



HALEX GROUP

**HALEX HOLDINGS BERHAD**



ANNUAL REPORT 2018

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Form Of Proxy  
Annexure To Proxy Form

# OUR COMPANY

## MISSION

We build shareholder value by delivering high quality products and services; parallel with the assessment of safety aspects, conduct business to inspire and implement solutions to the environmental needs.

## VISION

We aim to be recognized as a market leader that is constantly staying ahead in managing change, create values and contribute to our stakeholders.

## CORE VALUE

The Chinese translation of the name “Halex” (合力) means “Cooperation”, which is truly part of our group’s corporate culture. The founders pooled their resources to build and prosper the business. Through this cooperation, the philosophy of sharing was developed.



HALEX GROUP

Our logo symbolizes Halex as a company with its core businesses relating to environmental & natural resources imbedded with a strong foundation represented as the trunk of the tree. The well spread-out branches represents diversity of our various businesses and luscious green leaves denoting the wide and the healthy growth of our closed knitted employee members. At the same time, the tree is always growing representing abundant blooming of innovation, and constant change.



### PASSION

Devoted in delivering excellence



### INTEGRATED BUSINESS

Creating seamless management process



### INTEGRITY

Transparent services



### QUALITY

Continuously providing our product & services at its fineness



### SAFETY AND RELIABILITY

Ensures safe working environment, reliable and good manufacturing practice

## COVER RATIONALE

### COLOUR

**GREEN** represents the main colour of Halex Logo with its flourish leaves that depict hope, renewal, and revival.

A green plant is nature itself. In virtually all cultures, green has traditionally been used to symbolize nature, namely those of life, fertility, and rebirth and spiritual themes like resurrection and immortality.

**WHITE** is normally being associated with purity, innocence, goodness and celibacy. Having the overall white for the cover symbolizes a blank canvas being created for Halex as it emerges with new opportunities and possibility of heighten growth with the holding company.

It is also considered to be the color of perfection which is what Halex is predisposed to achieving.

### DESIGN

Plants often if not always symbolise growth and fertility. In Chinese tradition the leaves of the Cosmic Tree represent all of the beings in the universe. The phrase “Turning over a new leaf” pristinely portrays Halex’s reborn possibilities in regaining its renowned status in its respective active market sectors and even expanding opportunities in agrochemical market.

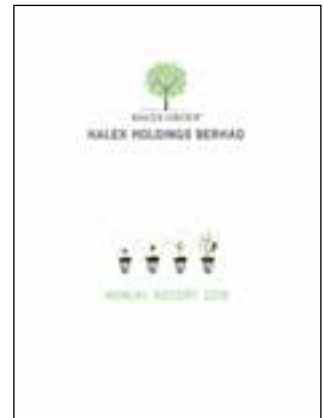


The common understanding of evolution can also be signified through the planting process. We believe it all starts from the seed of hope. That is why the Group believes that planting stages signify precise setting picturing the Group development during the year.

From the fall, the only way the Group has to go is up. Having proper nourishment and guidance from the holding company, the Group improves the knowledge of the business creating endless potential and room to expand clientele base and consumers to a heighten level.

The light bulb symbolises how the Group is inclining its benefits from ideas, strategic planning and also from economies of scale and operational synergies through, amongst others, optimisation of production processes and capacity. Halex is working towards the potential to provide value-added services to our customers through a combined range of products and services.

The growth of the plant in the lightbulb dignifies even though with the growth and successes of Halex, the Company also observes and ensures the growth of the company is contained in parallel incline with its compliances with the regulatory requirements and legal framework to ensures good corporate governance and sustainability.



## CORPORATE

## PROFILE

Halex Holdings Berhad (“Halex”) is incorporated in Malaysia on 13th October 1990 under the Company Act 1965 as a private limited company under the name Halex Holdings Sdn Bhd. Subsequently, on 11th January 2007, the Company converted its status from a private limited company to a public limited company to facilitate our listing on the Main Market of Bursa Malaysia Securities Bhd on 16th September 2009.

Halex and its subsidiaries (“Group” or “Company”) started off in 1980 with Halex (M) Sdn Bhd, a trading company importing and distribution of agrochemicals and fertilizers located in Johor Bahru. Currently, Halex Group’s correspondence office is located in Kuala Lumpur, Malaysia.

Today, while maintaining our core business in agrochemicals, Halex has grown and diversified through its subsidiaries into other industries including but not limited to the manufacture of healthcare disposable products and agro-based biotechnology, both in the domestic and international markets.

Product distributions are channeled through established distributors, hypermarkets, supermarkets and a dealer network at all major towns in Peninsular Malaysia, Sabah and Sarawak. Halex maintains its branch office and all factory operations in Johor Bahru.

Halex Group currently are principally involved in:

- Manufacturing, formulation, re-packaging, distribution and agency of Agrochemicals.
- Manufacturing and distribution of healthcare disposable products, such as wet wipes, cotton-based products, sanitary towels and tissue products.



