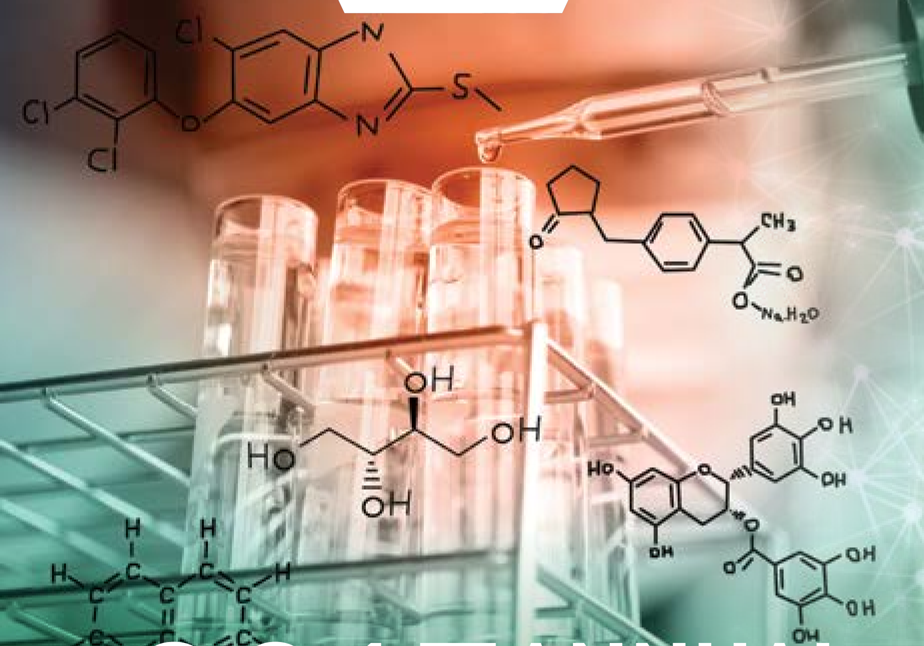
SAMCHEM HOLDINGS BERHAD
(797567-U)
(Incorporated in Malaysia
under the Companies Act, 1965)



2017 ANNUAL REPORT

34.47%

FY17 Revenue climbed 34.47% to RM937.52 million, from RMRM697.18 million in 2016

Financial Year Ended 31 December	2016	2017
Group		
Revenue (RM'000)	697,178	**937,523**
Profit Before Tax (RM'000)	27,999	**36,052**
Profit After Tax (RM'000)	18,954	**26,235**
Earnings Per Share (sen)	5.54	**8.23**
Net Assets Per Share (sen)	96	**52**
Dividend Per Share (sen)	6.00	**3.00**

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

01 Corporate Vision and Mission

MANAGEMENT DISCUSSIONS AND ANALYSIS

02 Executive Chairman's Statement

04 Management's Statement

SUSTAINABILITY AND CORPORATE GOVERNANCE

08 Corporate Structure

09 Corporate Information

10 Directors' Profile

12 Corporate Governance Overview Statement

16 Sustainability Statement

17 Statement on Risk Management and Internal Control

19 Audit and Risk Management Committee Report

21 Additional Compliance Information

FINANCIALS

22 Directors' Report

26 Statements of Profit or Loss and Other Comprehensive Income

27 Consolidated Statement of Financial Position

29 Statement of Financial Position

30 Consolidated Statement of Changes in Equity

32 Statement of Changes in Equity

33 Consolidated Statement of Cash Flows

35 Statement of Cash Flows

36 Notes to the Financial Statements

86 Statement by Directors

86 Statutory Declaration

87 Independent Auditors' Report

OTHERS

90 Particulars of Properties

92 Analysis of Shareholdings

94 Notice of Annual General Meeting

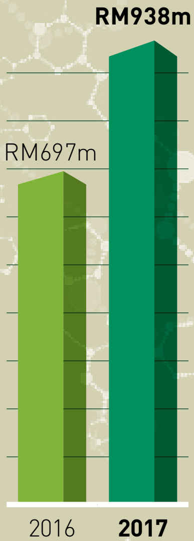
96 Statement Accompanying Notice of the 11th Annual General Meeting

Proxy Form

Dear Valued Shareholders,

In 2017, Samchem Holdings Berhad (Samchem or The Group) performed exceptionally well, chalking up record earnings in a stable global and regional economies, with sustained internal effort in operational and financial efficiency, culminating in a record profit ever achieved.

The expanded business activities and product portfolio brought in from prior years' effort, added to the strong growth in revenue and contributed to the stellar performance in 2017.



Revenues
Profit Before Tax

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 2017 (FY2017).

Financial Performance

The Group's revenue increased from RM697 million to RM938 million in 2017, with net profit before tax of RM36 million from RM28 million a year ago.

Dividend

During the year ending 2017, the company has paid dividends totalling RM8.16 million to shareholders. In addition, the company has proposed a final dividend in respect of financial year ended 31 December 2017 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

Samchem's achievements in 2017 could only have been achieved with the commitment of our COO, Directors, Management, and all employees of the Group. The dedication they have shown in carrying out their responsibilities have resulted in the Group's position today which exceeded the performance shown in most corporate earnings results in 2017. I would like to extend our 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

Dear Valued Shareholders,

I am pleased to deliver the 2017 annual report and management's statement for Samchem Holdings Berhad. In the past one year, the Samchem Group of companies performed exceptionally well as rigorous business activities has contributed towards an excellent performance, culminating in the best results ever achieved by the Group.

Global political and economic events continue to dominate headlines, but most Asia Pacific countries in the region did well economically. The Samchem Group's business activities expanded and its performance has continued to improve, riding on the improving global and regional economy as well as sustained internal effort in operational and financial efficiency. This resulted in increased revenues and profits in all the countries under Samchem's coverage, thanks to the Group's strong financial & infrastructure and the dedication and drive of management and staff in the Group.

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 other industries such as the automotive, manufacturing, construction, paints and inks, agriculture, oil & gas, etc. The Group's business has expanded as a result of the new businesses acquired, extension of regional and national coverage for some products and a growing portfolio of products from existing principals.

Samchem represents ExxonMobil Chemical, Shell, Petronas, BASF; these are the largest global producers of petrochemicals in this region. With over 20 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 the 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, Evonik, Shin-Etsu, Venator, 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. More and more 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 (drums or smaller packaging) and is complemented by Samchem Singapore Pte Ltd, the operation in Singapore (Westgate Tower, Jurong East) that facilitates export to other global destinations.

Authorised Distributorship for Shell Lubricants

In September 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 set up in Kuantan, Kota Baru and Mentakab to support sales activities in this new business. By mid-2017, the appointment was extended to cover the northern states of Perlis, Kedah, Penang and Perak. Business activities in the northern states are supported by existing infrastructure in Ipoh and Penang which had shifted to bigger premises to accommodate additional storage requirements.

Distribution of Audio-Visual and IT Products

In 2017, Sampro signed an agreement with NUITEQ®, a pioneer in collaborative touchscreen software solutions. Sampro secured distribution rights to Snowflake MultiTeach® (a software for Education) in Malaysia, Singapore and Indonesia (with door open to other ASEAN countries as well). Sampro distributes audio-visual & IT products and the educational software which needs an interactive touchscreen audio-visual panel to operate, goes hand in hand with Sampro's existing hardware sales of monitors.

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

The T&D division that was set up in 2014 plays a role in product and market development in Samchem's sales and marketing of premium chemicals from global principals. 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.

The T&D division support sales of specialty chemicals, facilitating the introduction of premium grades either as an upgrade or in product displacement. During the next three years, the T & D division will have a crucial role in growing the Group's earnings as Samchem intensifies effort to become a major Specialty Chemicals player in the domestic and regional market.

Performance Overview

35%
revenue growth at RM938 million

The Samchem Group's chemical sales expanded and grew remarkably, contributing to a commendable revenue growth of 35%, from RM697 million a year ago to RM938 million in 2017.

In Malaysia, industrial production expansion and growth in key manufacturing areas contributed to the economy's strong performance, boosted by robust private consumption and rises in government spending, investment and exports. The full year 2017 GDP grew 5.9%, compared to 4.2% in 2016. Most major sub-sectors saw increased output – e.g., petroleum, chemical, rubber and plastic production. In the Samchem Group, Malaysia is the largest revenue contributor with growth of 33%, from RM376 million to RM500 million.

Indonesia's economy strengthened significantly in the second half of 2017, supported by higher commodity prices, stronger global growth, rebounding international trade and relatively accommodative monetary & financial conditions that led to strong investment and export growth. Samchem Indonesia's revenue grew 28% from RM97 million to RM124 million.

Vietnam's 2017 GDP, estimated at 6.81% surpassed analysts' target of 6.7%. The country recorded strong growth in agriculture, forestry, fishery, industry, construction and at services. Processing and manufacturing industries grew at its highest rate in the last seven years, with investments in electronics and polyester yarn still pouring in for a labour force that is low cost, young and trainable. The strongest economy in ASEAN contributed significantly to Samchem Group's performance in 2017, with revenue increased from RM220 million to RM303 million, an impressive 38% increase in growth.

Not to be outdone, Singapore's contribution grew to RM11 million, increased from 2016's RM3 million revenue.

Samchem's 29% increase in net profit of RM36 million from RM28 million a year ago, is a result of the outstanding performance of the Samchem staff in all areas of operations in the countries it operates in.

Samchem's 29% increase in net profit of RM36 million from RM28 million a year ago, is a result of the outstanding performance of the Samchem staff in all areas of operations in the countries it operates in.

Overall, the ASEAN region experienced a stellar 2017 performance and is expected to have grown 5.2% against analysts' forecast of 4.7%. It is the fastest expansion since 2012.

Business Sustainability

Samchem's chemical distribution business is a sustainable business as the chemicals that are distributed go into components used 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 plant complexes in the manufacture of downstream chemicals.

Chemicals are needed in emerging, developing or matured economies. Even in recession or economic downturns, there is no stop to the use of chemicals. There will always be a need for chemicals in daily life and always a role for Samchem.

2017 Activities

Recognition Awards

At the Momentive South East Asia Distribution Summit held in March 2017 in Hanoi, Samchem's combined Polyurethane Division (Malaysia and Vietnam) won two awards:

1) 2016 Channel Growth Award in recognition of outstanding performance and continuous dedication and efforts for business growth.

2) 2016 Channel Partner of the Year (Platinum Award) in recognition of outstanding performance and business growth.

Samchem's 28th Anniversary Dinner was held in The Westin Grand Ballroom Kuala Lumpur on 29 April 2017. For the first time, staff from Singapore, Indonesia and Vietnam were gathered under one roof, together with staff from all the branches and Samchem HQ in Malaysia, totalling almost 280. Invited guests included bankers as well as service providers to the Samchem operations.

