300,368**	4,950,254
Non-controlling interests		**2,248,379**	3,856,866	**—**	—
		23,670,945	26,235,492	**7,300,368**	4,950,254
Total comprehensive income attributable to:					
Owners of the Company		**21,329,145**	20,290,141	**7,300,368**	4,950,254
Non-controlling interests		**2,361,714**	2,940,700	**—**	—
		23,690,859	23,230,841	**7,300,368**	4,950,254
Earnings per share attributable to owners of the Company (sen):					
Basic	8	**7.88**	8.23		
Diluted	8	**7.88**	8.23		

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

consolidated statement of financial position

AS AT 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	**43,267,755**	36,396,257
Investment properties	10	**710,396**	746,512
Prepaid land lease payments	11	**911,271**	918,516
Other investments	13	**18,750**	—
Deferred tax assets	14	**271,843**	1,472,122
		45,180,015	39,533,407
Current assets			
Inventories	15	**138,069,526**	116,155,410
Trade receivables	16	**221,689,190**	195,329,794
Other receivables, deposits and prepayments	17	**17,942,860**	14,416,988
Tax recoverable		**9,051,131**	6,855,080
Deposits with licensed banks	18	**2,171,107**	13,857,455
Cash and bank balances		**40,275,460**	49,817,788
		429,199,274	396,432,515
TOTAL ASSETS		**474,379,289**	435,965,922

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

consolidated statement of financial position

AS AT 31 DECEMBER 2018

	NOTE	208 RM	2017 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**136,954,444**	136,954,444
Reserves	20	**8,128,880**	(5,040,265)
Equity attributable to owners of the Company		**145,083,324**	131,914,179
Non-controlling interests		**11,359,473**	9,728,332
Total Equity		**156,442,797**	141,642,511
Liabilities			
Non-current liabilities			
Borrowings	21	**8,750,735**	2,212,211
Deferred tax liabilities	14	**688,712**	449,980
Retirement benefit obligations	23	**626,531**	588,273
		10,065,978	3,250,464
Current liabilities			
Trade payables	24	**82,764,408**	88,997,143
Other payables, deposits and accruals	25	**4,046,578**	4,413,972
Borrowings	21	**220,170,667**	196,137,478
Dividend payable		**641,240**	—
Tax payable		**247,621**	1,524,354
		307,870,514	291,072,947
Total Liabilities		**317,936,492**	294,323,411
TOTAL EQUITY AND LIABILITIES		**474,379,289**	435,965,922

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

	NOTE	2018 RM	2017 RM
ASSETS			
Non-current assets			
Investments in subsidiaries	12	**135,581,827**	137,591,925
Current assets			
Other receivables	17	**8,336**	945
Tax recoverable		**137,401**	—
Dividend receivable		**600,000**	—
Cash and bank balances		**695,824**	327,101
		1,441,561	328,046
TOTAL ASSETS		**137,023,388**	137,919,971
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	**136,954,444**	136,954,444
Reserves	20	**24,754**	884,386
Total Equity		**136,979,198**	137,838,830
Liabilities			
Current liabilities			
Other payables and accruals	25	**44,190**	34,600
Tax payable		**—**	46,541
		44,190	81,141
Total Liabilities		**44,190**	81,141
TOTAL EQUITY AND LIABILITIES		**137,023,388**	137,919,971

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

consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		ATTRIBUTABLE TO OWNERS OF THE COMPANY							
	NOTE	SHARE CAPITAL RM	RETAINED EARNINGS RM	REVERSE ACQUISITION RESERVE RM	CURRENCY TRANSLATION RESERVE RM	TOTAL OTHER RESERVES RM	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY RM	NON-CONTROLLING INTERESTS RM	TOTAL EQUITY RM
At 1 January 2018		136,954,444	33,344,819	(40,725,742)	2,340,658	(38,385,084)	131,914,179	9,728,332	141,642,511
Comprehensive income									
Profit for the financial year		—	21,422,566	—	—	—	21,422,566	2,248,379	23,670,945
Other comprehensive (loss)/income									
Foreign currency translation		—	—	—	(93,421)	(93,421)	(93,421)	113,335	19,914
Total other comprehensive (loss)/income		—	—	—	(93,421)	(93,421)	(93,421)	113,335	19,914
Total comprehensive income for the financial year		—	21,422,566	—	(93,421)	(93,421)	21,329,145	2,361,714	23,690,859
Transactions with owners									
Acquisition of subsidiaries	12	—	—	—	—	—	—	80,667	80,667
Dividend paid to non-controlling shareholders of the subsidiaries		—	—	—	—	—	—	(811,240)	(811,240)
Dividends	26	—	(8,160,000)	—	—	—	(8,160,000)	—	(8,160,000)
		—	(8,160,000)	—	—	—	(8,160,000)	(730,573)	(8,890,573)
At 31 December 2018		136,954,444	46,607,385	(40,725,742)	2,247,237	(38,478,505)	145,083,324	11,359,473	156,442,797

	NOTE	ATTRIBUTABLE TO OWNERS OF THE COMPANY									
		SHARE CAPITAL RM	RETAINED EARNINGS RM	SHARE PREMIUM RM	FAIR VALUE RESERVE RM	REVERSE ACQUISITION RESERVE RM	CURRENCY TRANSLATION RESERVE RM	TOTAL OTHER RESERVES RM	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY RM	NON-CONTROLLING INTERESTS RM	TOTAL EQUITY RM
At 1 January 2017		68,000,000	86,853,301	954,444	4,766	(40,725,742)	4,424,377	(35,342,155)	119,511,146	11,069,220	130,580,366
Comprehensive income											
Profit for the financial year		—	22,378,626	—	—	—	—	—	22,378,626	3,856,866	26,235,492
Other comprehensive income											
Net fair value changes on available-for-sale financial assets		—	—	—	(4,766)	—	—	(4,766)	(4,766)	—	(4,766)
Foreign currency translation		—	—	—	—	—	(2,083,719)	(2,083,719)	(2,083,719)	(916,166)	(2,999,885)
Total other comprehensive income		—	—	—	(4,766)	—	(2,083,719)	(2,088,485)	(2,088,485)	(916,166)	(3,004,651)
Total comprehensive income for the financial year		—	22,378,626	—	(4,766)	—	(2,083,719)	(2,088,485)	20,290,141	2,940,700	23,230,841
Transactions with owners											
Transition to no par value regime		954,444	—	(954,444)	—	—	—	(954,444)	—	—	—
Bonus issue for the year	19	68,000,000	(68,000,000)	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	12	—	(2,668,869)	—	—	—	—	—	(2,668,869)	(1,521,081)	(4,189,950)
Disposal of subsidiaries		—	2,941,761	—	—	—	—	—	2,941,761	382,481	3,324,242
Dividend paid to non-controlling shareholders of the subsidiaries		—	—	—	—	—	—	—	—	(3,142,988)	(3,142,988)
Dividends	26	—	(8,160,000)	—	—	—	—	—	(8,160,000)	—	(8,160,000)
		68,954,444	(75,887,108)	(954,444)	—	—	—	(954,444)	(7,887,108)	(4,281,588)	(12,168,696)
At 31 December 2017		136,954,444	33,344,819	—	—	(40,725,742)	2,340,658	(38,385,084)	131,914,179	9,728,332	141,642,511

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

statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
At 1 January 2017		68,000,000	954,444	72,094,132	141,048,576
Profit for the financial year, representing total comprehensive income for the financial year		–	–	4,950,254	4,950,254
Transition to no par value regime		954,444	(954,444)	–	–
Transactions with owners					
Bonus issue for the year		68,000,000	–	(68,000,000)	–
Dividends	26	–	–	(8,160,000)	(8,160,000)
At 31 December 2017		136,954,444	–	884,386	137,838,830
Profit for the financial year, representing total comprehensive income for the financial year		–	–	7,300,368	7,300,368
Transactions with owners					
Dividends	26	–	–	(8,160,000)	(8,160,000)
At 31 December 2018		**136,954,444**	**–**	**24,754**	**136,979,198**

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

consolidated statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
Cash Flows from Operating Activities			
Profit before tax		**32,189,852**	36,052,310
Adjustments for:			
Amortisation of prepaid land lease payments		**18,924**	21,127
Depreciation of:			
– property, plant and equipment		**2,736,589**	3,054,149
– investment properties		**45,912**	46,202
Fair value loss on other investment		**–**	3,971
Gain on disposal of property, plant and equipment		**(115,497)**	(1,178,455)
Loss on disposal of subsidiaries		**–**	399,997
Impairment losses on trade receivables		**266,580**	374,821
Interest expense		**9,395,175**	6,737,162
Interest income		**(720,077)**	(1,145,653)
Inventories written down		**288,675**	279,455
Net unrealised (gain)/loss on foreign exchange		**(467,605)**	4,451,340
Property, plant and equipment written off		**7,970**	34
Retirement benefit obligations		**119,523**	85,972
Reversal of impairment losses on trade receivables		**(216,138)**	(448,845)
Reversal of inventories written down		**(169,873)**	(52,062)
Operating profit before working capital changes		**43,380,010**	48,681,525
Increase in inventories		**(22,032,796)**	(27,766,083)
Increase in receivables		**(29,473,604)**	(53,730,708)
(Decrease)/Increase in payables		**(6,600,129)**	11,992,154
Cash used in operations		**(14,726,519)**	(20,823,112)
Tax refunded		**216,727**	348,166
Tax paid		**(11,308,288)**	(12,429,921)
Net cash used in operating activities carried down		**(25,818,080)**	(32,904,867)

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

consolidated statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
Net cash used in operating activities brought down		**(25,818,057)**	(32,904,867)
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**–**	(4,189,959)
Net cash inflows on acquisition of subsidiaries	12	**80,667**	2,924,245
Interest received		**720,077**	1,145,653
Purchase of other investment		**(18,750)**	–
Purchase of property, plant and equipment	9(c)	**(9,348,239)**	(4,662,926)
Proceeds from disposal of other investments		**–**	39,684
Proceeds from disposal of property, plant and equipment		**346,283**	3,143,613
Net cash used in investing activities		**(8,219,962)**	(1,599,690)
Cash Flows from Financing Activities			
Payments of finance lease payables		**(1,103,523)**	(2,046,273)
Interest paid		**(9,395,175)**	(6,737,162)
Net drawdown of bankers' acceptances		**25,557,000**	29,236,000
Net (repayment)/drawdown of revolving credit		**(2,988,536)**	14,094,363
Drawdown of term loans		**262,994,259**	241,819,116
Repayment of term loans		**(243,530,475)**	(190,091,411)
Repayment of onshore foreign currency loans		**(3,252,949)**	(17,261,548)
Repayment of foreign currency trade loan		**(6,449,449)**	(4,254,078)
Dividend paid to non-controlling shareholders of the subsidiaries		**(170,000)**	(3,142,988)
Dividend paid		**(8,160,000)**	(8,160,000)
Net cash generated from financing activities		**13,501,152**	53,456,019
Net (decrease)/ increase in cash and cash equivalents		**(20,536,890)**	18,951,462
Effect of exchange rate changes		**(282,384)**	(1,618,041)
Cash and cash equivalents at beginning of the financial year		**62,048,717**	44,715,296
Cash and cash equivalents at end of the financial year	27	**41,229,443**	62,048,717

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

(a) Reconciliation of liabilities arising from financing activities:

	1 JANUARY 2018 RM	CASH FLOWS RM	NON-CASH ACQUISITION RM	NON-CASH FOREIGN EXCHANGE MOVEMENT RM	31 DECEMBER 2018 RM
Banker acceptances	94,000,000	25,557,000	–	–	119,557,000
Short term loan	68,140,969	12,030,811	–	(697,256)	79,474,524
Term loan	1,013,427	7,432,973	–	–	8,446,400
Finance lease liabilities	2,616,845	(1,103,523)	452,044	–	1,965,366
Foreign currency trade loan	14,003,904	(6,449,449)	–	–	7,554,455
Onshore foreign currency loan	3,252,949	(3,252,949)	–	–	–
Revolving credit	14,094,363	(2,988,536)	–	–	11,105,827
	197,122,457	31,226,327	452,044	(697,256)	228,103,572

	1 JANUARY 2017 RM	CASH FLOWS RM	NON-CASH ACQUISITION RM	NON-CASH FOREIGN EXCHANGE MOVEMENT RM	31 DECEMBER 2017 RM
Banker acceptances	64,764,000	29,236,000	–	–	94,000,000
Short term loan	16,066,405	52,423,235	–	(348,671)	68,140,969
Term loan	1,708,957	(695,530)	–	–	1,013,427
Finance lease liabilities	3,794,028	(2,046,273)	869,090	–	2,616,845
Foreign currency trade loan	18,257,982	(4,254,078)	–	–	14,003,904
Onshore foreign currency loan	20,514,497	(17,261,548)	–	–	3,252,949
Revolving credit	–	14,094,363	–	–	14,094,363
	125,105,869	71,496,169	869,090	(348,671)	197,122,457

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

statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
Cash Flows from Operating Activities			
Profit before tax		**7,330,719**	5,701,686
Adjustments for:			
Dividend income		**(9,570,000)**	(6,572,000)
Impairment loss on investment in subsidiaries		**2,010,098**	–
Loss in disposal of investment in subsidiaries		**–**	399,997
Operating loss before working capital changes		**(229,183)**	(470,317)
Increase in receivables		**(7,391)**	(945)
Increase/(Decrease) in payables		**9,590**	(211,789)
Cash used in operations		**(226,984)**	(683,051)
Dividend received		**8,970,000**	6,572,000
Tax refunded		**–**	170,275
Tax paid		**(214,293)**	(526,030)
Net cash generated from operating activities		**8,528,723**	5,533,194
Cash Flows from Investing Activities			
Investments in subsidiaries, representing net cash used in investing activity		**–**	(4,189,959)
Repayment from subsidiaries		**–**	16,963,152
Proceeds from disposal of shares in subsidiaries		**–**	3
Net cash from investing activities		**–**	12,773,196
Cash Flows from Financing Activity			
Repayment to a subsidiary		**–**	(9,976,806)
Dividend paid, representing net cash used in financing activity		**(8,160,000)**	(8,160,000)
Net cash used in financing activities		**(8,160,000)**	(18,136,806)
Net increase in cash and cash equivalents		**368,723**	169,584
Cash and cash equivalents at beginning of the financial year		**327,101**	157,517
Cash and cash equivalents at end of the financial year	27	**695,824**	327,101

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

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 April 2019.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

(i) Statement of compliance

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

(ii) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest RM, unless otherwise stated.