# CORPORATE

# INFORMATION

## BOARD OF DIRECTORS

**Y.D.H. Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir**

Independent Non-Executive Chairman

**Y.Bhg Dato' Ong Soon Ho**

Non Independent Non-Executive Vice Chairman

**Y.Bhg Dato' Ong Choo Meng**

Non-Independent Executive Director

**Lee Chooi Keng**

Non-Independent Executive Director

**Yeoh Chin Hoe**

Senior Independent Non-Executive Director

**Liew Jee Min @ Chong Jee Min**

Independent Non-Executive Director

**SENIOR INDEPENDENT DIRECTOR**

Yeoh Chin Hoe

**AUDIT COMMITTEE**

Yeoh Chin Hoe (Chairman)  
Liew Jee Min @ Chong Jee Min  
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir

**NOMINATION COMMITTEE**

Liew Jee Min @ Chong Jee Min (Chairman)  
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir  
Yeoh Chin Hoe

**REMUNERATION COMMITTEE**

Dato' Sri Dr. Erwan Bin  
Dato' Haji Mohd Tahir (Chairman)  
Yeoh Chin Hoe  
Liew Jee Min @ Chong Jee Min

**RISK MANAGEMENT COMMITTEE**

Lee Chooi Keng (Chairman)  
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir  
Yeoh Chin Hoe

**WHISTLEBLOWING COMMITTEE**

Yeoh Chin Hoe (Chairman)  
Lee Chooi Keng  
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir

**COMPANY SECRETARY**

LIM HOOI MOOI (MAICSA 0799764)  
ONG WAI LENG (MAICSA 7065544)  
ANG ENG SUN (MIA No. 16014)

**AUDITORS**

Crowe Malaysia PLT  
LLP0018817-LCA & AF 1018  
Chartered Accountants  
Member of Crowe Global  
Kuala Lumpur Office, Level 16 Tower C,  
Megan Avenue II 12 Jalan Yap Kwan Seng,  
50450 Kuala Lumpur, Malaysia.

**Robert Yam & Co (00612)**

No.190 Middle Road, #16-01/02/03,  
Fortune Centre, Singapore 188979.

**STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad (Main Market)  
Stock Name : HALEX  
Stock Code : 5151

**PRINCIPAL BANKERS**

Alliance Bank Malaysia Berhad  
OCBC Al-Amin Bank Berhad  
Hong Leong Islamic Bank Berhad  
AmBank (M) Berhad

**REGISTERED OFFICE**

Unit 30-01, Level 30, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No.8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia.  
Tel : +6(03) 2783 9191 Fax : +6(03) 2783 9111

**SHARE REGISTRAR**

Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi, 59200,  
Kuala Lumpur, Malaysia.  
Tel : +6(03) 2783 9299 Fax : +6(03) 2783 9222

**CUSTOMER SERVICE CENTRE:**

Unit G-3, Ground Floor, Vertical Podium,  
Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala  
Lumpur, Malaysia.

**MAIN OPERATION OFFICE**

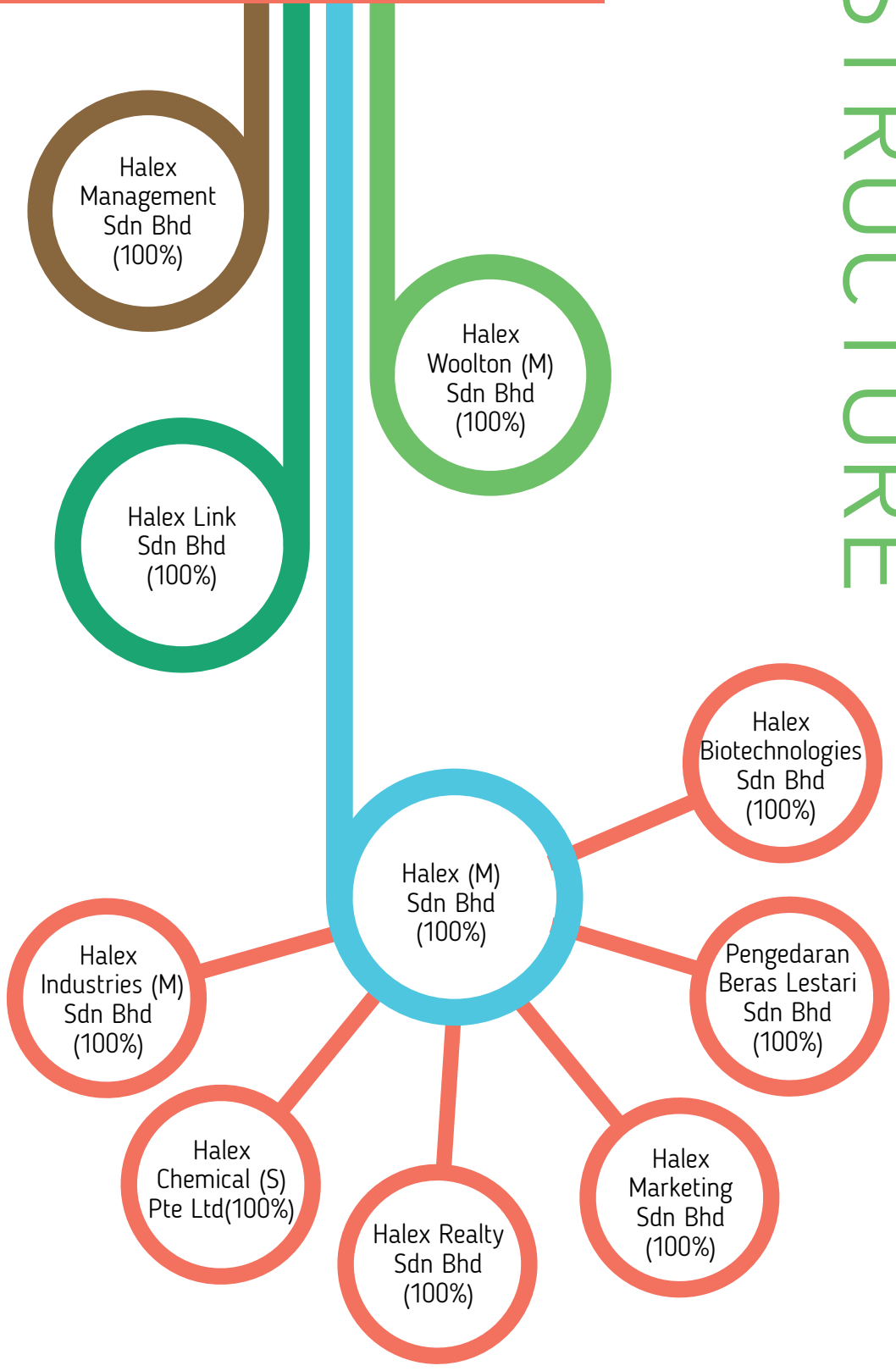
No. 9, Jalan Taruka, Tampoi Industrial Estate,  
81200, Johor Bahru, Johor, Malaysia.  
Tel : +6(07) 237 1543 / 3309 Fax : +6(07) 237 0276  
Email : halexm@halex-group.com  
Website : www.halex-group.com