Corporate Social Responsibility – employees from Samchem Sports Club took part in a Charity Run – The 24th Annual Charity WALK, JOG, WHEEL-A-THON WITH THE DISABLED, which was held in November 2017 at Dataran Merdeka, 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.

Samchem also sponsored a group of students in INTI International College, Subang in their Community Service project (providing educational services to the underprivileged kids) held in October 2017.

Land Acquisition for New Warehouse

Samchem Sdn Bhd purchased 4.6 acre of land in Pulau Indah Industrial Park (or PIIP). Located in Phase 3C of PIIP, Klang District, it will be twice the size of the present warehouse – HQ premise in Shah Alam.

Besides storage of drums, this new warehouse will have tanks for storage of bulk chemicals for distribution to the market, with facilities for blending of solvents to make customised products for specific applications for the local industries. This new warehouse will focus on chemical distribution and warehousing (DG cargo), bulk-breaking (into drums or smaller packaging), with an application lab to provide added service to customers and vendors.

Expected to be ready by 2020, this will be a platform for Samchem's future growth in a wider domestic market and in the region as well, complementing Samchem Nusajaya Sendirian Berhad, where these activities have already been conducted since 2009.

Future Outlook

Analysts see the 2017 ASEAN region growth at 5.2%, the highest in five years. In 2018, the region is predicted to remain robust and steady continuing the momentum of the past year.

There is room to further grow Samchem's business in ASEAN as the company expects to start full operations in Myanmar and Philippines by 2Q2018. With China's Belt and Road initiatives rolling out construction activities aggressively on the back of an improving global economy, we expect Samchem's growth to continue into the rest of 2018. Prices for crude oil have rebounded from its lows of 2015 and are expected to range within USD60-70 per barrel.

Economies such as Singapore, Malaysia, Thailand, the Philippines and Vietnam are all plugged into Asia's electronics supply chain. China's demand for consumer electronic components supported ASEAN's semiconductor supply chain, with Vietnam becoming the assembler-of-choice for Korean producers. LG invested in the production of OLED screens for Chinese customers, while Samsung already assembles 50% of its phones near Hanoi.

In ASEAN, commodity is becoming a less important driver of exports and overall growth. Malaysia is investing heavily in downstream industries as it anticipates further declines in oil and gas production. Indonesia continues to facilitate a higher share of value-add in domestic mineral ore mining.

As for ASEAN's largest crude commodity exports – palm oil and coal – demand should prove resilient. Indonesia's coal exports to China are booming and demand for palm oil is expected to continue accelerating alongside fast population growth in India and Africa.

In Malaysia, an improving labour market with firmer wage growth and ample infrastructure spending, will ensure growth continues, sustained by positive global growth outlook and spillovers from the external sector.

Real GDP growth is expected to strengthen further in 2018, driven by strong investment growth, a modest consumption and higher government spending, with investment in infrastructure projects in the construction sector, lending further support.

In Vietnam, economic growth in 2018 are expected to be better than in 2017. Foreign investment in electronics and polyester yarn factories continue to favour Vietnam for its low costs, abundance of labour and ease of permit processes. Growth has helped create wealth for the locals, a boon to investors who sell locally.

The Philippines economy was buoyant in 2017 culminating in a remarkable performance for the full year. Both private and public consumption expanded, alongside fixed investment on the back of government's ongoing infrastructure push. Private consumption should benefit from lower income taxes and growing remittances, making for a strong GDP growth in 2018. Myanmar is projected to be the region's best performer in 2018, expanding 7.4%, followed by Cambodia.

Samchem continues to keep pace with demands of prevailing and future market dynamics, investing in human capital development to enhance the skills of staff. Samchem's investment in training is part of its succession planning exercise, to groom staff to cope with the company's expansion and continue to manage the Samchem companies of the future.

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.

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 2017 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 Wee Yip
Chief Operations Officer

SAMCHEM HOLDINGS BERHAD

Board of Directors

Ng Thin Poh
Executive Chairman

Chooi Chok Khooi
Executive Director

Cheong Chee Yun
Independent
Non-Executive Director

Dato' Theng Book
Independent
Non-Executive Director

Lok Kai Chun
Independent
Non-Executive Director

Ng Ai Rene
Non-Independent
Non-Executive Director

Audit and Risk Management Committee

Cheong Chee Yun
Chairman

Dato' Theng Book

Lok Kai Chun

Remuneration Committee

Dato' Theng Book
Chairman

Ng Thin Poh

Lok Kai Chun

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
Seksyen 32, 40460 Shah Alam
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
Baker Tilly MH Tower
Level 10, Tower 1
Avenue 5,
Bangsar South City
59200 Kuala Lumpur

Solicitors

Putri Norlisa Chair

Principal Bankers

Malayan
Banking Berhad

Citibank Berhad

Hong Leong
Bank Berhad

Stock Exchange Listing

Main Market
Bursa Malaysia
Securities Berhad

Ng Thin Poh
Executive Chairman

Ng Thin Poh, a Malaysian aged 60, has been re-designated as our Executive Chairman since 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 61, 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 trading 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.

Cheong Chee Yun
Independent Non-Executive Director

Cheong Chee Yun, a Malaysian, aged 57, 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 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 BioEnergy Ptd Ltd, Singapore, a biomass power generation company.

Dato' Theng Book
Independent Non-Executive Director

Dato' Theng Book, a Malaysian aged 58, 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 65, 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.

Ng Ai Rene

Non-Independent Non-Executive Director

Ng Ai Rene, Malaysian aged 33, was appointed to the Board as a Non-Independent Non-Executive Director on 10 November 2017.

She graduated with a Bachelor of Laws (LLB) from the University of Melbourne, Australia in 2008 and was admitted as a solicitor to the Supreme Court of Victoria, Australia as a solicitor in 2009.

She commenced her legal career in Malaysia in the corporate department of Skrine in 2011 and is presently a Counsel with Messrs Putri Norlisa Chair.

She is experienced in working with domestic clientele and multinational corporations in respect of corporate and commercial legal advisory and transactional work, including mergers and acquisitions, business structuring and regulatory compliance across a wide range of industries.

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

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 2017 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 26 April 2018. 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 28 days of notice AGM, 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, and 12.1 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. These Board Charter and Schedule of Matter were reviewed and published in the Company's website at 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, 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, 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 and published its Code of Conducts and Ethics and Whistleblowing policy in the Company's website at www.samchem.com.my. Internally, the Board will communicate 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 2017 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, six (6) Board meetings and a 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	7/7
Cheong Chee Yun	7/7
Dato' Theng Book	7/7
Lok Kai Chun	7/7
Ng Ai Rene	1/1

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 2017, the external training programmes and seminars attended by the Director are as follows:

DIRECTORS	COURSES/SEMINAR/CONFERENCE
1. Ng Thin Poh	Briefing on updates of Companies Act 2016
2. Chooi Chok Khooi	Briefing on updates of Companies Act 2016
3. Cheong Chee Yun	Updates of the 2016 & 2017 MFRS – Preparing MFRS compliant Financial Statements 2016 & 2017
	Preparation of Group Accounts – conducted by CPA Australia
	Briefing on updates of Companies Act 2016
4. Dato' Theng Book	Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committee
	Briefing on updates of Companies Act 2016
5. Lok Kai Chun	Briefing on updates of Companies Act 2016

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 six (6) members, where half of the Board is Independent Non-Executive Directors. This is in line with Practice 4.1 of the MCCG where it requires non-large company to have at least half of the Board members comprises independent directors.

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 Non-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	–	6	–	–	6	–	5	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	3
Top Three Senior Management	1	1	–	1

SKILL	ACCOUNTING & FINANCE MANAGEMENT	CHEMISTRY	LEGAL / LAW	BUSINESS MANAGEMENT
Number of Directors	1	1	2	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.

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 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 is responsible for the oversight of risk management through ARMC while the Executive Directors together with the senior management team are primary responsible for managing risks 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.

Going forward, the Board will implement the enhanced formal risk management framework defining its risk policy and risk appetite as well as revisiting the risk assessment and risk mitigation plan in 2018.

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 from local universities. 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 feedback to the Chairman for opinions or concerns. Separately, the Company has also reported its Sustainability Statement on page 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 and Annual Reports are sent to shareholders 21 days prior to the meeting in accordance to the Company's Constitution and the provision in the Companies Act 2016. The Board will change the present AGM's notice period to 28 Days in the Company's Constitution next year. Thereafter, the Board will provide notice of Annual General Meeting together with the Annual Report to shareholders 28 days prior to the meeting.

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.

sustainability statement

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 2017 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 recognizes 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 emphasizes 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 Board is responsible for the oversight of risk management through ARMC while the Executive Directors together with the senior management team are primary responsible for managing risks in the Group.

The ARMC is primarily tasked to the review the risk policies and registers periodically 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 ARMC deliberated and discussed the key corporate risks at its quarterly Board meetings, carried out annual review of the independence of the external and internal auditors prior to recommendation for their appointment/re-appointmentby evaluating their audit plans, audit scope, functions and competencies.

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 continuous ongoing reviews of operational and financial performance at the Management, ARMC and Board meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks. Other matters including proper disclosures in the financial reports, authority to carry out investigations, access to information and professional advice were also addressed during the financial year.

Going forward, the Board will implement the enhanced formal risk management framework defining its risk policy and risk appetite as well as revisiting the risk assessment and risk mitigation plan in 2018.

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 Executive 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 ARMC, 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 as a standard audit requirement to review for related party transactions within the Group in the internal audit scope. Steps has also been taken to review subsidiaries performances and risk management on a quarterly basis.
- 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 review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control systems of the Group.

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 2017.

Composition of the ARMC and Attendance

The ARMC met five times during the financial year ended 31 December 2017. The members of the ARMC, their attendance at the ARMC Meetings held during the financial year ended 31 December 2017 are as follows:

MEMBERS OF THE ARMC	TOTAL MEETINGS ATTENDED
Cheong Chee Yun – Chairman *Independent Non-Executive Director*	5/5
Dato' Theng Book – Member *Independent Non-Executive Director*	5/5
Lok Kai Chun – Member *Independent Non-Executive Director*	5/5

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 request, the Chairman of the ARMC shall convene a meeting of the committee to consider any matter the external 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 2017 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 2017 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 2017 was RM36,000.

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 2017 is Nil.

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 2017 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	4,943,311
Sam Chem Sphere Joint Stock Company (JSC)	Vigor Sphere Pte Ltd (VS)	Sales from JSC to VS	2,384,451

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 2017.