(iii) Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as otherwise disclosed in Note 2.3 to the financial statements.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int")

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration

2. Summary of Significant Accounting Policies (continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 9 Financial instruments

MFRS 9 replaced the guidance of MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

Other than the resulted changes in accounting policies and enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the application of MFRS 9 does not have any significant effect on the financial statements, except for those as disclosed below.

(a) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

(i) Loans and receivables classified as amortised cost

Trade, other receivables and other financial assets, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

In summary, the Group and the Company had the following required reclassification as at 1 January 2018:

MFRS 139 measurement category	RM	MFRS 9 measurement category Amortised cost RM
Financial assets		
Group		
Loans and receivables		
Receivables and deposits*	199,529,583	199,529,583
Deposits with licensed banks	13,857,455	13,857,455
Cash and bank balances	49,817,788	49,817,788
	263,204,826	263,204,826
Company		
Loans and receivables		
Other receivables	945	945
Cash and bank balances	327,101	327,101
	328,046	328,046

** Exclude advanced payment to suppliers and prepayments*

2. Summary of Significant Accounting Policies (continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial instruments (Continued)

(a) Classification and measurement (Continued)

In summary, the Group and the Company had the following required reclassification as at 1 January 2018: (Continued)

MFRS 139 measurement category	RM	MFRS 9 measurement category Amortised cost RM
Financial liabilities		
Group		
Other financial liabilities		
Payables and accruals*	93,243,495	93,243,495
Finance lease payable	2,616,845	2,616,845
Other loans and borrowings	195,732,844	195,732,844
	291,593,184	291,593,184
Company		
Other financial liability		
Accruals	34,600	34,600

** Exclude down payment and advances received from customers*

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group and the Company have applied MFRS 15 using the full retrospective method of adoption. The Group has elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2017 and those contracts begin and end within the same annual reporting period.

The application of MFRS 15 resulted in changes in accounting policies and enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year. However, the application of this standard does not have significant effect on the financial performance and financial position of the Group and of the Company.

2. Summary of Significant Accounting Policies (continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

(ii) New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statement of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/Deferred
MFRS 132	Financial Instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Report	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2020#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

** Amendments to References to the Conceptual Framework in MFRS Standards*
 # Amendments as to the consequences of effective of MFRS 17 Insurance Contracts

2. Summary of Significant Accounting Policies (continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

(ii) New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int that may be relevant to the Group and the Company are summarised below.

MFRS 16 Leases
Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group may be required to capitalise its rented premises, motor vehicle and storage tank on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

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

Amendments to MFRS 9 Financial Instruments
Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures
These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

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

Amendments to MFRS 119 Employee Benefits
Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

2. Summary of Significant Accounting Policies (continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

(ii) New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

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

IC Int 23 Uncertainty over Income Tax Treatments
IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards
The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3 Significant Accounting Policies

(a) Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries made up to the end of the financial year.

A subsidiary is an entity, including structured entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements;
- the nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(i) Business combinations under acquisition method

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures the cost of goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Reverse acquisition

Pursuant to the share sales agreement signed between Samchem Sdn. Bhd. and Samchem Holdings Berhad on 16 June 2008, the Company had on 20 February 2009 completed the acquisition of a total of 8 companies ("Acquired Group") from Samchem Sdn. Bhd. The Group's consolidated statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows are prepared and presented as a continuation of the Acquired Group (the acquirer for reverse acquisition accounting purposes).

For the purpose of reverse acquisition accounting, the cost of acquisition by the Acquired Group of the Company (the legal parent) is recorded as equity. The cost of acquisition is determined using the fair value of the issued equity of the Company before acquisition. It is deemed to be incurred by the Acquired Group in the form of equity issued to the owners of the legal parent.

Since such consolidated financial statements represent as continuation of the financial statements of the Acquired Group:

(a) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amount;

(b) the retained earnings and the other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Acquired Group immediately before the business combination; and

(c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (the Company), including the equity instruments issued by the Company to reflect the combination.

Reverse acquisition applies only in the consolidated financial statements. In the legal parent (the Company's) separate financial statements, the investment in the legal subsidiary (the Acquired Group) is accounted for in accordance with the requirements of MFRS 127 Consolidated and Separate Financial Statements.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries (continued)

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transaction between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the other comprehensive income for the financial year between non-controlling interests and owners of the Company.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated profit or loss.

(iii) Principal closing rates

The principal closing rates used in translation of foreign currency amounts as at the reporting date are as follows:

	2018 RM	2017 RM
1 Singapore Dollar ("SGD")	**3.06**	3.10
1 United States Dollar ("USD")	**4.22**	4.15
100 Vietnam Dong ("VND")	**0.0181**	0.0183
100 Indonesian Rupiah ("IDR")	**0.0288**	0.0298

(c) Revenue recognition

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a financing component if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(c) Revenue recognition (continued)

(i) Goods sold

Revenue from the sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranging from 30 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of any discounts.

Where consideration is collected from customer in advance for sale of good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of good to the customer.

(ii) Blending services

Revenue from blending services is recognised when services are rendered.

(iii) Transportation charges

Transportation charges are recognised over time, using an output method, based on time elapsed, to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(iv) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(v) Dividend income

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

(vi) Interest income

Interest income is recognised using the effective interest method.

(vii) Management fees

Management fees are recognised over time as services are rendered, using an output method, based on time elapsed, to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense as incurred.

(iii) Defined benefit plans

A subsidiary of the Company operates an unfunded defined benefit scheme. The subsidiary's net obligation under the scheme is determined by estimating the amount of benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value of the liability. The subsidiary's obligation is calculated using the projected unit credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(f) Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(f) Taxes (continued)

(ii) Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The GST in Malaysia was abolished and replaced by the sales and services tax effective from 1 September 2018.

(iv) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The amount of sales and services tax payable to, the taxation authority is included as part of payables in the statements of financial position.

(g) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Short term leasehold land and long term leasehold land are depreciated over the lease term of 50 and 99 years respectively. Freehold land is not depreciated. Building-in-progress is not depreciated as the asset is not yet available for use. All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Buildings	2% - 5%
Motor vehicles	12.5% - 25%
Plant and machinery	10% - 25%
Renovation and office equipment	10% - 33.3%
Signboard, furniture and fittings	10% - 15%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(h) Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(i) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated. Building is depreciated on a straight line basis at 2% per annum to write off the cost of the asset to its residual value over the estimated useful life.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

(j) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(k) Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(m) Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

(i) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(m) Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(i) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(m) Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(ii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(m) Financial instruments (continued)

Accounting policies applied until 31 December 2017

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(i) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables comprise trade and other receivables including deposits and amount due from subsidiaries and cash and cash equivalents (excluding bank overdrafts).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n). Gains and losses are recognised in profit or loss through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. Available-for-sales financial assets include investments in quoted shares.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(ii) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(iii) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(n) Impairment of financial assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(n) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(n) Impairment of financial assets (continued)

Accounting policies applied from 31 December 2017 (continued)

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

(p) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(q) Leases

(i) Finance lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating lease – the Group as Lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

(s) Financial guarantee contracts

Accounting policies applied from 1 January 2018

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

Accounting policies applied until 31 December 2017

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(t) Provisions

A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

(u) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities or assets are not recognised in the statements of financial position.

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2. Summary of Significant Accounting Policies (continued)

2.3 Significant Accounting Policies (continued)

(w) Contract costs

(i) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 Inventories, MFRS 116 Property, Plant and Equipment or MFRS 138 Intangible Assets, are recognised as part of contract costs when all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
(b) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

(ii) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimate and Errors.

(iii) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

(a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
(b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 Impairment of Assets to that cash-generating unit.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognised is one year or less.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(a) Inventories (Note 15)

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Impairment of trade receivables (Note 16)

The provisions of expected credit losses for receivables are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the expected credit losses ("ECL") calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group individually assessed and also grouped receivables based on the number of days that a trade receivable is past due to calculate ECL for trade receivables. The individually assessed ECL may be based on indicators such as changes in financial capability of the receivable, payment trends of the receivable and default or significant delay in payments. The group assessment is initially based on the Group's historical observed default rates and calibrate to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions over the expected settlement period of the trade receivables. The Group's assessment of the indicators, historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4. REVENUE

	GROUP		COMPANY	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Revenue from contract customers:				
Management fees	**–**	–	**–**	1,802,200
Sales of goods	**1 ,091,430,904**	930,068,717	**–**	–
Blending services	**3,758,627**	7,373,821	**–**	–
Transportation charges	**32,281**	80,345	**–**	–
	1,095,221,812	937,522,883	**–**	1,802,200
Revenue from other sources:				
Dividend income	–	–	**9,570,000**	6,572,000
	1,095,221,812	937,522,883	**9,570,000**	8,374,200

(a) Disaggregation of revenue

The Group reports the following major segments: chemical distribution and blending, and audio video and ICT distribution in accordance with MFRS 8 Operating Segments. For the purpose of disclosure of disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

	Chemical Distribution and Blending RM	**Audio Video and ICT Distribution RM**	**Total RM**
Group – 2018			
Major goods or services			
Chemical products	**1,084,805,844**	**–**	**1,084,805,844**
Blending services	**3,758,627**	**–**	**3,758,627**
Audio Video and ICT products	**–**	**6,625,060**	**6,625,060**
Transportation charges	**32,281**	**–**	**32,281**
	1,088,596,752	**6,625,060**	**1,095,221,812**

4. REVENUE (continued)

(a) Disaggregation of revenue (continued)

	Chemical Distribution and Blending RM	Audio Video and ICT Distribution RM	Total RM
Group – 2017			
Major goods or services			
Chemical products	920,062,877	–	920,062,877
Blending services	7,373,821	–	7,373,821
Audio Video and ICT products	–	10,005,840	10,005,840
Transportation charges	80,345	–	80,345
	927,517,043	10,005,840	937,522,883

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Timing of revenue recognition:				
At a point in time	**1,095,189,531**	937,442,538	**–**	–
Over time	**32,281**	80,345	**–**	1,802,200
	1,095,221,812	937,522,883	**–**	1,802,200

(b) Transactions price allocated to the remaining performance obligation

The Group does not have performance obligations that are unsatisfied for contracts that have an original duration of more than one year at the reporting date.

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and accordingly, do not disclose information about remaining performance obligations that have original expected durations of one year or less.