# GROUP

## STRUCTURE

### HALEX HOLDINGS BERHAD





**QUANTUM LEAP  
TOWARDS QUALITY CROPS**





Dear Shareholders,  
On behalf of the Board of Directors of Halex Holdings Berhad (“Halex” or the “Group”), I am pleased to present the Tenth Annual Report and the Audited Financial Statements for the year ended 31 December 2018

**Y.D.H. DATO' SRI DR ERWAN BIN DATO' HAJI MOHD TAHIR**  
Independent Non-Executive Chairman

# CHAIRMAN'S

# STATEMENT

In 2018, Halex continued its work towards progress and transformation since our establishment. We pursued positive change and enthused growth in all our activities and delivering value for our shareholders by remaining focused on our business priorities and core values.

## AN OVERVIEW OF OUR FINANCIAL PERFORMANCE

The Group observes a financial calendar is a twelve (12) months financial period from 1 January 2018 to 31 December 2018. Further explanation on an overview of our performance and moving forward action strategies will be demonstrated in the Management, Discussion & Analysis segment of the annual report.

## DIVIDEND

The Board of Directors did not propose any dividend for the financial period ended 31 December 2018.

## PRINCIPAL OFFICER

On behalf the Group, I would like to take this opportunity to bid farewell to our Chief Executive Officer and all the best in his future endeavor, Encik Mohd Faisal Kaim bin Abdullah that resigned during the year. Having the changes in the dynamics of the management, we as the Board still believe the Group is able to thrive any impediment faced and still come off strong for the rest of the year as the existing working force is resilient with great endurance.

## SUSTAINABILITY

The Board and I are committed in undertaking responsible agricultural practices which entails on sustainability and good corporate governance. At this juncture, the Company will continue to focus the core values being devoted in delivering excellence with transparent services, continuous performance in maintaining our product quality, parallel to ensuring adequate safety and reliability work force and its environment.

I am pleased that Halex has taken steps in having an outlook shift towards improving sustainability in business and grateful for the support from our stakeholders on this important sustainability journey. We recognize that there is always area for improvement and are steadfast to attend to it.

## OUR HIGHLIGHTS

There are updates on the enhancement effort for the Company's focus on core businesses that was made pursuant to the announcement made in 6 December 2017 that the Company intend to acquire an entire equity interest in Hextar Chemicals Limited from Hextar Holdings Sdn Bhd.

Halex had on 15 May 2018 entered into a sale of shares agreement with the Vendor for the proposed acquisition by Halex of the entire equity interest in HCL from the Vendor for an aggregate purchase consideration of RM596,794,275 ("Purchase Consideration"). The Purchase Consideration will be satisfied through a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares in Halex ("Consideration Share(s)") at an issue price of RM0.81 per Consideration Share ("Proposed Acquisition").

On 17 January 2019, the Company submitted an application to Bursa Securities Malaysia Berhad ("Bursa") in respect of the listing and quotation of the Proposed Acquisition on the Main Market of Bursa ("the Application"). Consequently on 21 February 2019, Bursa resolved to approve the Application.

On 15 March 2019, a circular to shareholders was sent out in regards to the Proposed Acquisition and was then announced on even date for the Extraordinary General Meeting ("EGM") to take place 1 April 2019 to approve the Proposed Acquisition.

On 1 April 2019, the Company held the EGM for the shareholders' approval on the Proposed Acquisition and on even date the approval was obtained and the resolution of the Proposed Acquisition was carried pending the completion of the Proposed Acquisition subject to the placement of shares to meet the public spread of 25%.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I convey our utmost appreciation to our shareholders and customers for your continued support and trust in Halex. To our business associates, advisors, suppliers and partners; we are always grateful for your long-term support and confidence in the Group.

The Board and I would like to sincerely thank the management and employees of Halex for their relentless dedication and hard work to the Group.

Finally, I would like to take this opportunity to thank my fellow directors who have been relentlessly providing their invaluable advice and contributions to the Group throughout the year and supporting Halex way forward.

# DIRECTORS'

# PROFILE



**Y.D.H. Dato' Sri Dr Erwan Bin  
Dato' Haji Mohd Tahir**  
Independent Non-Executive Chairman



**Y.Bhg Dato' Ong Soon Ho**  
Non-Independent  
Non-Executive Vice Chairman



**Y.Bhg Dato' Ong Choo Meng**  
Non-Independent  
Executive Director



**Lee Chooi Keng**  
Non-Independent  
Executive Director



**Yeoh Chin Hoe**  
Senior Independent  
Non-Executive Director



**Liew Jee Min @ Chong Jee Min**  
Independent Non-Executive Director

# DIRECTORS' PROFILE

## **Y.D.H. DATO' SRI DR ERWAN BIN DATO' HAJI MOHD TAHIR**

A male Malaysian aged 42, is our Independent Non-Executive Chairman, and was appointed to the Board on 22 May 2017. Subsequently he was then appointed as Chairman of Halex Holdings Berhad on 6 December 2017 succeeding to resignation of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid on 4 December 2017. He is also currently our Remuneration Committee Chairman.