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	26,235,492	4,950,254
Profit attributable to:		
Owners of the Company	22,378,626	4,950,254
Non-controlling interests	3,856,866	—
	26,235,492	4,950,254

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 2016 approved at the Annual General Meeting on 27 April 2017, which was paid on 16 June 2017;

(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 2017, which was paid on 10 October 2017;

(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 2017, which was paid on 12 December 2017; and

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 2018.

Reserves and Provisions

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

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 all known bad debts had been written off 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 the amount written off for bad debts or 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 liability 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 (Appointed on 10 November 2017)
Dato' Ng Lian Poh (Resigned on 5 May 2017)
Ng Soh Kian (Removed on 23 June 2017)

**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:

	NUMBER OF ORDINARY SHARES			
	AT 1.1.2017	BOUGHT	SOLD	AT 31.12.2017
Direct Interest				
Ng Thin Poh	59,929,202	61,179,802	—	121,109,004
Chooi Chok Khooi	4,661,046	4,661,046	—	9,322,092
Lok Kai Chun	7,300	7,300	—	14,600
Ng Ai Rene	100,000	100,000	—	200,000
Indirect Interest*				
Ng Thin Poh	200,000	200,000	—	400,000

*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.

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

Significant Events Subsequent to the End of the Financial Year

Details of significant events subsequent to the end of the financial year are disclosed in Note 35 to the financial statements.

Auditors

The auditors, Messrs Baker Tilly Monteiro Heng, 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

CHOOI CHOK KHOOI
Director

Date: 13 April 2018

FINANCIALS

26 Statements of Profit or Loss and Other Comprehensive Income

27 Consolidated Statement of Financial Position

29 Statement of Financial Position

30 Consolidated Statement of Changes in Equity

32 Statement of Changes in Equity

33 Consolidated Statement of Cash Flows

35 Statement of Cash Flows

36 Notes to the Financial Statements

86 Statement by Directors

86 Statutory Declaration

87 Independent Auditors' Report

OTHERS

90 Particulars of Properties

92 Analysis of Shareholdings

94 Notice of Annual General Meeting

96 Statement Accompanying Notice of the 11th Annual General Meeting

Proxy Form

statements of profit or loss and other comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
	NOTE	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	**937,522,883**	697,178,025	**8,374,200**	83,398,150
Cost of sales		**(839,511,073)**	(610,131,405)	**—**	—
Gross profit		**98,011,810**	87,046,620	**8,374,200**	83,398,150
Other income		**10,824,143**	3,118,459	**—**	3,752
Selling and distribution expenses		**(14,502,187)**	(13,059,737)	**—**	—
Administrative expenses		**(45,168,951)**	(41,275,777)	**(2,266,303)**	(4,830,598)
Other expenses		**(6,374,710)**	(3,086,150)	**(406,211)**	—
		(66,045,848)	(57,421,664)	**(2,672,514)**	(4,830,598)
Profit from operations		**42,790,105**	32,743,415	**5,701,686**	78,571,304
Finance costs		**(6,737,795)**	(4,744,390)	**—**	(692,386)
Profit before tax	5	**36,052,310**	27,999,025	**5,701,686**	77,878,918
Tax expense	7	**(9,816,818)**	(9,044,608)	**(751,432)**	—
Profit for the financial year		**26,235,492**	18,954,417	**4,950,254**	77,878,918
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Net fair value changes on available-for-sale financial assets		**(4,766)**	(8,034)	**—**	—
Foreign currency translation		**(2,999,885)**	1,897,383	**—**	—
Total other comprehensive (loss)/ income, net of tax		**(3,004,651)**	1,889,349	**—**	—
Total comprehensive income for the financial year		**23,230,841**	20,843,766	**4,950,254**	77,878,918
Profit attributable to:					
Owners of the Company		**22,378,626**	15,077,457	**4,950,254**	77,878,918
Non-controlling interests		**3,856,866**	3,876,960	**—**	—
		26,235,492	18,954,417	**4,950,254**	77,878,918
Total comprehensive income attributable to:					
Owners of the Company		**20,290,141**	16,284,909	**4,950,254**	77,878,918
Non-controlling interests		**2,940,700**	4,558,857	**—**	—
		23,230,841	20,843,766	**4,950,254**	77,878,918
Earnings per share attributable to owners of the Company (sen):					
Basic	8	**8.23**	5.54		
Diluted	8	**8.23**	5.54		

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

consolidated statement of financial position

AS AT 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	**36,396,257**	36,521,543
Investment properties	10	**746,512**	843,790
Prepaid land lease payments	11	**918,516**	1,060,098
Other investments	13	**—**	39,684
Deferred tax assets	14	**1,472,122**	1,165,311
		39,533,407	39,630,426
Current assets			
Inventories	15	**116,155,410**	88,611,973
Trade receivables	16	**195,329,794**	156,847,702
Other receivables, deposits and prepayments	17	**14,416,988**	3,655,144
Derivative financial assets		**—**	8,737
Tax recoverable		**6,855,080**	5,933,428
Deposits with licensed banks	18	**13,857,455**	22,700,872
Cash and bank balances		**49,817,788**	31,090,357
		396,432,515	308,848,213
TOTAL ASSETS		**435,965,922**	348,478,639

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

consolidated statement of financial position

AS AT 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**136,954,444**	68,000,000
Reserves	20	**(5,040,265)**	51,511,146
Equity attributable to owners of the Company		**131,914,179**	119,511,146
Non-controlling interests		**9,728,332**	11,069,220
Total Equity		**141,642,511**	130,580,366
Liabilities			
Non-current liabilities			
Borrowings	21	**2,212,211**	3,641,481
Deferred tax liabilities	14	**449,980**	287,814
Retirement benefit obligations	23	**588,273**	539,973
		3,250,464	4,469,268
Current liabilities			
Trade payables	24	**88,997,143**	75,401,938
Other payables, deposits and accruals	25	**4,413,972**	6,081,523
Borrowings	21	**196,137,478**	130,141,027
Tax payable		**1,524,354**	1,804,517
		291,072,947	213,429,005
Total Liabilities		**294,323,411**	217,898,273
TOTAL EQUITY AND LIABILITIES		**435,965,922**	348,478,639

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

	NOTE	2017 RM	2016 RM
ASSETS			
Non-current assets			
Investments in subsidiaries	12	**137,591,925**	150,765,118
Current assets			
Other receivables	17	**945**	—
Tax recoverable		**—**	349,136
Cash and bank balances		**327,101**	157,517
		328,046	506,653
TOTAL ASSETS		**137,919,971**	151,271,771
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	**136,954,444**	68,000,000
Reserves	20	**884,386**	73,048,576
Total Equity		**137,838,830**	141,048,576
Liabilities			
Current liabilities			
Other payables and accruals	25	**34,600**	10,223,195
Tax payable		**46,541**	—
		81,141	10,223,195
Total Liabilities		**81,141**	10,223,195
TOTAL EQUITY AND LIABILITIES		**137,919,971**	151,271,771

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

consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		ATTRIBUTABLE TO OWNERS OF THE COMPANY									
	NOTE	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

	NOTE	ATTRIBUTABLE TO OWNERS OF THE COMPANY							TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY RM	NON-CONTROLLING INTERESTS RM	TOTAL EQUITY RM
		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			
At 1 January 2016		68,000,000	80,069,896	954,444	12,800	(40,725,742)	3,208,891	(36,549,607)	111,520,289	6,944,271	118,464,560
Comprehensive income											
Profit for the financial year		–	15,077,457	–	–	–	–	–	15,077,457	3,876,960	18,954,417
Other comprehensive income											
Net fair value changes on available-for-sale financial assets		–	–	–	(8,034)	–	–	(8,034)	(8,034)	–	(8,034)
Foreign currency translation		–	–	–	–	–	1,215,486	1,215,486	1,215,486	681,897	1,897,383
Total other comprehensive income		–	–	–	(8,034)	–	1,215,486	1,207,452	1,207,452	681,897	1,889,349
Total comprehensive income for the financial year		–	15,077,457	–	(8,034)	–	1,215,486	1,207,452	16,284,909	4,558,857	20,843,766
Transactions with owners											
Acquisition of subsidiaries	12	–	–	–	–	–	–	–	–	40	40
Acquisition of non-controlling interests	12	–	(134,052)	–	–	–	–	–	(134,052)	(265,948)	(400,000)
Dividend paid to non-controlling shareholders of the subsidiaries		–	–	–	–	–	–	–	–	(168,000)	(168,000)
Dividends	26	–	(8,160,000)	–	–	–	–	–	(8,160,000)	–	(8,160,000)
		–	(8,294,052)	–	–	–	–	–	(8,294,052)	(433,908)	(8,727,960)
At 31 December 2016		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

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

statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED EARNINGS RM	TOTAL EQUITY RM
At 1 January 2016		68,000,000	954,444	2,375,214	71,329,658
Transactions with owners					
Dividends	26	–	–	(8,160,000)	(8,160,000)
Profit for the financial year, representing total comprehensive income for the financial year		–	–	77,878,918	77,878,918
At 31 December 2016		68,000,000	954,444	72,094,132	141,048,576
Transactions with owners					
Bonus issue for the year		68,000,000	–	(68,000,000)	–
Transition to no par value regime		954,444	(954,444)	–	–
Dividends	26	–	–	(8,160,000)	(8,160,000)
Profit for the financial year, representing total comprehensive income for the financial year		–	–	4,950,254	4,950,254
At 31 December 2017		**136,954,444**	**–**	**884,386**	**137,838,830**

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

	NOTE	2017 RM	2016 RM
Cash Flows from Operating Activities			
Profit before tax		**36,052,310**	27,999,025
Adjustments for:			
Amortisation of prepaid land lease payments		**21,127**	19,656
Depreciation of:			
– property, plant and equipment		**3,054,149**	2,895,098
– investment properties		**46,202**	47,758
Fair value (loss)/gain on other investment		**3,971**	(1,718)
Gain on disposal of property, plant and equipment		**(1,178,455)**	(272,924)
Loss on disposal of subsidiaries		**399,997**	–
Impairment loss on trade receivables		**374,821**	156,297
Interest expense		**6,737,162**	4,744,390
Interest income		**(1,145,653)**	(1,220,832)
Inventories written down		**279,455**	143,285
Net unrealised loss on foreign exchange		**4,451,340**	2,237,875
Property, plant and equipment written off		**34**	13,898
Retirement benefit obligations		**85,972**	149,437
Reversal of impairment loss on trade receivables		**(448,845)**	(170,549)
Reversal of inventories written down		**(52,062)**	(487,436)
Operating profit before working capital changes		**48,681,525**	36,253,260
Increase in inventories		**(27,766,083)**	(15,268,050)
Increase in receivables		**(53,730,708)**	(43,246,414)
Increase in payables		**11,992,154**	35,503,578
Cash (used in)/generated from operations		**(20,823,112)**	13,242,374
Tax refunded		**348,166**	2,397,147
Tax paid		**(12,429,921)**	(7,168,708)
Net cash (used in)/generated from operating activities carried down		**(32,904,867)**	8,470,813