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Auditors' remuneration:				
– current year	**292,714**	294,011	**62,000**	55,000
– prior year	**–**	20,600	**–**	11,000
– other services by auditors of the Company	**8,000**	8,000	**8,000**	8,000
Amortisation of prepaid land lease payments	**18,924**	21,127	**–**	–
Depreciation of:				
– property, plant and equipment	**2,736,589**	3,054,149	**–**	–
– investment properties	**45,912**	46,202	**–**	–
Direct operating expenses for investment properties which did not generate rental income	**4,619**	7,556	**–**	–
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**1,387,599**	1,418,387	**–**	106,353
– retirement benefit obligations	**119,523**	85,972	**–**	–
– wages, salaries and others	**21,067,472**	22,457,026	**326,500**	1,378,317
Fair value loss on other investments	**–**	3,971	**–**	–
Gain on disposal of property, plant and equipment	**(115,497)**	(1,178,455)	**–**	–

5. PROFIT BEFORE TAX (continued)

Profit before tax is arrived at after charging/(crediting) (Continued):

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss on disposal of subsidiaries	**–**	399,997	**–**	399,997
Impairment losses on trade receivables	**266,580**	374,821	**–**	–
Impairment loss on investment in subsidiaries	**–**	–	**2,010,098**	–
Interest expense	**9,395,175**	6,737,162	**–**	–
Interest income	**(720,077)**	(1,145,653)	**–**	–
Net (gain)/loss on foreign exchange				
– realised	**(918,140)**	(5,734,860)	**2,752**	6,214
– unrealised	**(467,605)**	4,451,340	**–**	–
Property, plant and equipment written off	**7,970**	34	**–**	–
Inventories written down	**288,675**	279,455	**–**	–
Rental of premises	**2,423,059**	2,103,391	**–**	–
Rental of motor vehicle	**45,811**	53,628	**–**	–
Rental of storage tank	**6,430,116**	5,358,601	**–**	–
Rental income from investment properties	**(84,000)**	(35,000)	**–**	–
Reversal of impairment losses on trade receivables	**(216,138)**	(448,845)	**–**	–
Reversal of inventories written down	**(169,873)**	(52,062)	**–**	–

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive directors				
– fees	**60,000**	–	**60,000**	–
– other emoluments	**360,640**	1,031,668	**1,000**	1,031,668
	420,640	1,031,668	**61,000**	1,031,668
Non-executive directors				
– fees	**248,000**	156,000	**248,000**	156,000
– other emoluments	**17,500**	12,000	**17,500**	12,000
	265,500	168,000	**265,500**	168,000
	686,140	1,199,668	**326,500**	1,199,668
Directors of subsidiaries				
Executive directors				
– other emoluments	**2,766,131**	3,200,737	**–**	–
	3,452,271	4,400,405	**326,500**	1,199,668

7. TAX EXPENSE

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax:				
Malaysian income tax				
– current financial year	**4,965,899**	6,927,517	**–**	312,902
– (over)/under provision in prior financial year	**(153,256)**	(453,441)	**30,351**	438,530
	4,812,643	6,474,076	**30,351**	751,432
Foreign income tax				
– current financial year	**2,347,857**	3,239,961	**–**	–
	7,160,500	9,714,037	**30,351**	751,432
Deferred tax:				
Origination and reversal of temporary differences	**1,287,210**	(171,214)	**–**	–
Under provision in prior financial year	**71,197**	273,995	**–**	–
	1,358,407	102,781	**–**	–
Tax expense	**8,518,907**	9,816,818	**30,351**	751,432

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	**32,189,852**	36,052,310	**7,330,719**	5,701,686
Tax at the Malaysian statutory income tax rate of 24% (2017: 24%)	**7,725,600**	8,652,600	**1,759,400**	1,368,400
Effect of different tax rates in foreign jurisdiction	**(381,604)**	(554,473)	**–**	–
Tax effects arising from:				
– non-deductible expenses	**1,174,425**	3,027,719	**537,400**	85,549
– non-taxable income	**(212,668)**	(1,450,096)	**(2,296,800)**	(1,577,280)
Deferred tax assets not recognised during the financial year	**322,390**	801,764	**–**	436,233
Utilisation of previously unrecognised deferred tax assets	**(27,177)**	(481,250)	**–**	–
(Over)/Under provision of current tax in prior financial year	**(153,256)**	(453,441)	**30,351**	438,530
Under provision of deferred tax liabilities in prior financial year	**71,197**	273,995	**–**	–
Tax expense	**8,518,907**	9,816,818	**30,351**	751,432

8. EARNINGS PER SHARE

Earnings per share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	2018 RM	2017 RM
Profit attributable to owners of the Company	**21,422,566**	22,378,626

	2018 UNIT	2017 UNIT
Weighted average number of ordinary shares for basic earnings per share	**272,000,000**	272,000,000

	2018 SEN	2017 SEN
Basic earnings per ordinary share	**7.88**	8.23

Diluted earnings per share

The diluted earnings per share of the Company for the financial year ended 2018 and 2017 is same as the basic earnings per ordinary share of the Company as there were no potential dilutive ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM	LONG TERM LEASEHOLD LAND RM	BUILDINGS RM	BUILDINGS IN PROGRESS RM	MOTOR VEHICLES RM	PLANT AND MACHINERY RM	RENOVATION AND OFFICE EQUIPMENT RM	SIGNBOARD, FURNITURE AND FITTINGS RM	TOTAL RM
Cost									
At 1 January 2018	8,455,971	2,579,935	19,118,842	2,309,286	11,142,888	6,564,043	6,858,843	821,297	57,851,105
Additions	—	—	—	8,135,003	637,044	733,006	295,230	—	9,800,283
Disposals	—	—	(265,665)	—	(1,021,133)	—	—	—	(1,286,798)
Written off	—	—	—	—	(67,156)	—	(83,036)	(600)	(150,792)
Effect of movement in exchange rate	—	—	50,365	—	28,595	27,439	10,886	—	117,285
At 31 December 2018	8,455,971	2,579,935	18,903,542	10,444,289	10,720,238	7,324,488	7,081,923	820,697	66,331,083
Accumulated Depreciation									
At 1 January 2018	—	34,936	4,006,776	—	6,237,075	6,101,568	4,483,425	591,068	21,454,848
Charge for the financial year	—	32,249	462,850	—	1,345,410	190,217	655,476	50,387	2,736,589
Disposals	—	—	(265,665)	—	(790,347)	—	—	—	(1,056,012)
Written off	—	—	—	—	(67,156)	—	(75,516)	(150)	(142,822)
Effect of movement in exchange rate	—	—	12,244	—	23,827	27,817	6,837	—	70,725
At 31 December 2018	—	67,185	4,216,205	—	6,748,809	6,319,602	5,070,222	641,305	23,063,328
Carrying Amount									
At 31 December 2018	8,455,971	2,512,750	14,687,337	10,444,289	3,971,429	1,004,886	2,011,701	179,392	43,267,755

9. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	FREEHOLD LAND RM	LONG TERM LEASEHOLD LAND RM	SHORT TERM LEASEHOLD LAND RM	BUILDINGS RM	BUILDINGS IN PROGRESS RM	MOTOR VEHICLES RM	PLANT AND MACHINERY RM	RENOVATION AND OFFICE EQUIPMENT RM	SIGNBOARD, FURNITURE AND FITTINGS RM	TOTAL RM
Cost										
At 1 January 2017	8,455,971	2,579,935	650,000	19,506,043	—	12,267,829	6,658,018	6,600,826	776,687	57,495,309
Additions	—	—	—	332,751	2,309,286	2,052,656	52,049	740,664	44,610	5,532,016
Disposals	—	—	(650,000)	(496,189)	—	(2,703,258)	—	(337,065)	—	(4,186,512)
Written off	—	—	—	—	—	(244,950)	—	(37,182)	—	(282,132)
Effect of movement in exchange rate	—	—	—	(223,763)	—	(229,389)	(146,024)	(108,400)	—	(707,576)
At 31 December 2017	8,455,971	2,579,935	—	19,118,842	2,309,286	11,142,888	6,564,043	6,858,843	821,297	57,851,105
Accumulated Depreciation										
At 1 January 2017	—	2,687	151,470	3,839,800	—	6,606,642	5,818,715	4,014,205	540,247	20,973,766
Charge for the financial year	—	32,249	16,176	477,153	—	1,478,477	422,505	576,768	50,821	3,054,149
Disposals	—	—	(167,646)	(255,443)	—	(1,461,200)	—	(4,314)	—	(1,888,603)
Written off	—	—	—	—	—	(244,950)	—	(37,148)	—	(282,098)
Effect of movement in exchange rate	—	—	—	(54,734)	—	(141,894)	(139,652)	(66,086)	—	(402,366)
At 31 December 2017	—	34,936	—	4,006,776	—	6,237,075	6,101,568	4,483,425	591,068	21,454,848
Carrying Amount										
At 31 December 2017	8,455,971	2,544,999	—	15,112,066	2,309,286	4,905,813	462,475	2,375,418	230,229	36,396,257

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Net carrying amount of motor vehicles, plant and machinery of the Group held under finance lease arrangements are as follows:

	GROUP	
	2018 RM	2017 RM
Motor vehicles	**2,769,724**	3,517,138

(b) Net carrying amounts of property, plant and equipment pledged as security for borrowings (Note 21) are as follows:

	GROUP	
	2018 RM	2017 RM
Freehold land	**8,455,971**	8,455,971
Buildings	**12,555,077**	12,872,423
	21,011,048	21,328,394

The long term leasehold land has unexpired lease period of more than 50 years.

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

	GROUP	
	2018 RM	2017 RM
Additions of property, plant and equipment	**9,800,283**	5,532,016
Less: Financed by finance lease arrangement	**(452,044)**	(869,090)
	9,348,239	4,662,926

10. INVESTMENT PROPERTIES

	GROUP	
	2018 RM	2017 RM
Costs		
At 1 January	**1,350,865**	1,426,842
Effect of movement in exchange rate	**15,196**	(75,977)
At 31 December	**1,366,061**	1,350,865
Accumulated depreciation		
At 1 January	**604,353**	583,052
Depreciation charge for the financial year	**45,912**	46,202
Effect of movement in exchange rate	**5,400**	(24,901)
At 31 December	**655,665**	604,353
Carrying amount	**710,396**	746,512

10. INVESTMENT PROPERTIES (continued)

(a) Fair value of investment properties for the Group is categorised as follows:

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3
Group				
Asset for which fair value is disclosed				
Land and buildings				
2018	**1,294,400**	**–**	**–**	**1,294,400**
2017	1,605,000	–	–	1,605,000

(b) The market value for the above investment properties are determined based on information available through internal research and Director's best estimate.

(c) The following are recognised in profit or loss in respect of investment properties:

	GROUP	
	2018 RM	2017 RM
Direct operating expenses:		
– non-income generating investment properties	**4,619**	7,556

11. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2018 RM	2017 RM
At 1 January	**918,516**	1,060,098
Amortisation for the financial year	**(18,924)**	(21,127)
Effect of movement in exchange rate	**11,679**	(120,455)
At 31 December	**911,271**	918,516

The Group has land use rights over certain parcels of land located in the Republic of Indonesia and Socialist Republic of Vietnam with remaining tenure ranging from 19 to 25 years and 35 years respectively.

The lands are pledged as security for bank borrowings (Note 21).

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2018 RM	2017 RM
Unquoted shares, at cost		
At 1 January	**83,555,077**	79,765,118
Additions	**–**	4,189,959
Less: Disposal	**–**	(400,000)
Less: Accumulated impairment losses	**(2,010,098)**	–
	81,544,979	83,555,077
Capital contributions to subsidiaries	**54,036,848**	54,036,848
At 31 December	**135,581,827**	137,591,925

Capital contributions represent unsecured, interest free, non-trade balances with subsidiaries. As these balances are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss, if any. The settlement of these balances is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat them as long term source of capital to the subsidiaries.

12. INVESTMENTS IN SUBSIDIARIES (continued)

During the financial year, the Company recognised impairment losses of RM2,010,098 (2017: RM nil) on its investment in subsidiaries based on recoverable amount.