Dato' Sri Dr Erwan graduated from Kolej Damansara Utama with a Diploma in Hotel Management & Catering. He also obtained Masters in Business Administration (MBA General) which major in Business Administration and subsequently received Doctorate in Business Administration (DBA) which major in International Business Planning from Berkeley International University Southern California, USA.

Dato' Sri Dr Erwan involvement in the business industry started since year 1997 when he got medium scale contracts such as Building Construction, Highways and Painting Works. Amongst his first jobs were to paint the Prime Minister's Office, Prime Minister's Residence, KL International Airport, Sepang F1 Circuit and Suria KLCC.

In 2006, he was involved in the business for Timber and Iron Ore concessions in Pahang and Kelantan. His major achievement was in 2009, when he started to diversify the group business by taking over the largest Switchgear and Transformer Company in power industry of Malaysia. In 2010, his group has taken over the biggest Rice Vermicelli Company in Malaysia which now, controlling 80% of the local market.

In 2012, he had expanded his group business in Coal Mining in Samarinda, West Kalimantan, Indonesia for export internationally. At present, his group venture into the Defense and Security industry supplying Aircrafts, Helicopters, Boats, Armored Vehicles and Artillery supplies for the Military and Police to strengthen their defense and security systems. He is also an active member of Dewan Perniagaan Melayu Malaysia Wilayah Persekutuan, Persatuan Kontraktor Tenaga Malaysia, Persatuan Usahawan Tenaga Malaysia, Arab Malaysian Chamber of Commerce, Persatuan Dato'-Dato' Pahang, Majlis Dato'-Dato' D'Raja Kelantan, Majlis Orang Besar serta Dato' Dato' Lembaga Balai Undang Luak Johor, Negeri Sembilan Darul Khusus.

To date, Dato' Sri Dr Erwan holds positions as Vice Chairman for Kesateria Muda Keselamatan 1 KDN, Kementerian Dalam Negeri, National EXCO Member for Malaysian Crime Prevention Foundation and Vice Chairman 1 for Malaysian Crime Prevention Foundation Selangor, Advisor for POLTERA and Advisor for Jabatan Sukarelawan Malaysia, Kementerian Dalam Negeri, Committee Member for RELASIS and the President of Persatuan Kontraktor Tenaga Malaysia and the Corporate Advisor of Persatuan Kontraktor Melayu Malaysia.

Dato' Sri Dr Erwan has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company and has no other directorship in any other public companies.

## **Y.BHG DATO' ONG SOON HO**

A male Malaysian aged 72, is our Non-Independent Non-Executive Vice Chairman and was appointed to the Board on 22 May 2017.

Dato' Ong Soon Ho is the founder of Hextar Chemicals Sdn Bhd and is responsible for Hextar Group's growth and development since its commencement. Graduated with a Bachelor's Degree in Plant Pathology and Entomology from National Taiwan University. He then obtained Master's Degree in Mycology from University of Aberdeen, Scotland, United Kingdom. His professional experience as part of the senior management team in a multinational corporation is coupled by his experience in the agricultural industry for more than 30 years.

Dato' Ong Soon Ho has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has family relationship with Dato' Ong Choo Meng and the director of Waras Dinamik Sdn Bhd which is the substantial shareholder of the Company. He has no other directorship in any other public companies.

## **Y.BHG DATO' ONG CHOO MENG**

A male Malaysian aged 41, is our Non-Independent Executive Director and was appointed to the Board on 22 May 2017.

Dato' Ong Choo Meng is highly competent and professional business leader with over seven years of valuable experience in the senior management position. Work experience includes business management of a group of companies, familiar with strategizing and driving business plans with commendable track record in directing business growth for the group. He is responsible for the overall finance, business, corporate development, and expansion strategies for the Hextar Group of Companies ("Hextar") and has a Bachelor's Degree in Business, majoring in Business Finance and Investment in Royal Melbourne Institute of Australia. He has been in the agriculture industry for more than 10 years specializing in finance and investment activities.

Dato' Ong Choo Meng was experienced in Denko Industrial Corporation Berhad where he contributed in providing independent review to ensure corporate accountability in the board decision. In addition, he was one of the personnel that ensure strategies proposed by the management were fully deliberated and examined in the long-term interest of the company. Presently, he is conversant in directing Hextar Group growth, business expansion, finance and operational affairs. He currently holds the position as Group Managing Director in Hextar Group of Companies. He is also a Non-Independent Non-Executive Director of SCH Group Berhad.

Dato' Ong Choo Meng has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has family relationship with Dato' Ong Soon Ho and the director of Waras Dinamik Sdn Bhd which is the substantial shareholder of the Company. He has no other directorship in any other public companies.

## Directors' Profile (cont'd)

### LEE CHOOI KENG

A female Malaysian aged 62, is our Non-Independent Executive Director and was appointed to the Board on 22 May 2017. She is also our Risk Management Committee Chairman

Madam Lee is currently responsible for the overall development and business operations of the Hextar Group. After graduating with a Bachelor of Science degree, majoring in Chemistry, Madam Lee started out as a chemist before gaining further experience in a senior management position in the private sector of the agrochemical industry for more than 30 years.

Madam Lee has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. She has no family relationship with any directors or substantial shareholders of the Company and has no other directorship in any other public companies. Nevertheless, she is the Managing Director of Hextar Chemicals Sdn Bhd.

### YEOH CHIN HOE

A male Malaysian aged 68, is currently our Senior Independent Non-Executive Director since 6 December 2017. He was appointed to the Board on 22 May 2017 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee and Whistle Blowing Committee.

Mr. Yeoh is a Fellow of both The Association of Chartered Certified Accountants (UK) and Institute of Chartered Secretaries and Administrators (UK), a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He also obtained a Master degree in Business Administration (General Management) from Universiti Putra Malaysia in 1997.