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

consolidated statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
Net cash (used in)/generated from operating activities brought down		**(32,904,867)**	8,470,813
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**(4,189,959)**	(400,000)
Net cash inflows on acquisition of subsidiaries	12	**2,924,245**	40
Interest received		**1,145,653**	1,220,832
Purchase of property, plant and equipment	9(c)	**(4,662,926)**	(4,207,113)
Proceeds from disposal of other investments		**39,684**	–
Proceeds from disposal of property, plant and equipment		**3,143,613**	378,223
Net cash used in investing activities		**(1,599,690)**	(3,008,018)
Cash Flows from Financing Activities			
Payments of finance lease payables		**(2,046,273)**	(969,169)
Interest paid		**(6,737,162)**	(4,744,390)
Net drawdown of bankers' acceptances		**29,236,000**	11,425,000
Net drawdown of revolving credit		**14,094,363**	–
Drawdown of term loans		**241,819,116**	–
Repayment of term loans		**(190,091,411)**	(1,516,781)
(Repayment)/Drawdown of onshore foreign currency loans		**(17,261,548)**	20,514,497
Repayment of foreign currency trade loan		**(4,254,078)**	(14,060,132)
Dividend paid to non-controlling shareholders of the subsidiaries		**(3,142,988)**	(168,000)
Dividend paid		**(8,160,000)**	(8,160,000)
Net cash generated from financing activities		**53,456,019**	2,321,025
Net increase in cash and cash equivalents		**18,951,462**	7,783,820
Effect of exchange rate changes		**(1,618,041)**	(3,139,559)
Cash and cash equivalents at beginning of the financial year		**44,715,296**	40,071,035
Cash and cash equivalents at end of the financial year	27	**62,048,717**	44,715,296

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

	NOTE	2017 RM	2016 RM
Cash Flows from Operating Activities			
Profit before tax		**5,701,686**	77,878,918
Adjustments for:			
Interest expense		**–**	692,386
Dividend income		**(6,572,000)**	(80,492,000)
Loss in disposal of investment in subsidiaries		**399,997**	–
Operating loss before working capital changes		**(470,317)**	(1,920,696)
(Increase)/Decrease in receivables		**(945)**	2,843,160
Decrease in payables		**(211,789)**	(1,718,346)
Cash used in operations		**(683,051)**	(795,882)
Dividend received		**6,572,000**	9,492,000
Tax refunded		**170,275**	–
Tax paid		**(526,030)**	(120,000)
Net cash generated from operating activities		**5,533,194**	8,576,118
Cash Flows from Investing Activity			
Investments in subsidiaries, representing net cash used in investing activity		**(4,189,959)**	(400,060)
Repayment from subsidiaries		**16,963,152**	–
Proceeds from disposal of shares in subsidiaries		**3**	–
Net cash from/(used in) investing activities		**12,773,196**	(400,060)
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		**(18,136,806)**	(8,160,000)
Net increase in cash and cash equivalents		**169,584**	16,058
Cash and cash equivalents at beginning of the financial year		**157,517**	141,459
Cash and cash equivalents at end of the financial year	27	**327,101**	157,517

(a) Reconciliation of liabilities arising from financing activities:

	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.

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 13 April 2018.

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 operates ("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 amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes of the Group's and the Company's existing accounting policies.

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 and new 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 and new IC Int that have been issued, but yet to be effective:

		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/1 January 2019/Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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 are summarised below.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.
- In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.
- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates

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 and new IC Int that have been issued, but yet to be effective (Continued)

the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

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

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.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognized over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure*, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

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 and new IC Int that have been issued, but yet to be effective (Continued)

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 4 Insurance Contracts
Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

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 107 Statement of Cash Flows
Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group has applied the amendments prospectively and accordingly, have disclosed the reconciliation in Consolidated Statement of Cash Flows.

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).

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.

Amendments to MFRS 140 Investment Property
Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

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 and new IC Int that have been issued, but yet to be effective (Continued)

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of consolidation (Continued)

Subsidiaries (Continued)

(i) Business combinations under acquisition method (Continued)

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.

(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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of consolidation (Continued)

Subsidiaries (Continued)

(v) Non-controlling interests (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(b) Foreign currency (Continued)

(iii) Principal closing rates

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

	2017 RM	2016 RM
1 Singapore Dollar ("SGD")	**3.10**	3.10
1 United States Dollar ("USD")	**4.15**	4.50
100 Vietnam Dong ("VND")	**0.0183**	0.0201
100 Indonesian Rupiah ("IDR")	**0.0298**	0.0330

(c) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Transportation charges

Transportation charges are recognised upon performance of services, net of discounts.

(iii) Rental income

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

(iv) Dividend income

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

(v) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(vi) Management fees

Management fees are recognised when services are rendered.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(d) Employee benefits (Continued)

(iii) Defined benefit plans (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Taxes (Continued)

(ii) Deferred Tax (Continued)

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.

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.

(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 assets

Financial assets 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.

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.

The Group and the Company determine the classification of their financial assets at initial recognition, and has categorised the financial assets as loans and receivables and available-for-sale financial assets.

(i) 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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and 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.

(ii) 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.

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.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commit to purchase or sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Impairment of financial assets

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.

(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) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(q) Financial liabilities (Continued)

when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits (including deposits received on sale of properties), amount due to subsidiary and accruals, and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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.

(r) 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.

(s) 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.

(t) Financial guarantee contracts

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(t) Financial guarantee contracts (Continued)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, 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.

(u) 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.

(v) 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.

(w) 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.

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) Impairment loss on receivables (Notes 16 and 17) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(b) 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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

4. REVENUE

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Management fees	**–**	–	**1,802,200**	2,906,150
Dividend income	**–**	–	**6,572,000**	80,492,000
Sales of goods	**937,442,538**	697,118,502	**–**	–
Transportation charges	**80,345**	59,523	**–**	–
	937,522,883	697,178,025	**8,374,200**	83,398,150

5. PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
– current year	**294,011**	250,452	**55,000**	34,000
– prior year	**20,600**	4,700	**11,000**	5,500
– other services by auditors of the Company	**8,000**	10,500	**8,000**	10,500
Amortisation of prepaid land lease payments	**21,127**	19,656	**–**	–
Depreciation of:				
– property, plant and equipment	**3,054,149**	2,895,098	**–**	–
– investment properties	**46,202**	47,758	**–**	–
Direct operating expenses for investment properties which did not generate rental income	**7,556**	6,840	**–**	–
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**1,418,387**	1,401,078	**106,353**	402,204
– retirement benefit obligations	**85,972**	149,437	**–**	–
– wages, salaries and others	**22,457,026**	19,752,025	**1,378,317**	3,449,442
Fair value loss/(gain) on other investments	**3,971**	(1,718)	**–**	–
Gain on disposal of property, plant and equipment	**(1,178,455)**	(272,924)	**–**	–
Loss on disposal on subsidiaries	**399,997**	–	**399,997**	–
Impairment loss on trade receivables	**374,821**	156,297	**–**	–
Interest expense	**6,737,162**	4,744,390	**–**	692,386
Interest income	**(1,145,653)**	(1,220,832)	**–**	–
Net (gain)/loss on foreign exchange				
- realised	**(5,734,860)**	454,830	**6,214**	(3,752)
- unrealised	**4,451,340**	2,237,875	**–**	–
Property, plant and equipment written off	**34**	13,898	**–**	–
Inventories written down	**279,455**	143,285	**–**	–
Rental of premises	**2,103,391**	1,390,134	**–**	–
Rental of motor vehicle	**53,628**	57,227	**–**	–
Rental of storage tank	**5,358,601**	4,306,518	**–**	–
Rental income from investment properties	**–**	(3,600)	**–**	–
Reversal of impairment loss on trade receivables	**(448,845)**	(170,549)	**–**	–
Reversal of inventories written down	**(52,062)**	(487,436)	**–**	–

6. DIRECTORS' REMUNERATION

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Directors of the Company				
Executive directors				
– other emoluments	**1,031,668**	3,217,654	**1,031,668**	3,049,894
Non-executive directors				
– fees	**156,000**	120,000	**156,000**	120,000
– other emoluments	**12,000**	9,500	**12,000**	9,500
	168,000	129,500	**168,000**	129,500
	1,199,668	3,347,154	**1,199,668**	3,179,394
Directors of subsidiaries				
Executive directors				
– other emoluments	**3,200,737**	1,901,170	**–**	–
	4,400,405	5,248,324	**1,199,668**	3,179,394

7. TAX EXPENSE

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Current tax:				
Malaysian income tax				
– current financial year	**6,927,517**	6,282,700	**312,902**	–
– (over)/under provision in prior financial year	**(453,441)**	882,918	**438,530**	–
	6,474,076	7,165,618	**751,432**	–
Foreign income tax				
– current financial year	**3,239,961**	2,842,476	**–**	–
	9,714,037	10,008,094	**751,432**	–
Deferred tax:				
Origination and reversal of temporary differences	**(171,214)**	(952,351)	**–**	–
Under/(Over) provision of deferred tax liabilities in prior financial year	**273,995**	(11,135)	**–**	–
	102,781	(963,486)	**–**	–
Tax expense	**9,816,818**	9,044,608	**751,432**	–

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

7. TAX EXPENSE (Continued)

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	**36,052,310**	27,999,025	**5,701,686**	77,878,918
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%)	**8,652,600**	6,719,800	**1,368,400**	18,690,900
Effect of different tax rates in foreign jurisdiction	**(554,473)**	(544,600)	**–**	–
Tax effects arising from:				
– non-deductible expenses	**3,027,719**	2,316,490	**85,549**	215,100
– non-taxable income	**(1,450,096)**	(1,170,665)	**(1,577,280)**	(19,318,100)
– double deduction	**–**	(28,200)	**–**	–
Deferred tax assets not recognised during the financial year	**801,764**	882,200	**436,233**	412,100
Utilisation of previously unrecognised deferred tax assets	**(481,250)**	(2,200)	**–**	–
(Over)/Under provision of current tax in prior financial year	**(453,441)**	882,918	**438,530**	–
Under/(Over) provision of deferred tax liabilities in prior financial year	**273,995**	(11,135)	**–**	–
Tax expense	**9,816,818**	9,044,608	**751,432**	–

The Group has estimated unutilised tax losses of RM10,198,707 (2016: RM8,158,954) and unabsorbed capital allowances of RM146,618 (2016: RM139,119) carried forward available for set off against future taxable profits.