The details of subsidiaries are as follows:

NAME OF COMPANY	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST 2018	OWNERSHIP INTEREST 2017
Held by the Company				
Samchem Logistics Services Sdn. Bhd.	Malaysia	Provision of logistics services	70%	70%
Samchem Industries Sdn. Bhd.	Malaysia	Distribution of specialty chemicals	100%	100%
Samchem Lubricants Sdn. Bhd.	Malaysia	Distribution of industrial lubricants	100%	100%
Samchem Nusajaya Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents	100%	100%
Eweny Chemicals Sdn. Bhd.	Malaysia	Ceased operation	100%	100%
Samchemsphere Export Sdn. Bhd.	Malaysia	Export of intermediate and specialty chemicals	100%	70%
Samchem Enviro Cycle Sdn. Bhd.	Malaysia	Under liquidation	100%	100%
Samchem Sdn. Bhd.	Malaysia	Distribution of Polyurethane (PU), intermediate and specialty chemicals and investment holding	100%	100%
My Online AV Sdn. Bhd.	Malaysia	Retail sale of audio video and ICT system distribution and trading	60%	60%
Samserv Services Sdn. Bhd.	Malaysia	Repair service of audio video and ICT system	60%	60%
Sampro Distribution Sdn. Bhd.	Malaysia	Retail sale of audio video and ICT system distribution and trading	60%	60%
Samsentosa Chemicals Sdn. Bhd.	Malaysia	Distribution of industrial chemicals	60%	60%
^ PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	96.5%	96.5%
# Samchem (Singapore) Pte. Ltd.	Republic of Singapore	Distribution of intermediate and specialty chemicals, and blending of customised solvents	100%	100%
Held through Samchem Sdn. Bhd.				
^ PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	3.5%	3.5%
Held through Samchemsphere Export Sdn. Bhd.				
# Sam Chem Sphere Joint Stock Company	Socialist Republic of Vietnam	Distribution of PU, intermediate and specialty chemicals	63%	63%

12. INVESTMENTS IN SUBSIDIARIES (continued)

The details of subsidiaries are as follows: (continued)

NAME OF COMPANY	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST 2018	OWNERSHIP INTEREST 2017
Held through Sam Chem Sphere Joint Stock Company				
# Samchemsphere Indochina (Vietnam) Company Limited	Socialist Republic of Vietnam	Dormant	100%	100%
# Samm Sphere (Cambodia) Company Limited	Cambodia	Dormant	100%	100%
# Samm Sphere (Myanmar) Company Limited	Myanmar	Dormant	60%	–

 # Audited by a firm of auditors other than Baker Tilly Monteiro Heng PLT.
^ Audited by an independent member firm of Baker Tilly International.

Acquisition of non-controlling interests

2017

On 11 August 2017, the Company acquired the remaining 30% equity interest in Samchemsphere Export Sdn. Bhd. ("SSE") for a cash consideration of RM4,189,959. Consequently, SSE became a wholly-owned subsidiary of the Company.

	RM
Cash consideration paid to non-controlling interests	**4,189,959**
Carrying amount of additional interest acquired	**(1,521,081)**
Total difference recognised in retained earnings within equity attributable to owners of the Company	**2,668,878**

Disposal of investment in subsidiaries

2017

On 28 July 2017, the Company disposed its 40% equity investment in My Online AV Sdn. Bhd. ("MOASB"), Samserv Services Sdn. Bhd. ("Samserv") and Sampro Distribution Sdn. Bhd. ("Sampro") for a total consideration of RM3.

	RM
Recognised	
Cash consideration received	**3**
Less: Carrying value of shares sold	**(400,000)**
Loss on disposal	**(399,997)**

Non-controlling interests ("NCI") in subsidiaries

(a) The subsidiaries of the Group that have material NCI are as follows:

	SAM CHEM SPHERE JOINT STOCK COMPANY RM	OTHER INDIVIDUALLY IMMATERIAL SUBSIDIARIES RM	TOTAL RM
2018			
NCI effective ownership interest and voting interest	**37%**		
Carrying amount of NCI	**11,304,376**	**55,097**	**11,359,473**
Profit/(Loss) allocated to NCI	**2,582,464**	**(334,085)**	**2,248,379**
Total other comprehensive income/(loss) allocated to NCI	**116,378**	**(3,043)**	**(113,335)**
Total comprehensive income/(loss) allocated to NCI	**2,698,842**	**(337,128)**	**2,361,714**

12. INVESTMENTS IN SUBSIDIARIES (continued)

Non-controlling interests ("NCI") in subsidiaries (continued)

(a) The subsidiaries of the Group that have material NCI are as follows: (continued)

	SAM CHEM SPHERE JOINT STOCK COMPANY RM	OTHER INDIVIDUALLY IMMATERIAL SUBSIDIARIES RM	TOTAL RM
2017			
NCI effective ownership interest and voting interest	37%		
Carrying amount of NCI	9,426,045	302,287	9,728,332
Profit/(Loss) allocated to NCI	3,907,496	(50,630)	3,856,866
Total other comprehensive loss allocated to NCI	(897,328)	(18,838)	(916,166)
Total comprehensive income/(loss) allocated to NCI	3,010,168	(69,468)	2,940,700

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at each reporting date are as follows:

	SAM CHEM SPHERE JOINT STOCK COMPANY RM
2018	
Assets and liabilities	
Non-current assets	**2,556,770**
Current assets	**149,194,176**
Non-current liabilities	**–**
Current liabilities	**(120,990,740)**
Net assets	**30,760,206**
Results	
Revenue	**383,700,707**
Profit for the financial year	**7,027,114**
Other comprehensive income	**316,675**
Total comprehensive income for the financial year	**7,343,789**
Cash flows (used in)/generated from:	
– operating activities	**(24,320,292)**
- investing activities	**(697,159)**
– financing activities	**12,030,811**
Net decrease in cash and cash equivalents	**(12,986,640)**
Dividends paid to NCI	**641,240**

12. INVESTMENTS IN SUBSIDIARIES (continued)

Non-controlling interests ("NCI") in subsidiaries (continued)

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at each reporting date are as follows (Continued):

	SAM CHEM SPHERE JOINT STOCK COMPANY RM
2017	
Assets and liabilities	
Non-current assets	2,017,453
Current assets	131,531,306
Non-current liabilities	–
Current liabilities	(107,899,656)
Net assets	25,649,103
Results	
Revenue	302,832,232
Profit for the financial year	10,632,642
Other comprehensive loss	(2,441,708)
Total comprehensive income for the financial year	8,190,934
Cash flows (used in)/generated from:	
– operating activities	(34,376,038)
- investing activities	(207,705)
– financing activities	37,903,928
Net increase in cash and cash equivalents	3,320,185
Dividends paid to NCI	3,094,988

(c) There are no restrictions in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

Acquisition of subsidiaries

2018

On 24 April 2018, Samchem Sphere (Myanmar) Company Limited ("SSMCL") became a subsidiary of Sam Chem Sphere Joint Stock ("SCSCL"), a 63.25% owned-subsidiary of Samchemsphere Export Sdn. Bhd. ("SSE"), a 100% owned subsidiary of the Company by way of acquisition of 30,000 ordinary shares of USD 1 each, representing 60% equity interest held for a total cash consideration of USD30,000.

Effects of acquisition on cash flows:

	RM
Cash and cash equivalents acquired	201,667
Consideration paid in cash	(121,000)
Net cash inflows on acquisition	80,667

13. OTHER INVESTMENTS

	GROUP 2018 RM	2017 RM
Financial asset at fair value through profit or loss		
At fair value:		
Quoted shares in Malaysia – DPI Holdings Berhad	**18,750**	–
Market value of quoted shares	**18,750**	–

14. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP 2018 RM	2017 RM
At 1 January	**1,022,142**	877,497
Recognised in profit or loss	**(1,358,407)**	(102,781)
Effect of movements in exchange rate	**(80,604)**	247,426
At 31 December	**(416,869)**	1,022,142

Presented after appropriate offsetting as follows:

	2018 RM	2017 RM
Deferred tax assets	**271,843**	1,472,122
Deferred tax liabilities	**(688,712)**	(449,980)
	(416,869)	1,022,142

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

	At 1 January 2017 RM	Recognised in profit or loss (Note 7) RM	Exchange differences RM	At 31 December 2017 RM	Recognised in profit or loss (Note 7) RM	Exchange differences RM	At 31 December 2018 RM
Group							
Deductible temporary differences in respect of expenses	1,572,506	43,677	–	1,616,183	(1,134,468)	–	481,715
Taxable temporary differences in respect of income	(242,400)	239,100	–	(3,300)	(389,705)	–	(393,005)
Difference between the carrying amounts of property, plant and equipment and their tax base	(452,609)	(385,558)	247,426	(590,741)	165,766	(80,604)	(505,579)
	877,497	(102,781)	247,426	1,022,142	(1,358,407)	(80,604)	(416,869)

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	GROUP 2018 RM	2017 RM
Difference between the carrying amounts of property,plant and equipment and their tax base	**(1,310,663)**	(1,373,416)
Deductible temporary differences in respect of expenses	**648,066**	257,070
Unutilised tax losses	**10,112,224**	9,243,602
Unabsorbed capital allowances	**182,881**	161,960
	9,632,508	8,289,216

14. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

15. INVENTORIES

	GROUP 2018 RM	2017 RM
At cost:		
Trading goods	**129,552,741**	108,185,899
Goods-in-transit	**8,023,599**	7,517,383
Packaging materials	**493,186**	452,128
	138,069,526	116,155,410

(i) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM999,355,767 (2017: RM839,511,073).

(ii) The amount the Company recognised as expense in other expenses during the financial year in respect of written-down of inventories was RM288,675 (2017: RM279,455).

(iii) During the financial year, the Company reversed inventories written down previously amounting to RM169,873 (2017 RM52,062). The amount is included in other income.

16. TRADE RECEIVABLES

	GROUP 2018 RM	2017 RM
Trade receivables	**223,697,847**	197,522,945
Less: Allowance for impairment losses	**(2,008,657)**	(2,193,151)
	221,689,190	195,329,794

Trade receivables are non-interest bearing and normal credit terms offered by the Group and ranging from 30 to 90 days (2017: 30 to 120 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

The movement in the allowance for impairment losses of trade receivables is as follows:

	GROUP 2018 RM	2017 RM
At 1 January	**2,193,151**	2,312,131
Charge for impairment losses (Note 5)	**266,580**	374,821
Written off	**(229,437)**	–
Reversal of impairment losses (Note 5)	**(216,138)**	(448,845)
Effect of movement in exchange rate	**(5,499)**	(44,956)
At 31 December	**2,008,657**	2,193,151

The information about the credit exposures are disclosed in Note 30(b)(i).

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Other receivables	**9,825,190**	6,000,588	**8,336**	945
Less: Allowance for impairment losses	**(2,355)**	(2,476)	**–**	–
	9,822,835	5,998,112	**8,336**	945
Advance payments to suppliers	**5,787,675**	6,211,573	**–**	–
Deposits	**904,387**	948,011	**–**	–
Prepayments	**1,427,963**	1,259,292	**–**	–
	17,942,860	14,416,988	**8,336**	945

(i) Included in other receivables of the Group is an amount of RM7,724,364 (2017: RM2,746,334) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

(ii) The movement in the allowance for impairment losses of other receivables is as follows:

	GROUP 2018 RM	GROUP 2017 RM
At 1 January	**2,476**	2,705
Effect of movement in exchange rate	**(121)**	(229)
At 31 December	**2,355**	2,476

18. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group bear effective interest rates ranging from 2.40% to 7.25% (2017: 2.30% to 7.25%) per annum and mature within one year.

Deposits amounting to RM399,294 (2017: RM399,294) are pledged for bank borrowings granted to the subsidiaries (Note 21). As such, these deposits are not available for general use.

19. SHARE CAPITAL

	GROUP AND COMPANY 2018 NUMBER OF SHARES	2018 AMOUNT RM	2017 NUMBER OF SHARES	2017 AMOUNT RM
Issued and fully paid:				
At 1 January	**272,000,000**	**136,954,444**	136,000,000	68,000,000
Bonus issue for the year	**–**	**–**	136,000,000	68,000,000
Transition to no-par value regime – share premium	**–**	**–**	–	954,444
At 31 December	**272,000,000**	**136,954,444**	272,000,000	136,954,444

The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium amount of RM954,444 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM954,444 for purposes as set out in Section 618(3).

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

20. RESERVES

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	**–**	–
Currency translation reserve	**2,247,237**	2,340,658	**–**	–
Retained earnings	**46,607,385**	33,344,819	**24,754**	884,386
	8,128,880	(5,040,265)	**24,754**	884,386

(a) Reverse acquisition reserve

Reverse acquisition reserve relates to the difference between the issued equity of the Company together with the deemed business combination costs and the issued equity of Samchem Sdn. Bhd.

(b) Currency translation reserve

The currency 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 Group's presentation currency.