Mr. Yeoh joined Harrison's Trading (Peninsular) Sdn. Bhd. in 1980, and was appointed as Finance Director in 1990 and subsequently Managing Director in 1997 until he retired in 2006. He then set up a business management consulting firm called BPI Corptall Consulting Sdn. Bhd. in 2006, as a consultant specialising in business process improvements and general business management services.

Mr. Yeoh is also an Independent Director and Chairman of the Audit Committee of Chin Hin Group Berhad.

Mr. Yeoh has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company.

### LIEW JEE MIN @ CHONG JEE MIN

A male Malaysian aged 59, is our Independent Non-Executive Director and was appointed to the Board on 14 December 2017. He is also currently our Nomination Committee Chairman.

Mr. Chong is an accomplished lawyer, as well as an experienced director of public listed companies. He graduated from University of Leeds, England, in 1984 with an Honours Degree in Law and obtained his Certificate of Legal Practice, Malayan, in 1985. He established the firm J.M. Chong, Vincent Chee & Co. and has been practicing law, concentrating on banking, property and corporate matters since 1986.

Mr. Chong is the Vice President of the Klang Chinese Chamber of Commerce & Industry, the Chairman of the Legal Affairs Committee of Klang Chinese Chamber of Commerce & Industry and The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor, the Deputy Chairman of the Legal Affairs Committee of Kuala Lumpur, Selangor Chinese Chamber of Commerce & Industry, a member of Legal Affairs Committee of The Associated Chinese Chamber of Commerce & Industry of Malaysia, and a legal advisor of Malaysia Used Vehicle Autoparts Traders' Association, The Kuala Lumpur & Selangor Furniture Entrepreneurs' Association and Sekolah Menengah Chung Hua (PSDN) Klang.

Mr. Chong is also an Independent Chairman for YKGI Holdings Berhad, Independent Director of Jaks Resources Berhad and recently Parkson Holdings Berhad appointed on 15 January 2019.

Mr. Chong has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company.

# KEY SENIOR MANAGEMENT TEAM

## ANG ENG SUN

### Chief Financial Officer

A male Malaysian aged 46 and was appointed as our Chief Financial Officer on 11 July 2017.

Mr. Ang is a Member of the Malaysian Institute of Certified Public Accountants and also a Member of the Malaysia Institute of Accountants.

Mr. Ang brings with him in total of more than 20 years of working experience in business management encompasses finance, accounting and taxation knowledge covering variety of industries comprises both listed and private Malaysian companies.

He is also well versed with corporate planning strategy. He has an in-depth knowledge and experience of corporate exercises including mergers and acquisitions, restructuring, corporate takeover, initial public offering, placement, etc. Prior to his joining the Company, he was the Chief Financial Officer of an Information Technology company specialises in e-commerce and solutions.

Mr. Ang has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company.

## CHEN SEN LOON

### Executive Director – Agrochemicals Division

A male Malaysian aged 52, Mr Chen is currently the Executive Director of Agrochemicals Division and is responsible for driving Agrochemical business operations performance. He oversees the overall of Halex (M) Sdn Bhd and all the companies under its wing of supervision including, Horticulture and Agro-biotechnologies.

Mr Chen initially joined the Company in 1992 as Chemist and was promoted as Production Manager in 1993. He was appointed as General Manager in 2001, responsible for the agrochemicals manufacturing and export divisions. He then joined the Board of Directors of the Company as an Executive Director in 2014 and was appointed as the Managing Director in early 2015. He then left the

Company in October 2015 for personal reasons but then returned in 2017 with the current position abovementioned as the Company believed his proficiency in the industry that is significant for the Company.

Mr Chen graduated with a degree in Chemistry (Honours) from University Kebangsaan Malaysia and obtained his Master in Business Administration from Heriot-Watt University, UK. Mr Chen has over 25 years of experience in the agrochemical industry, as a chemist and part of the senior management team.

Mr Chen has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company.

## CHIAM LONG CHAI

### Executive Director – Hygiene Disposable Products Division

A male Malaysian aged 46, Mr Chiam is responsible for the Manufacturing and Distribution of Healthcare Disposable Products division's business operations and growth.

Mr Chiam holds a degree in Business Studies, majoring in Finance. He has over 15 years of experience in the agrochemical industry, focusing on administration, marketing, and supply chain management of the business operations. Mr Chiam also has experience in managing products in various industries and in holding expatriate positions abroad.

Mr. Chiam has no conflict of interest with the Company and has no conviction for offences within the past 5 years other than traffic offences (if any) nor any public sanction or penalty imposed by regulatory bodies during the financial year. He has no family relationship with any directors or substantial shareholders of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Group Business Operations, Objectives & Strategies

### Corporate History and Business

Halex was incorporated in Malaysia on 13th October 1990 under the Companies Act 1965 as a private limited company under the name of Halex Holdings Sdn Bhd. We are an investment holding company with subsidiaries principally involved in the trading and distribution of agrochemicals, manufacturing and trading of healthcare disposable products and agro-based technology as far back in the 1980's. On 11th January 2007, we converted our status from a private limited company to a public limited company to facilitate our listing on the Main Market of Bursa Malaysia Securities Bhd. Halex Holdings Berhad was eventually listed on the Kuala Lumpur Stock Exchange on 16th September 2009.

Our factories are located in Johor Bahru with the business operation headquarters based in Klang, Malaysia following the takeover by its parent company, Hextar Group being the largest producer of Agrochemicals in Malaysia. Today, our main core business in agrochemicals has grown from a family owned business to a prominent brand competing in the agrochemical landscape.

### Vision

We aim to be recognised as a market leader that is constantly staying ahead in managing change, create values and contribute to our shareholders.