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:

	2017 RM	2016 RM
Profit attributable to owners of the Company	**22,378,626**	15,077,457

	2017 UNIT	2016 UNIT
Weighted average number of ordinary shares for basic earnings per share	**272,000,000**	272,000,000*

	2017 SEN	2016 SEN
Basic earnings per ordinary share	**8.23**	5.54

* The number of ordinary shares have been adjusted to reflect the new number of shares arising from the bonus issue.

Diluted earnings per share

The diluted earnings per share of the Company for the financial year ended 2017 and 2016 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	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
Net 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)

GROUP	FREEHOLD LAND RM	LONG TERM LEASEHOLD LAND RM	SHORT TERM LEASEHOLD LAND RM	BUILDINGS RM	MOTOR VEHICLES RM	PLANT AND MACHINERY RM	RENOVATION AND OFFICE EQUIPMENT RM	SIGNBOARD, FURNITURE AND FITTINGS RM	TOTAL RM
Cost									
At 1 January 2016	7,276,336	–	650,000	18,597,696	10,245,020	6,550,991	5,929,646	613,906	49,863,595
Additions	–	2,579,935	–	22,224	3,157,196	88,509	810,725	163,031	6,821,620
Disposals	–	–	–	–	(1,255,554)	–	(33,219)	(250)	(1,289,023)
Written off	–	–	–	–	–	(64,000)	(49,125)	–	(113,125)
Effect of movement in exchange rate	–	–	–	127,360	121,167	82,518	(57,201)	–	273,844
Reclassification from investment properties (Note 10)	1,179,635	–	–	758,763	–	–	–	–	1,938,398
At 31 December 2016	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
Accumulated Depreciation									
At 1 January 2016	–	–	133,822	3,120,721	6,376,143	5,299,189	3,606,095	481,718	19,017,688
Charge for the financial year	–	2,687	17,648	465,186	1,326,846	505,011	518,941	58,779	2,895,098
Disposals	–	–	–	–	(1,178,860)	–	(4,614)	(250)	(1,183,724)
Written off	–	–	–	–	–	(63,997)	(35,230)	–	(99,227)
Effect of movement in exchange rate	–	–	–	26,265	82,513	78,512	(70,987)	–	116,303
Reclassification from investment properties (Note 10)	–	–	–	227,628	–	–	–	–	227,628
At 31 December 2016	–	2,687	151,470	3,839,800	6,606,642	5,818,715	4,014,205	540,247	20,973,766
Net Carrying Amount									
At 31 December 2016	8,455,971	2,577,248	498,530	15,666,243	5,661,187	839,303	2,586,621	236,440	36,521,543

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 2017 RM	2016 RM
Motor vehicles	**3,517,138**	3,139,148

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

	GROUP 2017 RM	2016 RM
Freehold land	**8,455,971**	8,455,971
Short term leasehold land	–	498,530
Buildings	**12,872,423**	13,446,766
	21,328,394	22,401,267

The short term leasehold land has unexpired lease period of less than 50 years while 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 2017 RM	2016 RM
Additions of property, plant and equipment	**5,532,016**	6,821,620
Less: Financed by finance lease arrangement	**(869,090)**	(2,614,507)
	4,662,926	4,207,113

10. INVESTMENT PROPERTIES

	GROUP 2017 RM	2016 RM
Costs		
At 1 January	**1,426,842**	3,321,825
Reclassification to property, plant and equipment (Note 9)	**–**	(1,938,398)
Effect of movement in exchange rate	**(75,977)**	43,415
At 31 December	**1,350,865**	1,426,842
Accumulated depreciation		
At 1 January	**583,052**	750,440
Depreciation charge for the financial year	**46,202**	47,758
Reclassification to property, plant and equipment (Note 9)	**–**	(227,628)
Effect of movement in exchange rate	**(24,901)**	12,482
At 31 December	**604,353**	583,052
Carrying amount	**746,512**	843,790

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				
2017	**1,605,000**	**–**	**–**	**1,605,000**
2016	1,695,000	–	–	1,695,000

(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 2017 RM	2016 RM
Direct operating expenses:		
– non-income generating investment properties	**7,556**	–

11. PREPAID LAND LEASE PAYMENTS

	GROUP 2017 RM	2016 RM
At 1 January	**1,060,098**	1,041,526
Amortisation for the financial year	**(21,127)**	(19,656)
Effect of movement in exchange rate	**(120,455)**	38,228
At 31 December	**918,516**	1,060,098

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 36 years respectively.

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

12. INVESTMENTS IN SUBSIDIARIES

	GROUP 2017 RM	2016 RM
Unquoted shares, at cost		
At 1 January	**79,765,118**	79,365,058
Additions	**4,189,959**	400,060
Less: Disposal	**(400,000)**	–
	83,555,077	79,765,118
Capital contributions to subsidiaries	**54,036,848**	71,000,000
At 31 December	**137,591,925**	150,765,118

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)

The details of subsidiaries are as follows:

NAME OF COMPANY	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST 2017	2016
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. *(formerly known as TN Industries Sdn. Bhd.)*	Malaysia	Distribution of industrial lubricants	100%	100%
Samchem Nusajaya Sdn. Bhd. *(formerly known as TN Chemie 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	Liquidated	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%	100%
Samserv Services Sdn. Bhd.	Malaysia	Repair service of audio video and ICT system	60%	100%
Sampro Distribution Sdn. Bhd.	Malaysia	Retail sale of audio video and ICT system distribution and trading	60%	100%
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. *(formerly known as Samchem TN 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%	56%
Held through Sam Chem Sphere Joint Stock Company				
# Samchemsphere Indochina (Vietnam) Company Limited	Socialist Republic of Vietnam	Dormant	63%	56%
# Samm Sphere (Cambodia) Company Limited	Cambodia	Dormant	63%	56%

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

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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**

2016

On 29 December 2016, the Company acquired the remaining 40% equity interest in My Online AV Sdn. Bhd. ("MOASB"), Samserv Services Sdn. Bhd. ("Samserv") and Sampro Distribution Sdn. Bhd. ("Sampro") for a cash consideration of RM100,000, RM100,000 and RM200,000 respectively. Consequently, MOASB, Samserv and Sampro became wholly-owned subsidiary of the Company.

	RM
Cash consideration paid to non-controlling interest	400,000
Carrying amount of additional interest acquired	(265,948)
Total difference recognised in retained earnings within equity attributable to owners of the Company	134,052

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

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)

	SAMCHEMSPHERE EXPORT SDN. BHD. RM	SAM CHEM SPHERE JOINT STOCK COMPANY RM	OTHER INDIVIDUALLY IMMATERIAL SUBSIDIARIES RM	TOTAL RM
2016				
NCI effective ownership interest and voting interest	30%	44%		
Carrying amount of NCI	(3,713,986)	14,490,564	292,642	11,069,220
(Loss)/Profit allocated to NCI	(938,290)	4,739,645	75,605	3,876,960
Total other comprehensive income allocated to NCI	–	667,956	13,941	681,897
Total comprehensive (loss)/income allocated to NCI	(938,290)	5,407,601	89,546	4,558,857

(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
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 income	**–**
Total comprehensive income for the financial year	**10,632,642**
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**

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):

	SAMCHEMSPHERE EXPORT SDN. BHD. RM	SAM CHEM SPHERE JOINT STOCK COMPANY RM
2016		
Assets and liabilities		
Non-current assets	580,233	1,704,696
Current assets	9,580,175	81,787,578
Non-current liabilities	(195,769)	–
Current liabilities	(22,344,592)	(50,559,173)
Net (liabilities)/assets	(12,379,953)	32,933,101
Results		
Revenue	33,727,544	219,344,906
(Loss)/Profit for the financial year	(3,127,634)	10,771,921
Other comprehensive income	–	1,518,081
Total comprehensive income for the financial year	(3,127,634)	12,290,002
Cash flows (used in)/generated from:		
– operating activities	2,766,415	4,685,877
– investing activities	(7,344)	388,378
– financing activities	(5,420,342)	(611,529)
Net (decrease)/increase in cash and cash equivalents	(2,661,271)	4,462,726
Dividends paid to NCI	–	–

(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

2016

On 1 June 2016, Samsentosa Chemicals Sdn. Bhd. ("Samsentosa") became a subsidiary of the Company by way of acquisition of 60 ordinary shares of RM1.00 each, representing 60% equity interest held for a total cash consideration of RM60.

Effects of acquisition on cash flows:

	RM
Cash and cash equivalents acquired	100
Consideration paid in cash	(60)
Net cash inflows on acquisition	40

Effects of acquisition in statements of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM
Revenue	8,692,879
Profit for the financial year	189,808

13. OTHER INVESTMENTS

	GROUP 2017 RM	GROUP 2016 RM
Available-for-sale financial assets:		
Quoted shares in Malaysia	**–**	39,684
Market value of quoted shares	**–**	39,684

14. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP 2017 RM	GROUP 2016 RM
At 1 January	**877,497**	(135,569)
Effect of movements in exchange rate	**(282,581)**	49,580
Recognised in profit or loss	**427,226**	963,486
At 31 December	**1,022,142**	877,497

Presented after appropriate offsetting as follows:

	2017 RM	2016 RM
Deferred tax assets	**1,472,122**	1,165,311
Deferred tax liabilities	**(449,980)**	(287,814)
	1,022,142	877,497

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

	GROUP 2017 RM	GROUP 2016 RM
Deferred tax assets		
Deductible temporary differences in respect of expenses	**1,472,122**	1,140,606
Difference between the carrying amounts of property, plant and equipment and their tax base	**–**	24,705
Deferred tax liabilities		
Deductible temporary differences in respect of expenses	**144,061**	431,900
Taxable temporary differences in respect of income	**(3,300)**	(242,400)
Difference between the carrying amounts of property,plant and equipment and their tax base	**(590,741)**	(477,314)
	1,022,142	877,497

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

	GROUP 2017 RM	GROUP 2016 RM
Difference between the carrying amounts of property,plant and equipment and their tax base	**(1,359,499)**	(1,540,383)
Deductible temporary differences in respect of expenses	**1,120,413**	7,864
Unutilised tax losses	**10,198,707**	8,158,954
Unabsorbed capital allowances	**146,618**	139,119
	10,106,239	6,765,554

15. INVENTORIES

	GROUP 2017 RM	GROUP 2016 RM
At cost:		
Trading goods	**108,185,899**	84,114,939
Goods-in-transit	**7,517,383**	3,780,147
Packaging materials	**452,128**	716,887
	116,155,410	88,611,973

(i) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM839,511,073 (2016: RM610,131,405).