21. BORROWINGS

	GROUP 2018 RM	GROUP 2017 RM
Non-current:		
Secured:		
Finance lease payables (Note 22)		
– RM	**1,047,789**	1,609,827
– Indonesia Rupiah ("Rp")	**84,282**	–
Term loans – RM	**7,618,664**	602,384
	8,750,735	2,212,211
Current:		
Secured:		
Bank overdrafts – RM	**–**	1,227,232
Bankers' acceptances – RM	**119,557,000**	94,000,000
Finance lease payables (Note 22)		
– RM	**751,984**	907,227
– Rp	**81,311**	99,791
Revolving credit – USD	**11,105,827**	14,094,363
Short term loans		
– USD	**8,811,724**	37,665,281
– VND	**70,662,800**	30,475,688
Onshore foreign currency loans – USD	**–**	3,252,949
Term loans – RM	**827,736**	411,043
	211,798,382	182,133,574
Unsecured:		
Bank overdrafts	**817,830**	–
Foreign currency trade loans – USD	**7,554,455**	14,003,904
	8,372,285	14,003,904
Total current borrowings	**220,170,667**	196,137,478
Total borrowings	**228,921,402**	198,349,689

21. BORROWINGS (continued)

	GROUP 2018 RM	GROUP 2017 RM
Total borrowings		
Bank overdrafts	**817,830**	1,227,232
Bankers' acceptances	**119,557,000**	94,000,000
Finance lease payables (Note 22)	**1,965,366**	2,616,845
Revolving credit	**11,105,827**	14,094,363
Short term loans	**79,474,524**	68,140,969
Foreign currency trade loan	**7,554,455**	14,003,904
Onshore foreign currency loans	**–**	3,252,949
Term loans	**8,446,400**	1,013,427
	228,921,402	198,349,689

The secured borrowings (except for finance lease payables) of the Group are secured by the following:

(i) letter of set-off over the deposits with licensed banks of subsidiaries (Note 18);

(ii) legal charge over the freehold land and buildings of subsidiaries (Note 9(b));and

(iii) corporate guarantee from the Company and a subsidiary.

The borrowings (except for finance lease payables) bear interest at rates as follows:

	GROUP 2018 % PER ANNUM	GROUP 2017 % PER ANNUM
Bank overdrafts	**8.26**	8.55
Bankers' acceptances	**3.61 to 4.58**	3.17 to 4.71
Revolving credit	**3.40 to 4.67**	4.12 to 4.30
Short term loans	**1.50 to 6.73**	1.50 to 6.73
Foreign currency trade loan	**3.54 to 3.61**	1.75 to 2.57
Onshore foreign currency loans	**–**	1.66 to 3.15
Term loans	**4.04 to 6.69**	5.95 to 6.38

The maturity profile of term loans is as follows:

	GROUP 2018 RM	GROUP 2017 RM
Repayable within 1 year	**827,736**	411,043
Repayable after 1 year but not later than 2 years	**827,736**	218,400
Repayable after 2 years but not later than 3 years	**1,992,047**	218,400
Repayable after 3 years but not later than 4 years	**4,798,881**	165,584
	8,446,400	1,013,427

22. FINANCE LEASE PAYABLES

	GROUP 2018 RM	GROUP 2017 RM
Future minimum lease payments	**2,122,000**	2,830,340
Less: Future finance charges	**(156,634)**	(213,495)
Total present value of minimum lease payments	**1,965,366**	2,616,845
Current liabilities		
Payable within one year		
Future minimum lease payments	**922,846**	1,117,299
Less: Future finance charges	**(89,551)**	(110,281)
Present value of minimum lease payments	**833,295**	1,007,018
Non-current liabilities		
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**1,199,154**	1,713,044
Less: Future finance charges	**(67,083)**	(103,217)
Present value of minimum lease payments	**1,132,071**	1,609,827
Total present value of minimum lease payment	**1,965,366**	2,616,845

The finance lease payables of the Group bear interest at rates ranging from 3.15% to 16.18% (2017: 3.96% to 16.18%) per annum.

23. RETIREMENT BENEFIT OBLIGATIONS

A subsidiary of the Company in Indonesia operates an unfunded defined benefit scheme, as required under the Labour Law of the Republic of Indonesia.

	GROUP 2018 RM	GROUP 2017 RM
At 1 January	**588,273**	539,973
Provision made during the financial year	**119,523**	85,972
Effect of exchange rate difference	**(81,265)**	(37,672)
At 31 December	**626,531**	588,273

The amounts recognised in the consolidated statement of financial position are determined as follows:

	GROUP 2018 RM	GROUP 2017 RM
Present value obligations	**626,531**	588,273

The expenses recognised in profit or loss are as follows:

	GROUP 2018 RM	GROUP 2017 RM
Current service costs	**116,012**	149,822
Interest on obligation	**44,885**	–
Actual benefit payment	**(41,374)**	(63,850)
	119,523	85,972

23. RETIREMENT BENEFIT OBLIGATIONS (continued)

The defined benefit obligation expense was determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions as at the reporting date are as follows:

	GROUP	
	2018 RM	2017 RM
Normal retirement age	**55 years old**	55 years old
Discount rate	**8.0%**	8.7%
Future salary increases	**9.0%**	9.0%
Withdrawal rate	**1% at age 20 and linearly decreasing up to age 54**	1% at age 20 and linearly decreasing up to age 54
Mortality rate	**TM I 2011**	TM I 2011

24. TRADE PAYABLES

	GROUP	
	2018 RM	2017 RM
External parties	**82,764,408**	88,997,143

The normal trade credit term granted by the suppliers to the Group ranges from 30 to 90 days (2017: 30 to 90 days).

Included in trade payables is an amount of RM127,826 (2017: RM27,756) due to a company in which certain directors of the subsidiaries have financial interest.

25. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Sundry payables	**915,423**	1,096,834	**–**	–
Deposits received	**23,982**	53,298	**–**	–
Contract liabilities	**279,448**	167,620	**–**	–
Accruals	**2,827,725**	3,096,220	**44,190**	34,600
	4,046,578	4,413,972	**44,190**	34,600

The contract liabilities relate to the advance received from contract customers for sale of goods.

Significant changes to contract liabilities balance during the year are as follows:

	GROUP	
	2018 RM	2017 RM
Revenue recognised that was included in contract liability at the beginning of the financial year	**(167,620)**	(141,497)
Increases due to cash received, excluding amounts recognised as revenue during the year	**279,448**	167,620

Revenue recognised in relation to contract balances are as follows:

	GROUP	
	2018 RM	2017 RM
Revenue recognised that was included in contract liability at the beginning of the financial year	**167,620**	141,497

26. DIVIDENDS

	COMPANY	
	2018 RM	2017 RM
Recognised during the financial year		
Dividends on ordinary shares:		
– Single tier final dividend for the financial year ended 31 December 2017: 1.0 sen (2016: 1.0 sen) per ordinary share	**2,720,000**	2,720,000
– Single tier first interim dividend for the financial year ended 31 December 2018: 1.0 sen (2017: 1.0 sen) per ordinary share	**2,720,000**	2,720,000
– Single tier second interim dividend for the financial year ended 31 December 2018: 1.0 sen (2017: 1.0 sen) per ordinary share	**2,720,000**	2,720,000
	8,160,000	8,160,000

At the forthcoming Annual General Meeting, a single tier final dividend of 1.0 sen (2017: 1.0 sen) per ordinary share, amounting to RM2,720,000 (2017: RM2,720,000) in respect of the current financial year, will be proposed for the shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

27. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	**40,275,460**	49,817,788	**695,824**	327,101
Deposits with licensed banks (Note 18)	**2,171,107**	13,857,455	**–**	–
Less: Bank overdrafts (Note 21)	**(817,830)**	(1,227,232)	**–**	–
Less: Fixed deposit pledged (Note 18)	**(399,294)**	(399,294)	**–**	–
	41,229,443	62,048,717	**695,824**	327,101

28. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associate, key management personnel and companies in which key management personnel have substantial financial interests.

(b) Related party transactions and balances

Related party transactions are as follows:

	GROUP	
	2018 RM	2017 RM
Transactions with companies in which certain directors of subsidiaries have financial interests:		
Purchases of products	**2,993,086**	4,943,311
Sales of products	**(854,650)**	(2,384,451)

28. RELATED PARTY DISCLOSURES (continued)

(b) Related party transactions and balances (continued)

	COMPANY 2018 RM	COMPANY 2017 RM
Transactions with subsidiaries:		
Dividend income	**(9,570,000)**	(6,572,000)
Management fee income	**–**	(1,802,200)

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 17 and 24 to the financial statements.

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:

	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Directors of the Company:				
Non-executive director				
– Fees	**248,000**	156,000	**248,000**	156,000
– Other emoluments	**17,500**	12,000	**17,500**	12,000
	265,500	168,000	**265,500**	168,000
Executive directors				
– Short term employee benefits	**2,960,478**	4,009,122	**–**	947,575
– Post-employment benefits	**165,293**	223,283	**–**	84,093
– Fees	**60,000**	–	**60,000**	–
– Other emoluments	**1,000**	–	**1,000**	–
	3,186,771	4,232,405	**61,000**	1,031,668
	3,452,271	4,400,405	**326,500**	1,199,668
Other key management personnel:				
– Short term employee benefits	**1,717,700**	1,518,975	**–**	–
– Post-employment benefits	**206,422**	182,456	**–**	–
	1,924,122	1,701,431	**–**	–
	5,376,393	6,101,836	**326,500**	1,199,668

29. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

SEGMENTS	PRODUCTS AND SERVICES
Chemical distribution and blending	Distribution of Polyurethane (PU), intermediate and specialty chemicals and blending of customised solvents
Audio video and ICT distribution	Retail sale and repair service of audio video and ICT system.

29. SEGMENT INFORMATION (continued)

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.3 to the financial statements. Segment results represents profit or loss before tax of the respective business segments. There are no transactions between the reportable segments. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets and liabilities

Segment assets and liabilities are measured based on all assets and liabilities of segment other than those activities that are not part of any reportable segments.

Geographical information

The Group's two business segments are operating in four principal geographical areas. These areas are as follows:

(i) Malaysia
(ii) Republic of Indonesia
(iii) Socialist Republic of Vietnam
(iv) Republic of Singapore

Information about major customers

There is no single customer with revenue equal or more than 10% of the Group revenue.

	CHEMICAL DISTRIBUTION AND BLENDING RM	AUDIO VIDEO AND ICT DISTRIBUTION RM	ELIMINATION RM	TOTAL RM
2018				
Revenue				
External revenue	1,088,596,752	6,625,060	–	1,095,221,812
Inter-segment revenue (Note a)	264,636,446	755,640	(265,392,086)	–
Total segment revenue	1,353,233,198	7,380,700	(265,392,086)	1,095,221,812
Results				
Segment results/Profit before tax	33,353,382	(1,163,530)	–	32,189,852
Tax expense				(8,518,907)
Profit for the financial year				23,670,945
Assets				
Total assets	471,098,871	3,280,418	–	474,379,289
Liabilities				
Total liabilities	316,225,200	1,711,292	–	317,936,492
Other segment information				
Depreciation	2,700,028	82,473	–	2,782,501
Amortisation	18,924	–	–	18,924
Interest income (Note b)	(918,439)	(14,822)	213,184	(720,077)
Interest expense (Note b)	9,355,280	253,079	(213,184)	9,395,175
Impairment loss on trade receivables	228,127	38,453	–	266,580
Additions to non-current assets other than financial instruments and deferred tax assets	9,800,283	–	–	9,800,283

Notes:
(a) Inter-segment revenues are eliminated on consolidation.
(b) Inter-segment interests are eliminated on consolidation.

29. SEGMENT INFORMATION (continued)

	CHEMICAL DISTRIBUTION AND BLENDING RM	AUDIO VIDEO AND ICT DISTRIBUTION RM	ELIMINATION RM	TOTAL RM
2017				
Revenue				
External revenue	927,517,043	10,005,840	–	937,522,883
Inter-segment revenue (Note a)	211,423,175	929,205	(212,352,380)	–
Total segment revenue	1,138,940,218	10,935,045	(212,352,380)	937,522,883
Results				
Segment results/Profit before tax	37,018,340	(966,030)	–	36,052,310
Tax expense				(9,816,818)
Profit for the financial year				26,235,492
Assets				
Total assets	431,127,223	4,838,699	–	435,965,922
Liabilities				
Total liabilities	292,212,226	2,111,185	–	294,323,411
Other segment information				
Depreciation	2,965,899	134,452	–	3,100,351
Amortisation	21,127	–	–	21,127
Interest income (Note b)	(1,381,037)	(24,091)	259,475	(1,145,653)
Interest expense (Note b)	6,737,670	258,967	(259,475)	6,737,162
Impairment loss on trade receivables	372,256	2,565	–	374,821
Additions to non-current assets other than financial instruments and deferred tax assets	5,517,841	14,175	–	5,532,016

Notes:
(a) Inter-segment revenues are eliminated on consolidation.
(b) Inter-segment interests are eliminated on consolidation.