### Mission

We build shareholders' value by delivering high quality products and services, parallel with the assessment of safety aspects, conduct business to inspire and implement solutions to the environment needs.

## Discussion and Analysis of Financial Results and Financial Conditions for the financial year ended 31 December 2018

### Overview of the Economy

During current trade strains and constriction from global financial conditions, the Malaysian economy recorded a respectable closing for the final quarter of 2018. The economy rose 4.7% succeeding a growth from 4.4% on prior quarter of the year and this is the same pace of its potential growth rate. The International Monetary Fund (IMF) also forecasted in its World Economic Outlook released

in October 2018 that Malaysia Real Gross Domestic Product (GDP) would grow by 4.7% in 2018. Consumer prices record moderate rise reflecting stability of crude oil prices and consequence from the abolition of Goods & Service Tax (GST).

The Malaysian economy continues its firm progress supported by a strong personal consumption from improved employment situation and by rising exports. The real GDP increased 5.6% in the first quarter of 2018 after rising 5.9% in 2017 over the previous year. It is then sluggish to 4.5% in the second quarter resulting from negative contribution of inventory changes while personal consumption maintained its high growth of 8.0% and private capital investment gradually elevated to 6.1%. Consumer price inflation steeped at 3.8% in 2017, nonetheless in 2018 it remains passive on the level of 1% reflecting stabilised fuel prices.

Private expenditure increased 8.5%, easing at 9.0% advance in the previous period, driven by consumption in communication, transport, food & beverages and accommodation. Furthermore, gross fixed capital formation rose 0.3%, dawdling than a 3.2% percent increase in the preceding quarter, mainly due to a decline in machinery & equipment investment; and government spending rose 4.0%, softer than a 5.2% rise from prior three months. Private sector demand is expected to remain as the main driver of growth amongst fiscal rationalisation while the external sector would be weighed down by feebleness global demand.

For performance in production, slowed growth seen at 6.9% from 7.2% in third quarter for services, manufacturing at 4.7% from 5.0% and not forgetting construction at 2.6% from 4.6%. Conversely, agricultural activity diminished at -0.4% from -1.4% and mining & quarrying output recovered at 0.5% from -4.6%. Growth in 2018 was further affected by unexpected supply disruptions in the commodity-related sectors.

In 2019 outlook, the supply disruptions recede and new production facilities commence, the Malaysian economy is positive on to continuing to expand at a steady pace. Although sentiments have weakened from recent highs, private sector expenditure will continue to be supported by fundamental factors such as continued income and employment growth. Risks to growth remain headed on the downwards. These are mainly from further escalation of trade strains and tightening of global financial conditions.

In 2019, headline inflation is expected to average moderately higher. The policy on tax consumption will cause temporary effect on inflation during the year and looking to lapse towards the end of the year.

### Financial Performance 2018 vs 2017

	2018	2017	Change
Business segments:-			
Revenue (RM'000)			
- Investment Holdings	-	-	-
- Agriculture Supplies and Trading	34,892	36,586	(4.6%)
- Consumer Products	29,254	28,310	3.3%
- Horticulture and Agro-biotechnologies	4,000	4,143	(3.5%)
	68,146	69,039	(1.3%)

## Management Discussion and Analysis (cont'd)

For the financial year ended ("FYE") 31 December 2018, the Group recorded revenue of approximately RM68.15 million, representing a decrease of approximately RM0.89 million or 1.29% as compared to Group's revenue of approximately RM69.04 million for the FYE 31 December 2017. The decrease in our Group's revenue was attributed to the following:

- a. lower revenue from the Group's Agriculture Supplies and Trading segment by approximately RM1.69 million to approximately RM34.90 million (2017: RM36.59 million) due to the drop in commodity prices, particularly, oil palm prices and the surge in raw material prices as a result of the environmental controls imposed by the government of the People's Republic of China where our Group has been sourcing raw materials from, which in turn led to cautious/deferred spending by our agrochemical's customers; and
- b. lower revenue from our Group's Horticulture and Agrobiotechnologies segment by approximately RM0.14 million to approximately RM4.00 million (2017: RM4.14 million) due to low demand from consumers.

However, the Group witnessed a marginal improvement in revenue from Consumer Products segment of approximately RM0.94 million from approximately RM28.31 million for the FYE 31 December 2017

to approximately RM29.25 million for the FYE 31 December 2018 as a result of our Group's marketing efforts and campaign which was put in place to boost our sales in consumer products.

Group's loss before tax ("LBT") shrunk by approximately RM0.77 million or 6.57% from approximately RM11.72 million for the FYE 31 December 2017 to approximately RM10.95 million for the FYE 31 December 2018. The lower LBT for the FYE 31 December 2018 was mainly due to lower impairment and write off amounting to approximately RM2.84 million as compared to approximately RM11.48 million reported in the FYE 31 December 2017. Net Loss per Share shrunk from 11.22 sen for the FYE 31 December 2017 to 10.05 sen for the FYE 31 December 2018.

In overall overview, the Group's current business environment faces internal and external challenges such as foreign currency fluctuation, consumer sentiment, intense competition and availability of alternative substitutes. Understanding the key for a better financial performance is to have an optimized production capacity and efficient utilization of all resources.

However, having the Proposed Acquisition as mentioned above will enable the Group to tap into the enlarged distribution network thus achieving the economies of scale and synergies.

### Liquidity Performance 2018 vs 2017

Financial year	2018	2017
Group Current Assets (RM'000)	58,630	65,282
Group Current Liabilities (RM'000)	28,647	22,650
Net Current Assets (RM'000)	29,983	42,632
Current Ratio (times)	2.05	2.88
Net Asset ("NA") Per Share (RM)	0.59	0.69
Gearing (times)	0.71	0.53

Group's NA declined further by approximately RM11.35 million or 15.45% from approximately RM73.47 million as at 31 December 2017 to approximately RM62.12 million as at 31 December 2018. This resulted in a decline in Group's NA per Share from approximately RM0.69 as at 31 December 2017 to approximately RM0.59 as at 31 December 2018 and the Group's gearing ratio increased further from approximately 0.53 times as at 31 December 2017 to approximately 0.71 times as at 31 December 2018. The higher gearing ratio was also due to the additional drawdown of borrowings to fund its business operations during the said financial period.