(ii) The amount the Company recognised as expense in other expenses during the financial year in respect of written-down of inventories was RM279,455 (2016: RM143,285).

(iii) During the financial year, the Company reversed inventories written down previously amounting to RM52,062 (2016: RM487,436). The amount is included in other income.

16. TRADE RECEIVABLES

	GROUP 2017 RM	GROUP 2016 RM
Trade receivables	**197,522,945**	159,159,833
Less: Allowance for impairment loss	**(2,193,151)**	(2,312,131)
	195,329,794	156,847,702

(a) Credit term of trade receivables

The Group's normal trade credit term extended to customers ranges from 30 to 120 days (2016: 30 to 120 days).

(b) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	GROUP 2017 RM	GROUP 2016 RM
Neither past due nor impaired	**129,610,852**	125,517,645
Past due but not impaired:		
- 1 to 30 days	**40,616,979**	21,282,641
- 31 to 60 days	**18,552,051**	6,340,533
- 61 to 90 days	**3,843,776**	2,054,641
- 91 to 120 days	**1,396,858**	1,200,728
- More than 120 days	**1,309,278**	451,514
	65,718,942	31,330,057
Impaired	**2,193,151**	2,312,131
	197,522,945	159,159,833

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Receivables that are past due but not impaired

Trade receivables amounting to RM65,718,942 (2016: RM31,330,057) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances except for trade receivables amounting to RM1,163,448 (2016: RM1,163,448) which are supported by third party guarantees.

16. TRADE RECEIVABLES (Continued)

(b) Ageing analysis of trade receivables (Continued)

Receivables that are impaired

The movement of allowance accounts used to record the impairment is as follows:

	GROUP 2017 RM	GROUP 2016 RM
At 1 January	**2,312,131**	4,239,321
Charge for the financial year (Note 5)	**374,821**	156,297
Written off	**–**	(1,972,033)
Reversal of impairment loss (Note 5)	**(448,845)**	(170,549)
Effect of movement in exchange rate	**(44,956)**	59,095
At 31 December	**2,193,151**	2,312,131

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Other receivables	**6,000,588**	1,001,960	**945**	–
Less: Allowance for impairment loss	**(2,476)**	(2,705)	**–**	–
	5,998,112	999,255	**945**	–
Advance payments to suppliers	**6,211,573**	766,050	**–**	–
Deposits	**948,011**	760,276	**–**	–
Prepayments	**1,259,292**	1,129,563	**–**	–
	14,416,988	3,655,144	**945**	–

(i) Included in other receivables of the Group is an amount of RM2,746,334 (2016: RM633,805) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

(ii) The movement of allowance accounts used to record the impairment are as follow:

	GROUP 2017 RM	GROUP 2016 RM
At 1 January	**2,705**	2,516
Effect of movement in exchange rate	**(229)**	189
At 31 December	**2,476**	2,705

18. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group bear effective interest rates ranging from 2.30% to 7.25% (2016: 2.30% to 8.25%) per annum and mature within one year.

Deposits amounting to RM399,294 (2016: 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			
	2017		2016	
	NUMBER OF SHARES	AMOUNT RM	NUMBER OF SHARES	AMOUNT RM
Authorised:				
At 31 December	–	–	200,000,000	100,000,000
Issued and fully paid:				
At 1 January	**136,000,000**	**68,000,000**	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**	136,000,000	68,000,000

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). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.

During the financial year, the Company issued 136,000,000 new ordinary shares at a price of RM0.50 per ordinary share.

20. RESERVES

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Share premium	–	954,444	–	954,444
Fair value reserve	–	4,766	–	–
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	–	–
Currency translation reserve	**2,340,658**	4,424,377	–	–
Retained earnings	**33,344,819**	86,853,301	**884,386**	72,094,132
	(5,040,265)	51,511,146	**884,386**	73,048,576

(a) Share premium

The share premium arose from the issue of the Company's shares at a premium in the previous financial year.

(b) Fair value reserve

Fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

(c) 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.

(d) 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 2017 RM	GROUP 2016 RM
Non-current:		
Secured:		
Finance lease payables (Note 22)		
– RM	**1,609,827**	2,524,316
– Indonesia Rupiah ("Rp")	**–**	109,112
Term loans		
– RM	**602,384**	1,008,053
	2,212,211	3,641,481
Current:		
Secured:		
Bank overdrafts		
– RM	**1,227,232**	5,860,009
– VND	**–**	1,186,549
Bankers' acceptances		
– RM	**94,000,000**	64,764,000
Finance lease payables (Note 22)		
– RM	**907,227**	975,218
– Rp	**99,791**	185,382
Revolving credit		
– USD	**14,094,363**	–
Short term loans		
– USD	**37,665,281**	16,066,405
– VND	**30,475,688**	–
Foreign currency trade loan		
– USD	**–**	4,368,734
Onshore foreign currency loans		
– USD	**3,252,949**	20,514,497
Term loans		
– RM	**411,043**	700,904
	182,133,574	114,621,698
Unsecured:		
Bank overdrafts	**–**	1,630,081
Foreign currency trade loans – USD	**14,003,904**	13,889,248
	14,003,904	15,519,329
Total current borrowings	**196,137,478**	130,141,027
Total borrowings	**198,349,689**	133,782,508

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));

(iii) legal charge over the short term leasehold land and buildings of subsidiaries (Note 9(b)); and

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

21. BORROWINGS (Continued)

	GROUP 2017 % PER ANNUM	2016 % PER ANNUM
Bank overdrafts	**8.55**	8.10 to 8.35
Bankers' acceptances	**3.17 to 4.71**	3.11 to 4.96
Revolving credit	**4.12 to 4.30**	–
Short term loans	**1.50 to 6.73**	1.50 to 6.73
Foreign currency trade loan	**1.75 to 2.57**	1.66 to 3.49
Onshore foreign currency loans	**1.66 to 3.15**	1.35 to 1.86
Term loans	**5.95 to 6.38**	5.95 to 6.57

The maturity profile of term loans is as follows:

	GROUP 2017 RM	2016 RM
Repayable within 1 year	**411,043**	700,904
Repayable after 1 year but not later than 2 years	**218,400**	405,668
Repayable after 2 years but not later than 3 years	**218,400**	218,400
Repayable after 3 years but not later than 4 years	**165,584**	218,400
Repayable after 4 years but not later than 5 years	**–**	165,585
	1,013,427	1,708,957

22. FINANCE LEASE PAYABLES

	GROUP 2017 RM	2016 RM
Future minimum lease payments	**2,830,340**	4,169,256
Less: Future finance charges	**(213,495)**	(375,228)
Total present value of minimum lease payments	**2,616,845**	3,794,028
Current liabilities		
Payable within one year		
Future minimum lease payments	**1,117,299**	1,346,703
Less: Future finance charges	**(110,281)**	(186,103)
Present value of minimum lease payments	**1,007,018**	1,160,600
Non-current liabilities		
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**1,713,044**	2,822,553
Less: Future finance charges	**(103,217)**	(189,125)
Present value of minimum lease payments	**1,609,827**	2,633,428
Total present value of minimum lease payment	**2,616,845**	3,794,028

The finance lease payables of the Group bear interest at rates ranging from 3.96% to 16.18% (2016: 4.30% 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	
	2017 RM	2016 RM
At 1 January	**539,973**	358,831
Provision made during the financial year	**85,972**	149,437
Effect of exchange rate difference	**(37,672)**	31,705
At 31 December	**588,273**	539,973

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

	GROUP	
	2017 RM	2016 RM
Present value obligations	**588,273**	539,973

The expenses recognised in profit or loss are as follows:

	GROUP	
	2017 RM	2016 RM
Current service costs	**149,822**	119,667
Interest on obligation	**–**	39,318
Actual benefit payment	**(63,850)**	(9,548)
	85,972	149,437

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	
	2017 RM	2016 RM
Normal retirement age	**55 years old**	55 years old
Discount rate	**8.7%**	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

	COMPANY	
	2017 RM	2016 RM
External parties	**88,997,143**	75,401,938

The normal trade credit term granted by the suppliers to the Group ranges from 30 to 90 days (2016: 30 to 90 days).

Included in trade payables is an amount of RM27,756 (2016: RM372,956) due to a company in which certain directors of the subsidiaries have financial interest.

25. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Sundry payables	**1,096,834**	1,778,469	**–**	40,272
Deposits received	**53,298**	68,500	**–**	–
Advances received from customers	**167,620**	141,497	**–**	–
Accruals	**3,096,220**	4,093,057	**34,600**	206,117
Amount due to subsidiaries	**–**	–	**–**	9,976,806
	4,413,972	6,081,523	**34,600**	10,223,195

Amount due to subsidiaries are non-trade in nature, unsecured, bears interest at a rate of Nil (2016: 6%) per annum, repayable on demand and expected to be settled in cash.

26. DIVIDENDS

	COMPANY	
	2017 RM	2016 RM
Recognised during the financial year		
Dividends on ordinary shares:		
– Single tier third interim dividend for the financial year ended 31 December 2016: 1.5 sen per ordinary share, paid on 16 December 2016	**–**	2,040,000
– Single tier final dividend for the financial year ended 31 December 2016: 1.0 sen (2015: 1.5 sen) per ordinary share, paid on 16 June 2017	**2,720,000**	2,040,000
– Single tier first interim dividend for the financial year ended 31 December 2017: 1.0 sen (2016: 1.5 sen) per ordinary share, paid on 10 October 2017	**2,720,000**	2,040,000
– Single tier second interim dividend for the financial year ended 31 December 2017: 1.0 sen (2016: 1.5 sen) per ordinary share, paid on 12 December 2017	**2,720,000**	2,040,000
	8,160,000	8,160,000

At the forthcoming Annual General Meeting, a single tier final dividend of 1.0 sen (2016: 1.0 sen) per ordinary share, amounting to RM2,720,000 (2016: 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 2018.

27. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	**49,817,788**	31,090,357	**327,101**	157,517
Deposits with licensed banks (Note 18)	**13,857,455**	22,700,872	**–**	–
Less: Bank overdrafts (Note 21)	**(1,227,232)**	(8,676,639)	**–**	–
Less: Fixed deposit pledged (Note 18)	**(399,294)**	(399,294)	**–**	–
	62,048,717	44,715,296	**327,101**	157,517

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	
	2017 RM	**2016 RM**
Transactions with companies in which certain directors of subsidiaries have financial interests:		
Purchases of products	**4,943,311**	4,044,863
Sales of products	**(2,384,451)**	–

	COMPANY	
	2017 RM	**2016 RM**
Transactions with subsidiaries:		
Dividend income	**(6,572,000)**	(80,492,000)
Management fee income	**(1,802,200)**	(2,906,150)
Interest expense	**–**	692,386

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 17, 24 and 25 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		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Directors of the Company:				
Non-executive director				
– fees	**156,000**	120,000	**156,000**	120,000
– other emoluments	**12,000**	9,500	**12,000**	9,500
	168,000	129,500	**168,000**	129,500
Executive directors				
– Short term employee benefits	**4,009,122**	4,774,637	**947,575**	2,705,707
– Post-employment benefits	**223,283**	344,187	**84,093**	344,187
	4,232,405	5,118,824	**1,031,668**	3,049,894
	4,400,405	5,248,324	**1,199,668**	3,179,394
Other key management personnel:				
– Short term employee benefits	**1,518,975**	1,153,268	**–**	380,008
– Post-employment benefits	**182,456**	140,993	**–**	58,017
	1,701,431	1,294,261	**–**	438,025
	6,101,836	6,542,585	1,199,668	3,617,419

29.SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 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.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 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.

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	5,185,090	14,175	–	5,199,265

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

29. SEGMENT INFORMATION (Continued)

	CHEMICAL DISTRIBUTION AND BLENDING RM	AUDIO VIDEO AND ICT DISTRIBUTION RM	ELIMINATION RM	TOTAL RM
2016				
Revenue				
External revenue	686,627,845	10,550,180	–	697,178,025
Inter-segment revenue (Note a)	249,490,927	628,943	(250,119,870)	–
Total segment revenue	936,118,772	11,179,123	(250,119,870)	697,178,025
Results				
Segment result/Profit before tax	28,446,584	(447,559)	–	27,999,025
Tax expense				(9,044,608)
Profit for the financial year				18,954,417
Assets				
Total assets	341,660,607	6,818,032	–	348,478,639
Liabilities				
Total liabilities	213,960,100	3,938,173	–	217,898,273
Other segment information				
Depreciation	2,851,769	91,087	–	2,942,856
Amortisation	19,656	–	–	19,656
Interest income (Note b)	(2,164,349)	(37,550)	981,067	(1,220,832)
Interest expense (Note b)	5,552,004	173,453	(981,067)	4,744,390
Impairment loss on trade receivables	156,297	–	–	156,297
Additions to non-current assets other than financial instruments and deferred tax assets	6,459,420	362,200	–	6,821,620

Notes:
(a) Inter-segment interests are eliminated on consolidation.
(b) Inter-segment revenues 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
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)	(312,135)	(379,832)	(452,422)	(1,264)	–	(1,145,653)
Interest expense (Note b)	5,034,251	59,026	1,364,214	279,671	–	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	379,853	674,919	–	–	5,199,265

Notes:
(a) Inter-segment interests are eliminated on consolidation.
(b) Inter-segment revenues 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
2016						
Revenue						
External revenue	376,311,961	97,138,510	220,424,322	3,303,232	-	697,178,025
Inter-segment revenue (Note a)	217,471,742	–	–	–	(217,471,742)	–
Total segment revenue	593,783,703	97,138,510	220,424,322	3,303,232	(217,471,742)	697,178,025
Results						
Segment results/ Profit before tax	14,343,468	3,922,545	10,469,326	(736,314)	–	27,999,025
Tax expense						(9,044,608)
Profit for the financial year						18,954,417
Assets						
Total assets	189,101,800	63,744,851	93,346,214	2,285,774	–	348,478,639
Liabilities						
Total liabilities	84,179,498	57,178,548	73,148,379	3,391,848	–	217,898,273
Other segment information						
Depreciation	2,223,211	426,114	278,369	15,162	–	2,942,856
Amortisation	–	19,656	–	–	–	19,656
Interest income (Note b)	(1,229,070)	(508,939)	(463,647)	(243)	981,067	(1,220,832)
Interest expense (Note b)	4,955,296	39,871	657,323	72,967	(981,067)	4,744,390
Impairment loss on trade receivables	102,372	7,000	46,925	–	–	156,297
Additions to non-current assets other than financial instruments and deferred tax assets	6,168,751	563,089	87,932	1,848	–	6,821,620

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

	2017 RM	2016 RM
Malaysia	**499,821,105**	376,311,961
Republic of Indonesia	**123,734,703**	97,138,510
Socialist Republic of Vietnam	**302,832,232**	220,424,322
Republic of Singapore	**11,134,843**	3,303,232
	937,522,883	697,178,025

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

	2017 RM	2016 RM
Malaysia	**32,688,831**	32,468,238
Republic of Indonesia	**4,041,941**	4,482,402
Socialist Republic of Vietnam	**1,221,688**	1,341,519
Republic of Singapore	**108,825**	133,272
	38,061,285	38,425,431

30. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

GROUP	LOANS AND RECEIVABLES RM	AVAILABLE-FOR-SALE RM	TOTAL RM
2017			
Financial assets			
Receivables and deposits			
(exclude advanced payment to suppliers and prepayments)	**202,275,918**	**–**	**202,275,918**
Deposits with licensed banks	**13,857,455**	**–**	**13,857,455**
Cash and bank balances	**49,817,788**	**–**	**49,817,788**
	265,951,161	**–**	**265,951,161**

	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
Financial liabilities		
Payables and accruals *(exclude down payment and advances received from customers)*	**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**

GROUP	LOANS AND RECEIVABLES RM	AVAILABLE-FOR-SALE RM	TOTAL RM
2016			
Financial assets			
Other investments	–	39,684	39,684
Receivables and deposits			
(exclude advanced payment to suppliers and prepayments)	158,607,233	–	158,607,233
Deposits with licensed banks	22,700,872	–	22,700,872
Cash and bank balances	31,090,357	–	31,090,357
	212,398,462	39,684	212,438,146

	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
Financial liabilities		
Payables and accruals *(exclude down payment and advances received from customers)*	81,341,964	81,341,964
Finance lease payable	3,794,028	3,794,028
Other loans and borrowings	129,988,480	129,988,480
	215,124,472	215,124,472

30. FINANCIAL INSTRUMENTS (Continued)

(a) Categories of Financial Instruments (Continued)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (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**

COMPANY	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
2017		
Financial liabilities		
Payables and accruals	**34,600**	**34,600**

COMPANY	LOANS AND RECEIVABLES RM	TOTAL RM
2016		
Financial assets		
Cash and bank balances	157,517	157,517

COMPANY	FINANCIAL LIABILITIES AT AMORTISED COST RM	TOTAL RM
2016		
Financial liabilities		
Amounts due to subsidiaries	9,976,806	9,976,806
Payables and accruals	246,389	246,389
	10,223,195	10,223,195

30. FINANCIAL INSTRUMENTS (Continued)

(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 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 and Risk Management 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 loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risk in relation to provision of financial guarantees to banks in respect of banking facilities granted to the subsidiaries and to suppliers for granting of credit term to the subsidiaries.

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
By country:				
Malaysia	**115,880,975**	58.65%	**104,081,841**	65.39%
Indonesia	**19,586,838**	9.91%	**18,937,184**	11.90%
Vietnam	**60,927,350**	30.84%	**35,199,711**	22.12%
Singapore	**1,192,191**	0.60%	**941,097**	0.59%
	197,587,354	100.00%	**159,159,833**	100.00%

The Group does not have significant exposure to any individual customer at the reporting date.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for credit term granted to certain subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM172,575,642 (2016: RM164,857,287) representing the outstanding banking facilities and certain trade payables of the subsidiaries at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayments.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default in repayments within the guarantee period.

30. FINANCIAL INSTRUMENTS (Continued)

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

(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.

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:

	CARRYING AMOUNT RM	CONTRACTUAL CASH FLOWS RM	ON DEMAND OR WITHIN 1 YEAR RM	1 TO 2 YEARS RM	2 TO 5 YEARS RM
2017					
Group					
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**
2016					
Group					
Financial liabilities					
Trade payables	75,401,938	75,401,938	75,401,938	–	–
Other payables, deposits and accruals	5,940,026	5,940,026	5,940,026	–	–
Bank overdrafts	8,676,639	8,676,639	8,676,639	–	–
Bankers' acceptances	64,764,000	64,764,000	64,764,000	–	–
Finance lease payables	3,794,028	4,169,256	1,346,703	1,217,187	1,605,366
Foreign currency trade loan	18,257,982	18,257,982	18,257,982	–	–
Onshore foreign currency loans	20,514,497	20,514,497	20,514,497	–	–
Short term loans	16,066,405	16,066,405	16,066,405	–	–
Term loans	1,708,957	1,892,199	784,258	453,671	654,270
	215,124,472	215,682,942	211,752,448	1,670,858	2,259,636

2017/2016 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 RM195,732,844 (2016: RM129,988,480) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM2,616,845 (2016: RM3,794,028), 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 2017 would decrease/increase by RM649,900 (2016: RM494,000) 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"), Indonesian Rupiah ("IDR") and Euro Dollar ("EUR").

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.

Financial assets and liabilities denominated in USD, IDR, SGD and EUR are as follows:

	GROUP		COMPANY	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
United States Dollar				
Cash at banks	**10,086,016**	8,243,973	**–**	52,858
Trade receivables	**26,123,463**	10,248,027	**–**	–
Trade payables	**(18,985,210)**	(55,857,109)	**–**	–
Short term loans	**(37,665,281)**	(16,066,405)	**–**	–
Foreign currency trade loans	**(14,003,904)**	(18,257,982)	**–**	–
Onshore foreign currency loans	**(3,252,949)**	(20,514,497)	**–**	–
	(37,697,865)	(92,203,993)	**–**	52,858

30. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Foreign Currency Risk (Continued)

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Indonesian Rupiah				
Cash at banks	**6,708,068**	14,069,201	**–**	–
Deposits with licensed banks	**1,908,361**	–	**–**	–
Trade receivables	**19,488,495**	17,465,765	**–**	–
Other receivables and deposit	**147,516**	192,789	**–**	–
Trade payables	**(212,800)**	(188,118)	**–**	–
Other payables and accruals	**(235,558)**	(144,711)	**–**	–
Finance lease payables	**(99,791)**	(294,494)	**–**	–
	27,704,291	31,100,432	**–**	–
Singapore Dollar				
Cash at banks	**599,110**	8,038	**–**	–
Trade receivables	**1,074,880**	312,802	**–**	–
Trade payables	**(21,588)**	–	**–**	–
Finance lease payables	**–**	(267,809)	**–**	–
	1,652,402	53,031	**–**	–
Euro Dollar				
Trade payables	**–**	(87,885)	**–**	–

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, IDR, SGD and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
USD/RM	— strengthened 5%	**(1,432,500)**	(3,503,800)	**–**	2,000
	— weakened 5%	**1,432,500**	3,503,800	**–**	(2,000)
IDR/RM	— strengthened 5%	**1,052,800**	1,181,800	**–**	–
	— weakened 5%	**(1,052,800)**	(1,181,800)	**–**	–
SGD/RM	— strengthened 5%	**62,800**	2,000	**–**	–
	— weakened 5%	**(62,800)**	(2,000)	**–**	–
EUR/RM	— strengthened 5%	**–**	(3,300)	**–**	–
	— weakened 5%	**–**	(3,300)	**–**	–

(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 income 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.