29. SEGMENT INFORMATION (continued)

Geographical information

	MALAYSIA RM	REPUBLIC OF INDONESIA RM	SOCIALIST REPUBLIC OF VIETNAM RM	REPUBLIC OF SINGAPORE RM	ELIMINATION RM	TOTAL RM
2018						
Revenue						
External revenue	550,200,577	150,526,729	383,700,707	10,793,799	-	1,095,221,812
Inter-segment revenue (Note a)	191,808,612	284,526	–	73,298,948	(265,392,086)	–
Total segment revenue	742,009,189	150,811,255	383,700,707	84,092,747	(265,392,086)	1,095,221,812
Results						
Segment results/ Profit before tax	22,631,129	798,090	9,035,648	(275,015)	-	32,189,852
Tax expense						(8,518,907)
Profit for the financial year						23,670,945
Assets						
Total assets	258,260,230	62,301,427	151,511,740	2,305,892	–	474,379,289
Liabilities						
Total liabilities	180,872,928	2,772,561	119,909,199	14,381,804	–	317,936,492
Other segment information						
Depreciation	2,092,575	392,937	282,180	14,809	–	2,782,501
Amortisation	–	7,320	11,604	–	–	18,924
Interest income (Note b)	(599,299)	(191,747)	(140,304)	(1,911)	213,184	(720,077)
Interest expense (Note b)	5,761,898	37,215	3,040,257	768,989	(213,184)	9,395,175
Impairment loss on trade receivables	66,083	130,496	70,001	–	–	266,580
Additions to non-current assets other than financial instruments and deferred tax assets	8,836,721	244,557	719,005	–	–	9,800,283

Notes:
a) Inter-segment revenues are eliminated on consolidation.
(b) Inter-segment interests are eliminated on consolidation.

29. SEGMENT INFORMATION (continued)

Geographical information (continued)

	MALAYSIA RM	REPUBLIC OF INDONESIA RM	SOCIALIST REPUBLIC OF VIETNAM RM	REPUBLIC OF SINGAPORE RM	ELIMINATION RM	TOTAL RM
2017						
Revenue						
External revenue	499,821,105	123,734,703	302,832,232	11,134,843	–	937,522,883
Inter-segment revenue (Note a)	166,270,566	–	–	46,081,814	(212,352,380)	–
Total segment revenue	666,091,671	123,734,703	302,832,232	57,216,657	(212,352,380)	937,522,883
Results						
Segment results/ Profit before tax	18,863,780	3,424,377	13,790,951	(26,798)	–	36,052,310
Tax expense						(9,816,818)
Profit for the financial year						26,235,492
Assets						
Total assets	245,383,872	55,261,429	133,241,476	2,079,145	–	435,965,922
Liabilities						
Total liabilities	169,328,610	1,740,877	106,873,075	16,380,849	–	294,323,411
Other segment information						
Depreciation	2,469,258	430,775	185,415	14,903	–	3,100,351
Amortisation	–	9,129	11,998	–	–	21,127
Interest income (Note b)	(571,610)	(379,832)	(452,422)	(1,264)	259,475	(1,145,653)
Interest expense (Note b)	5,293,726	59,026	1,364,214	279,671	(259,475)	6,737,162
Impairment loss on trade receivables	134,205	96,124	144,492	–	–	374,821
Additions to non-current assets other than financial instruments and deferred tax assets	4,144,493	712,604	674,919	–	–	5,532,016

Notes:
(a) Inter-segment revenues are eliminated on consolidation.
(b) Inter-segment interests are eliminated on consolidation.

29. SEGMENT INFORMATION (continued)

Geographical information (continued)

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	2018 RM	2017 RM
Malaysia	**550,200,577**	499,821,105
Republic of Indonesia	**150,526,729**	123,734,703
Socialist Republic of Vietnam	**383,700,707**	302,832,232
Republic of Singapore	**10,793,799**	11,134,843
	1,095,221,812	937,522,883

Non-current assets which do not include financial instruments and deferred tax assets analysed by geographical location of the assets are as follows:

	2018 RM	2017 RM
Malaysia	**39,197,666**	32,688,831
Republic of Indonesia	**3,962,092**	4,041,941
Socialist Republic of Vietnam	**95,888**	1,221,688
Republic of Singapore	**1,633,776**	108,825
	44,889,422	38,061,285

30. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:

(i) Amortised cost

(ii) Fair value through profit or loss ("FVPL")

On or before 31 December 2017:

(i) Loan and receivables

(ii) Other financial liabilities

GROUP	AMORTISED COST RM	FVPL RM	TOTAL RM
2018			
Financial assets			
Other investments	–	**18,750**	**18,750**
Receivables and deposits (exclude indirect tax, advance payment to suppliers and prepayments)	**224,692,048**	–	**224,692,048**
Deposits with licensed banks	**2,171,107**	–	**2,171,107**
Cash and bank balances	**40,275,460**	–	**40,275,460**
	267,138,615	**18,750**	**267,157,365**

29. SEGMENT INFORMATION (continued)

Geographical information (continued)

(a) Categories of Financial Instruments (continued)

GROUP	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
2018		
Financial liabilities		
Payables and accruals (exclude contract liabilities)	**86,531,538**	**86,531,538**
Finance lease payable	**1,965,366**	**1,965,366**
Other loans and borrowings	**226,956,036**	**226,956,036**
	315,452,940	**315,452,940**

GROUP	LOANS AND RECEIVABLES AT AMORTISED COST RM	TOTAL RM
2017		
Financial assets		
Receivables and deposits (exclude indirect tax, advance payment to suppliers and prepayments)	199,529,583	199,529,583
Deposits with licensed banks	13,857,455	13,857,455
Cash and bank balances	49,817,788	49,817,788
	263,204,826	263,204,826

	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
Financial liabilities		
Payables and accruals (exclude contract liabilities)	93,243,495	93,243,495
Finance lease payable	2,616,845	2,616,845
Other loans and borrowings	195,732,844	195,732,844
	291,593,184	291,593,184

COMPANY	AMORTISED COST RM	TOTAL RM
2018		
Financial assets		
Other receivables	**8,336**	**8,336**
Cash and bank balances	**695,824**	**695,824**
	704,160	**704,160**

	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
Financial liabilities		
Accruals	**44,190**	**44,190**

30. FINANCIAL INSTRUMENTS (continued)

(a) Categories of Financial Instruments (continued)

COMPANY	LOANS AND RECEIVABLES RM	TOTAL RM
2017		
Financial assets		
Other receivables	945	945
Cash and bank balances	327,101	327,101
	328,046	328,046

	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
Financial liabilities		
Accruals	34,600	34,600

(b) Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Directors and the Financial Controller, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(i) Credit Risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The Group has in place its debts recovery procedures including initiate legal proceedings to recover long overdue balances.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(i) Credit Risk (continued)

Trade receivables (continued)

Credit risk concentration profile

The exposure of credit risk for trade receivables as at the end of the financial year by geographic region are as follows:

	GROUP			
	2018		2017	
	RM	% OF TOTAL	RM	% OF TOTAL
By country:				
Malaysia	**121,046,560**	**54.11%**	115,880,975	58.67%
Indonesia	**23,733,166**	**10.61%**	19,586,838	9.92%
Vietnam	**77,628,008**	**34.70%**	60,862,941	30.81%
Singapore	**1,290,113**	**0.58%**	1,192,191	0.60%
	223,697,847	**100.00%**	197,522,945	100.00%

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The Group also individually assessed ECL of individual customers based on indicators such as changes in financial capability of the receivables, payment trends of the receivable and default or significant delay in payments. The determination of ECL also incorporate economic conditions during the period of historical data, current conditions and forward looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

The information about the credit risk exposure on the Group's trade receivables as at 31 December 2018 are as follows:

GROUP	GROSS CARRYING AMOUNT RM	ECL ALLOWANCE RM	NET BALANCE RM
Current	**190,716,171**	**–**	**190,716,171**
> 30 days past due	**18,734,610**	**–**	**18,734,610**
> 60 days past due	**6,647,321**	**–**	**6,647,321**
> 90 days past due	**2,542,122**	**–**	**2,542,122**
> 120 days past due	**3,048,966**	**–**	**3,048,966**
Individually assessed (credit impaired)	**2,008,657**	**(2,008,657)**	**–**
	223,697,847	**(2,008,657)**	**221,689,190**

The significant changes in gross carrying amount of trade receivables do not contribute to changes in impairment losses during the financial year.

Comparative information under MFRS 139 Financial Instruments: Recognition and Measurement

GROUP	2017 RM
Neither past due nor impaired	129,610,852
Past due but not impaired:	
– 1 to 30 days	40,616,979
– 31 to 60 days	18,552,051
– 61 to 90 days	3,843,776
– 91 to 120 days	1,396,858
– More than 120 days	1,309,278
	65,718,942
Impaired	2,193,151
	197,522,945

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(i) Credit Risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group and the Company consider these financial assets to have low credit risk. As such, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets other than as disclosed in Note 17.

Refer to Note 2.3(n) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for credit term granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM183,372,132 (2017: RM172,575,642) representing the outstanding banking facilities and certain trade payables of the subsidiaries at the reporting date. Generally, the Company considers the financial guarantees have low credit risk. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantees are provided as credit enhancements to the subsidiary companies' secured borrowings.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(ii) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

GROUP	CARRYING AMOUNT RM	CONTRACTUAL CASH FLOWS RM	ON DEMAND OR WITHIN 1 YEAR RM	1 TO 2 YEARS RM	2 TO 5 YEARS RM	OVER 5 YEARS RM
2018						
Financial liabilities						
Trade payables	**82,764,408**	**82,764,408**	**82,764,408**	**–**	**–**	**–**
Other payables, deposits and accruals	**3,767,130**	**3,767,130**	**3,767,130**	**–**	**–**	**–**
Bank overdrafts	**817,830**	**817,830**	**817,830**	**–**	**–**	**–**
Bankers' acceptances	**119,557,000**	**119,557,000**	**119,557,000**	**–**	**–**	**–**
Finance lease payables	**1,965,366**	**2,122,000**	**922,846**	**675,195**	**523,959**	**–**
Foreign currency trade loan	**7,554,455**	**7,554,455**	**7,554,455**	**–**	**–**	**–**
Short term loans	**79,474,524**	**79,474,524**	**79,474,524**	**–**	**–**	**–**
Term loans	**8,446,400**	**15,332,829**	**1,166,859**	**1,152,167**	**1,995,099**	**11,018,704**
	304,347,113	**311,390,176**	**296,025,052**	**1,827,362**	**2,519,058**	**11,018,704**
2017						
Financial liabilities						
Trade payables	88,997,143	88,997,143	88,997,143	–	–	
Other payables, deposits and accruals	4,246,352	4,246,352	4,246,352	–	–	
Bank overdrafts	1,227,232	1,227,232	1,227,232	–	–	
Bankers' acceptances	94,000,000	94,000,000	94,000,000	–	–	
Finance lease payables	2,616,845	2,830,340	1,117,299	774,460	938,581	
Foreign currency trade loan	14,003,904	14,003,904	14,003,904	–	–	
Onshore foreign currency loans	3,252,949	3,252,949	3,252,949	–	–	
Short term loans	68,140,969	68,140,969	68,140,969	–	–	
Term loans	1,013,427	1,107,793	453,268	250,268	404,257	
	277,498,821	277,806,682	275,439,116	1,024,728	1,342,838	

2018/2017 Company

The Company's financial liabilities at the reporting date either matures within one year or repayable on demand.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks, amounts due from or to subsidiaries and borrowings. The deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk.

Borrowings at floating rate amounting to RM226,956,036 (2017: RM195,732,844) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM1,965,366 (2017: RM2,616,845), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

The Group does not have any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2018 would decrease/increase by RM862,400 (2017: RM649,900) as a result of exposure to floating rate borrowings.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currencies of the Group entities, primarily United States Dollar ("USD") and Vietnam Dong ("VND"). The foreign currencies in which these transactions are mainly denominated are USD, Singapore Dollar ("SGD") and Indonesian Rupiah ("IDR").

Forward currency contracts are used by certain subsidiaries to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Republic of Indonesia, Socialist Republic of Vietnam and Republic of Singapore.