### Capital Expenditure

There was a major capital expenditure incurred during the financial year 2018 impacted from full settlement of purchase of 6-storey shop office to house the shared service functions amounted to RM6.90 million. The Group estimates to incur a budget capital expenditure of RM5.00 million in 2019 mainly for the renovation and purchases of furniture & fixtures the above shop office.

### Review of Operating Activities

#### Agriculture Supplies & Trading Division

##### Product Registration

In 2018, the Group has a total of ninety-nine (96) product registrations ranging from herbicides, pesticides to fungicides registered with the Malaysian Pesticide Board under the Pesticide Act 1974. The Group continues with its efforts to innovate and assesses its current and future products registration to match with the market's need.

#### Consumer Products Division

##### Machinery Operating Below Optimum Capacity

The healthcare disposable products saw a 3.3% improvement in revenue in financial year 2018 as compared to the same corresponding financial year 2017. The business segment faced intense competition and volatility of raw material prices.



## Management Discussion and Analysis (cont'd)

Furthermore, the machinery for this segment is running below optimum capacity of 80%. The Group is exploring the automation of machinery to be more efficient and increase its capacity in order to reduce its cost and stay competitive.

### Horticulture & Agro-Biotechnologies Division

The Group is now looking to divest this division in view that to its nominal contribution and in 2018, the Group took the effort on the basis of prudent view to write-off its assets except for the properties resulting in a total write-off of RM2.05 million for this business segment.

### Future Prospects

The Board acknowledges that the key for a better financial performance is to have an optimized production capacity and efficient utilization of all resources by way of organic growth or merger and acquisition.

The Company had on 6 December 2017, entered into a heads of agreement with Hextar Holdings Sdn. Bhd. for proposed acquisition of four (4) ordinary shares of United States Dollar (USD) 0.10 each (equivalent to approximately RM0.41 each, based on an exchange rate of 4.0875) in Hextar Chemicals Limited ("HCL"), representing the entire equity interest.

- (i) to eliminate conflict of interests arising from the Interested Directors and Interested Major Shareholders' involvement in the agrochemical business through their interests in HCL Group;
- (ii) to eliminate business competition and allow Halex Group to expand its agrochemical business by tapping into HCL Group's customer/ supplier network in more than 30 countries worldwide;
- (iii) to allow Halex Group to benefit from economies of scale and operational synergies through, amongst others, optimisation of production processes and capacity as well as research and development, procurement and administrative functions; and

- (iv) to potentially provide value-added services to Halex's customers through a combined range of products and services.

Subsequently the Company announced that on 15 May 2018 the Company entered into a sale of shares agreement ("SSA") with the Vendor for the Proposed Acquisition by Halex of the entire equity interest in HCL from the Vendor for an aggregate purchase consideration of RM596,794,275 ("Purchase Consideration"). The Purchase Consideration will be satisfied through a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares in Halex ("Consideration Share(s)") at an issue price of RM0.81 per Consideration Share ("Proposed Acquisition").

On 15 March 2019, a circular to shareholders was sent out in regards to the Proposed Acquisition and was then announced on even date for the Extraordinary General Meeting ("EGM") to take place 1 April 2019 to approve the Proposed Acquisition.

On 1 April 2019, the Company held the EGM for the shareholders' approval on the Proposed Acquisition and on even date the approval was obtained and the resolution of the Proposed Acquisition was carried pending the completion of the Proposed Acquisition subject to the placement of shares to meet the public spread of minimum 25%.

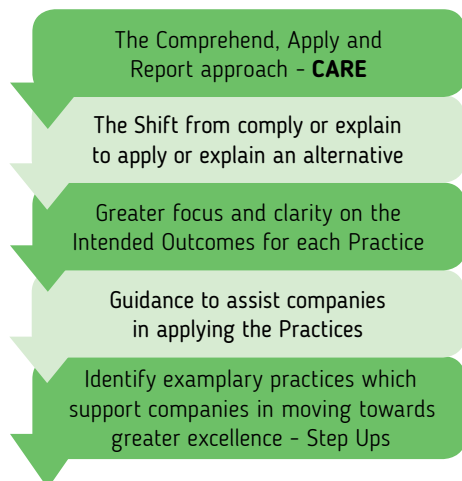
The Board is of the view that, with the abovementioned strategies and merger with HCL Group, moving forward, the Group financial performance is expected to show a better improvement and is prepared to embrace the challenges ahead. The Group is able to solidify our position as a leading producer of agrochemicals in Malaysia through continuous development and upgrade our Research & Development capabilities. The Group foresees the ability to enhance the competitiveness of our agrochemicals business by increasing product range. Halex is also targeting to expand its presence in the new markets by way of extending our distribution network.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

This statement is prepared in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and it is to be read together with Corporate Governance Report 2017 ("CG Report"). The Board of Directors of Halex ("Board") presents this statement to provide an insight on the corporate governance practices of the Company under the management of the Board. This statement also describes how the Board discharges its duties and responsibilities in building a sustainable business while working towards achieving the Halex Company ("Company") strategic goals and values in business and to deliver long-term sustainable shareholder value while protecting the interests of the Company's shareholders and other stakeholders.

The Board is pleased to set out below the manner by which the Company currently comprehends the key principles of good governance and the extent to which it has applied and reported best practices prescribed under the Malaysian Code on Corporate Governance 2017 ("Code") for the financial year ("financial year") ended 31 December 2018.