The fair value of insurance policy is estimated using discounted cash flows analysis, based on rate of return for a new life insurance policy of similar term.

(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:

	2017		2016	
GROUP	CARRYING AMOUNT RM	FAIR VALUE RM	CARRYING AMOUNT RM	FAIR VALUE RM
Financial liabilities				
Finance lease payables	2,616,845	2,525,210	3,794,028	3,787,312

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 2017 and 2016, the Group held the following assets and liabilities carried at fair values:

Asset measured at fair value

	FAIR VALUE RM	Level 1 RM	Level2 RM	Level 3 RM
2016				
Available-for-sale financial assets – quoted shares	39,684	39,684	–	–

32. FAIR VALUE HIERARCHY (Continued)

Assets/(Liabilities) for which fair value are disclosed

	FAIR VALUE RM	Level 1 RM	Level2 RM	Level 3 RM
2017				
Assets				
Investment properties	**1,605,000**	**–**	**–**	**1,605,000**
Liabilities				
Finance lease payables	**(2,525,210)**	**–**	**(2,525,210)**	**–**
2016				
Assets				
Investment properties	1,695,000	–	–	1,695,000
Liabilities				
Finance lease payables	(3,787,312)	–	(3,787,312)	–

During the financial years ended 31 December 2017 and 2016, there was no transfer between fair value measurement hierarchy.

33. OTHER COMMITMENT

Operating lease commitments – as lessee

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

	GROUP	
	2017 RM	2016 RM
– Not later than one year	**1,201,099**	2,979,534
– More than one year not later than 5 years	**2,636,397**	1,691,924
– More than 5 years	**300,539**	299,632
	4,138,035	4,971,090

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 2016.

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 2017 and 2016, which are within the Group's objectives of capital management are as follows:

	GROUP	
	2017 RM	**2016 RM**
Total interest-bearing borrowings (RM)	**198,349,689**	133,782,508
Less: Deposits, cash and bank balances (RM)	**(63,675,243)**	(53,791,229
Total net debts (RM)	**134,674,446**	79,991,279
Total equity (RM)	**141,642,511**	130,580,366
Debt-to-equity ratio (%)	**95**	61

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.

35. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 23 January 2018, AFFIN Hwang Investment Bank Berhad announced that the Company is exploring the possibility of listing its subsidiary company, Samchem Sphere Joint Stock Company on the Ho Chi Minh Stock Exchange. As at the reporting date, the Proposed Listing is still at an exploratory and preliminary stage.

statement by directors

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

We, **NG THIN POH** and **CHOOI CHOK KHOOI**, 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 85 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 2017 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

CHOOI CHOK KHOOI
Director

Date: 13 April 2018

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 85 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 13 April 2018

EILEEN NG LIEW CHIN
MIA No.: 9723

Before me

NADZRUL AZALI BIN ABDUL AZZIZ (B548)
Commissioner for Oaths

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 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 85.

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 2017, 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.

Trade receivables (Note 16 to the financial statements)

As at 31 December 2017, the trade receivables of the Group amounts to RM195.33 million. We focused on this area because the Group made judgements over both the events or changes in circumstances indicating that the trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our response:

Our audit procedures included, among others:

- Evaluating the design and assessing the implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue as at 31 December 2017;
- Developing understanding of credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by the Group;
- obtaining confirmation of balances from selected receivables;
- reviewing subsequent receipts, considering level of activity with the customer and the Group's explanation on recoverability of balances which are significantly past due; and
- evaluating the audit procedures performed by the component auditors.

Inventory (Note15 to the financial statements)

As at 31 December 2017, the inventories of the Group amounts to RM116.16 million. The Group's inventories are measured at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- evaluating the design and assessing implementation of controls associated with monitoring, detection and write down of slow-moving inventories as at 31 December 2017;
- observing year end physical inventory count to examine physical existence of the inventories and evaluating the design and implementation of controls during the count;
- reviewing subsequent sales and evaluating Group's assessment on estimated net realisable value on the identified inventory items; and
- evaluating the audit procedures performed by the component auditors.

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
No. AF 0117

Chartered Accountants

Kuala Lumpur
Date: 13 April 2018

Andrew Choong Tuck Kuan
No. 03264/04/2019 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	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2017 (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)	10 years	8,876,007	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)	19 years	740,270	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)	19 years	940,149	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	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2017 (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)	21 years	1,272,500	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)	21 years	1,272,500	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	7,200 sq.ft	20 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)	8 years	10,771,967	11,807,824

analysis of shareholdings

AS AT 30 MARCH 2018

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: 2,142

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	230	0	133,760	0	0.05	0.00
1,001 – 10,000	1,133	4	6,412,400	23,600	2.36	0.01
10,001 – 100,000	617	7	19,894,358	394,800	7.31	0.15
100,001 and below 5%	130	7	108,177,614	2,191,000	39.77	0.81
5% and above	2	0	134,772,326	0	49.55	0.00
Total	**2,124**	**18**	**269,390,600**	**2,609,400**	**99.04**	**0.96**

Substantial Shareholders

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Ng Thin Poh	121,109,004	44.53	200,000*	0.07
Tan Teck Beng	13,663,322	5.02	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	121,109,004	44.53	200,000*	0.07
Chooi Chok Khooi	9,322,092	3.43	—	—
Dato' Theng Book	—	—	—	—
Cheong Chee Yun	—	—	—	—
Lok Kai Chun	14,600	0.01	—	—
Ng Ai Rene	200,000	0.07	—	—

* Indirect interest held by spouse and children

List of Top 30 Shareholders

NO.	NAME	SHAREHOLDINGS	%
1	Ng Thin Poh	121,109,004	44.53
2	Tan Teck Beng	13,663,322	5.02
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)*	6,760,000	2.49
5	Ng Hoi Peng	5,202,800	1.91
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	AmSec Nominees (Tempatan) Sdn Bhd *Beneficiary: Nomura Asset Management Malaysia Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund*	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*	3,196,800	1.18
11	Wee Chai Peng	3,119,000	1.15
12	Malacca Equity Nominees (Tempatan) Sdn Bhd *Exempt AN for Phillip Capital Management Sdn Bhd (EPF)*	3,029,700	1.11
13	Maryann Ng Su Ling	2,870,200	1.06
14	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui*	2,546,600	0.94
15	UOBM Nominees (Tempatan) Sdn Bhd *Beneficiary: UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund*	2,301,700	0.85
16	HSBC Nominees (Tempatan) Sdn Bhd *Beneficiary: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Nomura 6939-401)*	2,300,000	0.85
17	HSBC Nominees (Tempatan) Sdn Bhd *Beneficiary: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)*	2,080,000	0.76
18	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: Maybank Trustees Berhad for Areca Equitytrust Fund (211882)*	2,018,700	0.74
19	Citigroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)*	1,980,000	0.73
20	Cartaban Nominees (Tempatan) Sdn Bhd *Beneficiary: RHB Trustees Berhad for KAF Vision Fund*	1,900,000	0.70
21	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chen Tam Chai*	1,798,100	0.66
22	Citigroup Nominees (Tempatan) Sdn Bhd *Beneficiary: Kumpulan Wang Persaraan (Diperbadankan) (Nomura)*	1,621,600	0.60
23	Malacca Equity Nominees Sdn Bhd *Exempt AN for Phillip Capital Management Sdn Bhd*	1,611,000	0.59
24	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hoi Peng (E-SJA/USJ)*	1,510,000	0.56
25	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ronie Tan Choo Seng (8058147)*	1,500,000	0.55
26	Liew Hooi Yee	1,239,700	0.46
27	Michael Lee Fook Soon	1,230,000	0.45
28	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ace Credit (M) Sdn Bhd (STA 1)*	1,150,100	0.42
29	Liew Hooi Suan	1,137,000	0.42
30	Tasec Nominees (Tempatan) Sdn Bhd *Exempt AN for TA Investment Management Berhad (Clients)*	1,027,800	0.38
Total		**213,313,258**	**78.42**

NOTICE IS HEREBY GIVEN THAT the Eleventh 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, Friday, 18 May 2018 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 2017 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 2017. **(Resolution 1)**
3. To approve the payment of Directors' Fees and benefits of up to RM350,000 in respect of the financial year ending 31 December 2018. **(Resolution 2)**
4. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Constitution:
   (i) CHEONG CHEE YUN **(Resolution 3)**
   (ii) DATO' THENG BOOK **(Resolution 4)**
5. To re-elect NG AI RENE, Director who retires pursuant to Article 98 of the Company's Constitution. **(Resolution 5)**
6. To re-appoint Messrs. Baker Tilly Monteiro Heng 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 subject to the passing of Resolution 4, 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.

ANY OTHER BUSINESS

9. 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 18 May 2018, a final single tier dividend of 1.0 sen per share will be paid on 13 June 2018 to shareholders whose names appear in the Company's Record of Depositors on 5 June 2018.

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 5 June 2018 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

26 April 2018

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 11 May 2018 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 Tenth Annual General Meeting held on 19 May 2017 and which will lapse at the conclusion of the Eleventh 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 them 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.

(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 11th 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 11th Annual General Meeting of the Company are:

a)	CHEONG CHEE YUN	(Resolution 3)
b)	DATO' THENG BOOK	(Resolution 4)
c)	NG AI RENE	(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 2017.

3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 13 of the Annual Report 2017.

4. The 11th 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 Friday, 18 May 2018 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 Eleventh 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 Friday, 18 May 2018 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 2017.		
2.	Approval of payment of Directors' fees and benefits for the financial year ending 31 December 2018.		
3.	Re-election of Director – Cheong Chee Yun		
4.	Re-election of Director – Dato' Theng Book		
5.	Re-election of Director – Ng Ai Rene		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng 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.		

(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 .... 2018.

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, 2016shall 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 11 May 2018 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 2017