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(iv) Foreign Currency Risk (continued)

	GROUP FUNCTIONAL CURRENCIES				COMPANY FUNCTIONAL CURRENCIES	
	RINGGIT MALAYSIA RM	US DOLLAR RM	VIETNAM DONG RM	TOTAL RM	RINGGIT MALAYSIA RM	TOTAL RM
At 31 December 2018						
Financial assets and liabilities not held in functional currencies:						
Trade receivables						
US Dollar	10,959,520	–	4,205,757	15,165,277	–	–
Indonesian Rupiah	–	23,637,663	–	23,637,663	–	–
Singapore Dollar	8,641	590,720	–	599,361	–	–
	10,968,161	24,228,383	4,205,757	39,402,301	–	–
Other receivables and deposits						
Indonesian Rupiah	–	102,449	–	102,449	–	–
Cash and short term deposits						
US Dollar	10,181,866	–	322,790	10,504,656	2,464	2,464
Indonesian Rupiah	–	6,440,648	–	6,440,648	–	–
Singapore Dollar	2,950	219,744	–	222,694	–	–
	10,184,816	6,660,392	322,790	17,167,998	2,464	2,464
Trade payables						
US Dollar	(30,530,567)	–	(25,955,030)	(56,485,597)	–	–
Indonesian Rupiah	–	(1,008,074)	–	(1,008,074)	–	–
Singapore Dollar	–	(109,931)	–	(109,931)	–	–
	(30,530,567)	(1,118,005)	(25,955,030)	(57,603,602)	–	–
Other payables and accruals						
Indonesian Rupiah	–	(139,332)	–	(139,332)	–	–
Borrowings						
US Dollar	(7,554,455)	–	(8,811,724)	(16,366,179)	–	–
Indonesian Rupiah	–	(165,593)	–	(165,593)	–	–
	(7,554,455)	(165,593)	(8,811,724)	(16,531,772)	–	–
Total						
US Dollar	(16,943,636)	–	(30,238,207)	(47,181,843)	2,464	2,464
Indonesian Rupiah	–	28,867,761	–	28,867,761	–	–
Singapore Dollar	11,591	700,533	–	712,124	–	–
	(16,932,045)	29,568,294	(30,238,207)	(17,601,958)	2,464	2,464

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(iv) Foreign Currency Risk (continued)

	GROUP FUNCTIONAL CURRENCIES				COMPANY FUNCTIONAL CURRENCIES	
	RINGGIT MALAYSIA RM	US DOLLAR RM	VIETNAM DONG RM	TOTAL RM	RINGGIT MALAYSIA RM	TOTAL RM
At 31 December 2017						
Financial assets and liabilities not held in functional currencies:						
Trade receivables						
US Dollar	6,932,331	–	2,260,796	9,193,127	–	–
Indonesian Rupiah	–	19,488,495	–	19,488,495	–	–
Singapore Dollar	61,653	1,013,227	–	1,074,880	–	–
	6,993,984	20,501,722	2,260,796	29,756,502	–	–
Other receivables and deposits						
Indonesian Rupiah	–	147,516	–	147,516	–	–
Cash and short term deposits						
US Dollar	8,425,002	–	1,149,218	9,574,220	77,123	77,123
Indonesian Rupiah	–	8,616,429	–	8,616,429	–	–
Singapore Dollar	71,612	527,498	–	599,110	–	–
	8,496,614	9,143,927	1,149,218	18,789,759	77,123	77,123
Trade payables						
US Dollar	(15,017,206)	–	(29,636,281)	(44,653,487)	–	–
Indonesian Rupiah	–	(212,800)	–	(212,800)	–	–
Singapore Dollar	–	(21,588)	–	(21,588)	–	–
	(15,017,206)	(234,388)	(29,636,281)	(44,887,875)	–	–
Other payables and accruals						
Indonesian Rupiah	–	(235,558)	–	(235,558)	–	–
Borrowings						
US Dollar	(17,256,853)	–	(37,665,281)	(54,922,134)	–	–
Indonesian Rupiah	–	(99,791)	–	(99,791)	–	–
	(17,256,853)	(99,791)	(37,665,281)	(55,021,925)	–	–
Total						
US Dollar	(16,916,726)	–	(63,891,548)	(80,808,274)	77,123	77,123
Indonesian Rupiah	–	27,704,291	–	27,704,291	–	–
Singapore Dollar	133,265	1,519,137	–	1,652,402	–	–
	(16,783,461)	29,223,428	(63,891,548)	(51,451,581)	77,123	77,123

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(iv) Foreign Currency Risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's profit for the financial year to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
USD/RM	— strengthened 5%	**(643,900)**	(642,800)	**100**	2,900
	— weakened 5%	**643,900**	642,800	**(100)**	(2,900)
USD/VND	— strengthened 5%	**(1,149,100)**	(2,427,900)	**–**	–
	— weakened 5%	**1,149,100**	2,427,900	**–**	–
IDR/USD	— strengthened 5%	**1,097,000**	1,052,800	**–**	–
	— weakened 5%	**(1,097,000)**	(1,052,800)	**–**	–

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to market price risk arising from its investment in quoted shares listed on the Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale. As the amount of the investment is minimal, the Group's profit and operating cash flows are not excessively exposed to changes in the market price.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to determine the fair value of the following classes of financial assets and liabilities are as follows:

(a) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

(b) Other investments

The fair value of shares quoted in an active market is determined by reference to the quoted closing bid price at the reporting date.

(c) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of long term floating rate loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease payables and fixed rate loan is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

The carrying amounts and fair values of financial instruments, other than those carrying amounts are reasonable approximation of their fair values were as follows:

	2018		2017	
GROUP	CARRYING AMOUNT RM	FAIR VALUE RM	CARRYING AMOUNT RM	FAIR VALUE RM
Financial liabilities				
Finance lease payables	**1,965,366**	2,284,637	**2,616,845**	2,525,210

32. FAIR VALUE HIERARCHY

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2018 and 2017, the Group held the following assets and liabilities carried at fair value or for which fair value are disclosed:

Asset measured at fair value

	FAIR VALUE RM	Level 1 RM	Level2 RM	Level 3 RM
2018				
Financial assets – quoted shares	**18,750**	**18,750**	–	–

Assets/(Liabilities) for which fair value are disclosed

	FAIR VALUE RM	Level 1 RM	Level2 RM	Level 3 RM
2018				
Assets				
Investment properties	**1,294,400**	**–**	**–**	**1,294,400**
Liabilities				
Finance lease payables	**(2,284,637)**	**–**	**(2,284,637)**	**–**
2017				
Assets				
Investment properties	1,605,000	–	–	1,605,000
Liabilities				
Finance lease payables	(2,525,210)	–	(2,525,210)	–

During the financial years ended 31 December 2018 and 2017, there was no transfer between fair value measurement hierarchy.

33. OTHER COMMITMENT

Capital commitment

	GROUP 2018 RM	GROUP 2017 RM
Approved and contracted for:		
– Property, plant and equipment	**1,142,143**	–

Operating lease commitments – as lessee

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follow:

	GROUP 2018 RM	GROUP 2017 RM
– Not later than one year	**5,064,027**	1,201,099
– More than one year not later than 5 years	**5,316,621**	2,636,397
– More than 5 years	**350,615**	300,539
	10,731,263	4,138,035

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it maintains healthy capital ratios to support its business whilst maximising the return to its shareholders through the optimisation of the debt-to-equity ratio to reduce cost of capital. The Group's strategy in capital management remains unchanged from 2017.

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. Net debts comprise bank borrowings less cash and bank balances whilst total capital is the total equity of the Group. The debt-to-equity ratio as at 31 December 2018 and 2017, which are within the Group's objectives of capital management are as follows:

	GROUP 2018 RM	GROUP 2017 RM
Total interest-bearing borrowings (RM)	**228,921,402**	198,349,689
Less: Deposits, cash and bank balances (RM)	**(42,446,567)**	(63,675,243)
Total net debts (RM)	**186,474,835**	134,674,446
Total equity (RM)	**156,378,467**	141,642,511
Debt-to-equity ratio (%)	**119**	95

Certain subsidiaries of the Group are required to maintain certain level of capital requirements on gearing ratio, leverage ratio and net worth in respect of their bank borrowings requirements.

statement by directors

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **NG THIN POH** and **NG AI RENE**, being two of the directors of SAMCHEM HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 26 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

NG THIN POH
Director

NG AI RENE
Director

Date: 11 April 2019

statutory declaration

(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **EILEEN NG LIEW CHIN**, being the officer primarily responsible for the financial management of SAMCHEM HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 26 to 96 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at
Klang in the State of Selangor Darul Ehsan
on 11 April 2019

EILEEN NG LIEW CHIN
MIA Membership No.: 9723

Before me

WONG CHOY YIN (B508)
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 26 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial 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.

Group

Inventory (Note 15 to the financial statements)

The Group's inventories, comprise mainly trading goods, are measured at the lower of cost or net realisable value. Significant judgement is required in estimating their net realisable values and in identifying any allowance required for slow-moving inventories.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring, detection and write down of slow-moving inventories as at 31 December 2018;
- observing year end physical inventory count to examine physical existence and condition of the trading goods and understanding the design and implementation of controls during the count;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on the selected inventory items;
- enquiring the Group on their assessment of write down/write off and evaluating their action plans to realise slow-moving inventories for inventories with indicators of slow-moving; and
- reviewing the work papers of the component auditors in assessing inventory valuation of significant subsidiaries not audited by us.

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

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.

Responsibilities of Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial 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 12 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 contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117

Chartered Accountants

Kuala Lumpur
Date: 11 April 2019

Lee Kong Weng
02967/07/2019 J

Chartered Accountant

POSTAL ADDRESS/ TITLE DETAILS	DESCRIPTION/ EXISTING USE	TENURE/ DATE OF EXPIRY OF LEASE	RESTRICTION IN INTEREST/ ENCUMBRANCES	DATE OF ISSUANCE OF CERTIFICATE OF FITNESS FOR OCCUPATION	LAND AREA AND/OR BUILT UP AREA	APPROXI-MATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2018 (RM)	COST OF INVESTMENT (RM)
Samchem Sdn Bhd								
Lot 6, Jalan Sungai Kayu Ara 32/39 Seksyen 32, 40460 Shah Alam Selangor Darul Ehsan H.S.(D) 57951 Lot No. 18, PT 57359 Mukim and Daerah Kelang Selangor Darul Ehsan	Single storey detached warehouse annexed with a 3-storey office building and a guard house/ Industrial	Freehold	Nil/ Charges in favour of Maybank Berhad ("MBB") vide presentation no. 34391/2004, 34392/2004, 34393/2004 all dated 04.06.2004, 4087/2005 dated 31.01.2005, 9549/2006 and 9550/2006 dated 21.02.2006, 118146/2006 dated 27.12.2006 and 81512/2008 dated 26.08.2008	29.01.2007	103,431 sq.ft/ (78,470 sq.ft)	11 years	8,719,724	10,576,993
No. 3, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33, 40350 Shah Alam Selangor Darul Ehsan (Rented out/ semi-detached factory) H.S.(D) 51789, PT 43437 Mukim and Daerah Klang Selangor Darul Ehsan	Two adjoining 1½-storey semi-detached factories/ Industrial	Freehold	Nil/ Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51868/2000 dated 30.08.2000 • MBB vide presentation no. 118130/2006 dated 27.12.2006	29.10.1998	10,887 sq.ft/ (6,678 sq.ft)	20 years	732,683	869,259
No. 1, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33, 40350 Shah Alam Selangor Darul Ehsan (Rented out/ semi-detached factory) H.S.(D)51790, PT 43438 Mukim and Daerah Klang Selangor Darul Ehsan		Freehold	Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51870/2000 dated 30.08.2000 • MBB vide presentation no. 118180/2006 dated 27.12.2006 and 81502/2008 dated 26.08.2008	29.10.1998	14,757 sq.ft/ (6,678 sq.ft)	20 years	932,562	1,069,139

POSTAL ADDRESS/ TITLE DETAILS	DESCRIPTION/ EXISTING USE	TENURE/ DATE OF EXPIRY OF LEASE	RESTRICTION IN INTEREST/ ENCUMBRANCES	DATE OF ISSUANCE OF CERTIFICATE OF FITNESS FOR OCCUPATION	LAND AREA AND/OR BUILT UP AREA	APPROXI-MATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2018 (RM)	COST OF INVESTMENT (RM)
Samchem Sdn Bhd								
16 Jalan Utarid U5/29 Seksyen U5, 40150 Shah Alam Selangor Darul Ehsan	A 1 ½ storey terraced factory	Leasehold – 99 years expiring on 11.12.2096	Cash		3,000 sq.ft/ (3,120 sq.ft)	22 years	1,256,375	1,289,967
18 Jalan Utarid U5/29 Seksyen U5, 40150 Shah Alam Selangor Darul Ehsan	A 1 ½ storey terraced factory	Leasehold – 99 years expiring on 11.12.2096	Cash		3,000 sq.ft/ (3,120 sq.ft)	22 years	1,256,375	1,289,967
Samchem Nusajaya								
No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim GM5374, Lot 15047 Mukim Simpang Kiri Daerah Johor	Single storey detached factory with an annexed double storey office building	Freehold	Land held under this title cannot be transferred whatsoever unless the factory specified in the express condition has started construction in accordance with the plan that was approved by the relevant local authority	30.06.1997	16,000 sq.ft	21 years	172,215	193,500
PTD 152691, Jalan SILC 2 SILC, 81550 Gelang Patah Johor Darul Takzim H.S. (D) 440468 Lot No. PTD 152691 Mukim Pulai, Johor Bahru Johor Darul Takzim	4 Block of Single Storey Factory and 1 Block of 3-storey office building	Freehold	Charges in favour of HLBB vide presentation no. 66343/2008 dated 19.08.2008	03.03.2009	200,000 sq.ft/ (81,064 sq.ft)	9 years	10,626,080	11,807,824

Number of Total Issued and Paid Up Share Capital: 272,000,000
Class of Shares: Ordinary Share
Voting Rights: One vote per ordinary share
Number of Shareholders: 2,554

Analysis of Shareholdings

	NO. OF HOLDERS		NO. OF SHARES		% OF SHARES	
SIZE OF HOLDINGS	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less Than 100	12	0	142	0	0.00	0.00
100 – 1,000	250	0	139,880	0	0.05	0.00
1,001 – 10,000	1,308	7	7,476,180	48,000	2.75	0.02
10,001 – 100,000	820	8	26,266,458	390,500	9.66	0.14
100,001 and below 5%	141	6	99,070,014	3,195,400	36.42	1. 17
5% and above	2	0	135,413,426	0	49.78	0.00
Total	**2,533**	**21**	**268,366,100**	**3,633,900**	**98.66**	**1.34**

Substantial Shareholders

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Ng Thin Poh	121,740,104	44.76	200,000*	0.07
Tan Teck Beng	13,673,322	5.03	60,000*	0.02

* Indirect interest held by spouse and children

Directors' Shareholdings

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Ng Thin Poh	121,740,104	44.76	200,000*	0.07
Chooi Chok Khooi	9,322,092	3.43	—	—
Ng Ai Rene	200,000	0.07	—	—
Cheong Chee Yun	—	—	—	—
Dato' Theng Book	—	—	—	—
Lok Kai Chun	14,600	0.01	—	—
Dato' Razali Basri	—	—	—	—

* Indirect interest held by spouse and children

List of Top 30 Shareholders

NO.	NAME	SHAREHOLDINGS	%
1	Ng Thin Poh	121,740,104	44.76
2	Tan Teck Beng	13,673,322	5.03
3	Chooi Chok Khooi	9,322,092	3.43
4	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Michael Lee Fook Soon (SMT)*	6,871,800	2.53
5	Ng Hoi Peng	5,217,800	1.92
6	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Beneficiary: Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund*	4,551,200	1.67
7	Citigroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Employees Provident Fund Board (PHEIM)*	4,065,500	1.49
8	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-NOMUR)(419513)*	3,915,700	1.44
9	Eugene Chong Wee Yip	3,555,640	1.31
10	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong*	3,138,800	1.15
11	Wee Chai Peng	3,121,000	1.15
12	Maryann Ng Su Ling	2,870,200	1.06
13	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui*	2,546,600	0.94
14	HSBC Nominees (Tempatan) Sdn Bhd *Beneficiary: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)*	2,200,000	0.81
15	UOBM Nominees (Tempatan) Sdn Bhd *Beneficiary: UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund*	2,151,700	0.79
16	Citigroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)*	1,980,000	0.73
17	Citigroup Nominees (Asing) Sdn Bhd *Beneficiary: Exempt AN for Citibank New York (Norges Bank 1)*	1,970,400	0.72
18	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chen Tam Chai*	1,834,300	0.67
19	RHB Nominees (Tempatan) Sdn Bhd *Exempt AN for RHB Securities Singapore Pte. Ltd. (A/C Clients)*	1,683,300	0.62
20	Citigroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Kumpulan Wang Persaraan (Diperbadankan) (Nomura)*	1,621,600	0.60
21	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hoi Peng (E-SJA/USJ)*	1,540,000	0.57
22	Liew Hooi Yee	1,289,700	0.47
23	Liew Hooi Suan	1,137,000	0.42
24	Malacca Equity Nominees (Tempatan) Sdn Bhd *Exempt AN for Phillip Capital Management Sdn Bhd (EPF)*	1,034,900	0.38
25	HSBC Nominees (Tempatan) Sdn Bhd *Beneficiary: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Nomura 6939-401)*	1,000,000	0.37
26	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for See Kok Wah*	958,500	0.35
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Beneficiary: Deutsche Trustees Malaysia Berhad for Hong Leong Asia-Pacific Dividend Fund*	927,200	0.34
28	Louisa Lee Pernee	900,000	0.33
29	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: Medical Fund (IFM Nomura)*	886,300	0.33
30	Louis Lee Pershung	800,000	0.29
Total		**208,504,158**	**76.66**

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of Samchem Holdings Berhad will be held at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32 40460 Shah Alam, Selangor Darul Ehsan, Thursday, 30 May 2019 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018 and the Report of the Directors and Auditors thereon. **(Note A)**
2. To declare a Final Single Tier Dividend of 1.0 sen per share for the financial year ended 31 December 2018. **(Resolution 1)**
3. To approve the payment of Directors' Fees amounting to RM308,000 and benefits of RM17,500 in respect of the year ended 31 December 2018. **(Resolution 2)**
4. To approve the payment of Directors' Fees amounting to RM350,000 and benefits of up to RM30,000 in respect of the financial year ending 31 December 2019. **(Resolution 3)**
5. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Constitution:
   (i) CHOOI CHOK KHOOI **(Resolution 4)**
   (ii) LOK KAI CHUN **(Resolution 5)**
6. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

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

7. **Ordinary Resolution**

   Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016 **(Resolution 7)**

   "THAT subject to the Companies Act, 2016, the Constitution of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, if applicable, the Directors of the Company be and are hereby empowered pursuant to Section 75 and 76 of the Companies Act, 2016 to issue shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **Ordinary Resolution**

   Authority to Continuing in Office as Independent Non-Executive Director **(Resolution 8)**

   "THAT Dato' Theng Book who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

9. **Proposed Authority for Purchase of Own Shares by The Company** **(Resolution 9)**

"THAT subject always to the provisions of the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant statutory and/or regulatory requirements, the Company be authorised, to the fullest extent permitted by law, to buy-back such amount of 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 interests of the Company, provided that:

(i) the aggregate number of Shares bought-back does not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any time;

(ii) the maximum amount of funds to be allocated for the shares buy-back shall not exceed the Company's audited retained earnings and/or share premium account at any point in time;

(iii) the Shares purchased shall be treated in the following manner:
   (a) the purchased Shares shall be cancelled; or
   (b) the purchased Shares shall be retained as treasury shares for distribution as dividend to the shareholders and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or
   (c) part of the purchased Shares shall be retained as treasury shares and the remainder shall be cancelled; or
   (d) in such other manner as Bursa Securities and other relevant authorities may allow from time to time.
   (e) any combination of (a), (b), (c) and (d) above.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by resolution passed by the Company in general meeting;

whichever occurs first.

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as may be necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities (Central Depository) Industry Act, 1991, and the entering into and execution of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the Shares bought-back) in accordance with the provisions of the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all other relevant statutory and/or regulatory requirements."

10. **Special Resolution** **(Resolution 10)**

Proposed Alteration or Amendment of The Constitution of The Company

"THAT the Proposed Alteration or Amendments to the existing Memorandum and Articles of Association (Constitution) of the Company by the replacement thereof with a new Constitution of the Company as contained in the Appendix II of the Statement to Shareholders dated 30 April 2019 (the "Proposed Amendments") be hereby approved and adopted."

AND THAT the Board of Directors be and is hereby authorised to take all such steps they deem necessary to effect and complete the said Proposed Amendments.

Any Other Business

11. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

Notice of Dividend Payment and Dividend Entitlement Date

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 30 May 2019, a final single tier dividend of 1.0 sen per share will be paid on 24 June 2019 to shareholders whose names appear in the Company's Record of Depositors on 11 June 2019.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 11 June 2019 in respect of transfers; and

b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WONG YOUN KIM (F) (MAICSA 7018778)
LEE CHIN WEN (F) (MAICSA 7061168)
Company Secretaries

30 April 2019

Notes:

(A) THE AGENDA ITEM IS MEANT FOR DISCUSSION ONLY AS THE PROVISION OF SECTION 340(1)(a) OF THE COMPANIES ACT, 2016 DOES NOT REQUIRE A FORMAL APPROVAL OF THE SHAREHOLDERS FOR THE AUDITED FINANCIAL STATEMENTS. HENCE, THIS AGENDA ITEM IS NOT PUT FORWARD FOR VOTING.

(B) PROXY

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 334(1) of the Companies Act, 2016 shall not apply to the Company.

(ii) Subject to Note B (v) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

(iv) To be valid, the instrument appointing a proxy or by an officer and the power of attorney or other authority (if any) must be completed and deposited at the Registered Office of the Company at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(v) 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") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(C) EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 7 – Renewal of Authority to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.

The proposed Resolution 7, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Eleventh Annual General Meeting held on 18 May 2018 and which will lapse at the conclusion of the Twelfth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Resolution 8 – Authority to Continue in Office as Independent Non-Executive Director

In line with the Malaysian Code on Corporate Governance, the Board of Directors has assessed the independence of Dato' Theng Book, who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended him to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

(i) Dato' Theng Book has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and hence, he would be able to provide an element of objectivity, independent judgement and balance to the Board;

(ii) His length of services on the Board of more than nine (9) years does not in any way interfere with his exercise of objective judgement or their ability to act in the best interests of the Company and Group. In fact, Dato' Theng Book, has been with the Company for more than nine (9) years, is familiar with the Group's business operations and have devoted sufficient time and commitment to his role and responsibilities as an Independent Director for informed and balance decision making; and

(iii) He has exercised due care during his tenures as Independent Director of the Company and has discharged his duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the interest of the Company and its shareholders.

Resolution 9 – Proposed authority for purchase of own shares by the Company

The proposed Ordinary Resolution 9 if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting,

Further information on the Proposed Authority for Purchase of Own Shares by the Company is set out in the Share Buy-Back Statements to Shareholders of the Company which is dispatched together with this Annual Report.

Resolution 10 – Proposed Alteration or Amendment of the Constitution of the Company

The Proposed Resolution 10 is to amend the Company's Memorandum and Articles of Association (Constitution) to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix II of the Statement to Shareholders dated 30 April 2019, which is dispatched together with this Annual Report.

(D) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

statement accompanying notice of the 12th annual general meeting

PURSUANT TO PARAGRAPH 8.28(2) OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are standing for re-election at the 12th Annual General Meeting of the Company are:

a)	CHOOI CHOK KHOOI	(Resolution 4)
b)	LOK KAI CHUN	(Resolution 5)

2. The details profile of the above Directors who are standing for re-election are set out in the Directors' Profile set out on pages 10 to 11 of the Annual Report 2018.

3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Overview Statement on page 13 of the Annual Report 2018.

4. The 12th Annual General Meeting of the Company will be held at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 30 May 2019 at 10.30 a.m.

SAMCHEM HOLDINGS BERHAD
(797567-U)
(Incorporated in Malaysia under the Companies Act, 1965)

proxy form

*I/*We ____
(Full Name in Block Capitals)

of ____
(Address)

being a member/members of Samchem Holdings Berhad, hereby appoint ______________________
(Full Name in Block Capitals)

____

of ____
(Address)

or failing him/her, ____

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Twelfth Annual General Meeting of the Company to be held at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 30 May 2019 at 10.30 a.m. and at any adjournment thereof.

*My/*Our Proxy(ies) is/are to vote as indicated below:

NO.	RESOLUTIONS	FOR*	AGAINST*
1.	Declaration of a Final Single Tier Dividend of 1.0 sen per shares for the financial year ended 31 December 2018.		
2.	Approval of payment of Directors' fees and benefits for the financial year ended 31 December 2018.		
3.	Approval of payment of Directors' fees and benefits for the financial year ending 31 December 2019.		
4.	Re-election of Director – Chooi Chok Khooi		
5.	Re-election of Director – Lok Kai Chun		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	**Special Business** – Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016.		
8.	**Special Business** – Authority to continuing in office as Independent Non-Executive Director.		
9.	**Special Business** - Authority for purchase of own shares by the Company		
10.	**Special Business** – Proposed alteration or amendment of the constitution of the Company.		

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

Dated this .... day of .... 2019.

NUMBER OF SHARES HELD	

....

Signature/Seal of Shareholders

(*Delete if not applicable)

Notes:

(a) A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 334(1)of the Companies Act, 2016 shall not apply to the Company.

(b) Subject to (e) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(c) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal signed on behalf of the corporation by its attorney or by an officer duly authorised.

(d) Duly completed form of proxy should be deposited with the Company's Registered Office at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(e) 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") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

STAMP

To:

Samchem Holdings Berhad (797567-U)

Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 32, 40460 Shah Alam
Selangor Darul Ehsan, Malaysia.

samchem.com.my

SAMCHEM HOLDINGS BERHAD (797567-U)

ANNUAL REPORT 2018