The key features of the Code are listed in Diagram below and the Company comprehends on these approaches and will be at our best to apply and report it accordingly.



The ensuing paragraphs describe the extent of how the Company has applied and complied with the principles and best practices of the Code for the financial year ended 31 December 2018. The detailed application for each practice as set out in the Code is disclosed in the CG Report which is available on the corporate website: [www.halex-group.com](http://www.halex-group.com).

The Code focused on three key principles for good corporate governance -

- A. Board leadership and effectiveness;
- B. Effective audit and risk management; and
- C. Integrity in corporate reporting and meaningful relationship with stakeholders

The Board has also provided specific disclosures on the application of each Practices in its CG Report. The CG Report is announced together with this Annual Report of the Company and is accessible online at [www.halex-group.com](http://www.halex-group.com). Shareholders are advised to read this overview statement together with the CG Report.

## A BOARD LEADERSHIP AND EFFECTIVENESS

### Part I – Board Responsibilities

#### 1. Objectives and Goals

##### 1.1 Strategic Aims, Values and Standards

The Board is collectively responsible for the overall conduct of the Company's business on behalf of the shareholders and takes full responsibility for the performance of the Company. In setting the Company's overall strategy and governance and in pursuit of the Company's objectives, the Board takes into account the interests of the stakeholders in its decision-making so as to ensure the Company's objectives in creating long term shareholder value are met. The Board provides the leadership necessary to the management of the Company ("Management") and monitors the Company's performance and operational progress towards the Company's business objectives.

The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):-

- i) Audit
- ii) Risk Management
- iii) Nomination
- iv) Remuneration

The powers delegated to the Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and set out in the website in Corporate Governance under Policy Disclosures at <http://www.halex-group.com/investor-relations>.

##### 1.2 The Chairman

The Chairman holds a Non-Executive position, and is responsible for matters pertaining to the Board and the overall conduct of the Company. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture. The Chairman, who must be a non-executive member of the Board, has the responsibility of ensuring that the Board works smoothly and effectively. His responsibilities include ensuring all relevant issues are addressed on the agenda of Board meetings and the Chairman therefore, in consultation with the Executive Directors ("ED") and/or Senior Management i.e. Chief Executive Officer ("CEO") and the Company Secretary sets and approves the agenda of Board meetings. He also ensures that all Directors participates in Board activities and that they receive relevant information on a timely manner. The Chairman oversees and ensures that the ED and Management provide the Board with a true, fair and full account of the condition and state of the Company's businesses, operations and cash flows.

## Corporate Governance Overview Statement (cont'd)

### 1.3 Chairman and CEO / ED

The Chairman of the Company is Y.D.H Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir and the ED of the Company are Dato' Ong Choo Meng and Madam Lee Chooi Keng

The Board is guided by the Board Charter and the Limits of Authority ("LOA") which define matters that are specifically reserved for the Board and the delegated day-to-day management of the Company under ED. The LOA is cascaded to the Senior Management Team.

There is a clear division of responsibilities between the Chairman and the ED. The LOA sets specific parameters in which decisions can be made.

The ED are responsible for the overall performance of the Company after the resignation of the CEO on 31 July 2018. They develop and implement the strategic goals of the Company after obtaining Board's endorsement for it and oversees the day-to-day management of the Company to ensure compliance and consistent application to the policies, standards, procedures and practices of the Company in carrying out the plans, instructions and directions of the Board. The ED will also assess all potential business opportunities.

The ED is supported by Senior Management Committees for each major business division, whose duties are clearly defined in their scope of work. The ED is responsible for overseeing the performance of each business division and reporting the same to the Board on a quarterly basis

### 1.4 Qualified & Competent Secretary

Every Director has ready and unrestricted access to the advice and services of the Company Secretary in ensuring the effective functioning of the Board. The Company Secretary ensures that Board Policies and procedures are both followed and reviewed regularly, and are responsible to ensure that each Director is made aware of and provided with guidance as to his/her duties, responsibilities and powers.

The Board is regularly updated by the Company Secretary on new statutory and regulatory requirements, and the resultant implications to the Company and Directors in relation to their duties and responsibilities. They are also responsible for ensuring the Company's compliance with the relevant statutory and regulatory requirements.

The Company Secretary plays an advisory role to the Board, particularly with regards to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation as well as the principles of best corporate governance practices. The Company Secretary also briefs the Board on the contents and timing of material announcements to be made to Bursa Securities.

Our Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance practices through continuous training. During the year the Company Secretaries have accumulated the requisite Continuing Professional Development points required of MAICSA members who are practicing company secretaries. The Board has full and unrestricted access to the advice and services of the Company Secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their duties.

### 1.5 Access to Information and Advice

The Board meets regularly during the financial year. The meetings are planned at the beginning of the financial year and the meeting calendar circulated in advance to enable the Directors to reserve their dates for the Company. The agendas for each Board meeting are circulated in advance. The Board is provided with the relevant agenda and board papers in sufficient time, at least five (5) business days, prior to the meetings to enable them to obtain further explanation and clarification to facilitate informed decision-making. The Board papers include reports on the Company's financial, operational and corporate development. In order to maintain confidentiality, board papers on issues or corporate proposals which are deemed highly confidential would only be distributed or shared at the meeting itself.

The Board has unrestricted access to all information within the Company, whether as a full board or in their individual capacity, which is necessary for discharge of its responsibilities and may obtain independent professional advice at the Company's expense in furtherance of their duties.

Directors are supplied, with regards to scheduled meetings, with detailed reports and supporting documents from the management pertaining to financial performance of the Company and each operating business segment, investments and strategic involvements prior to the meeting for their review and consideration to assist them in making well-informed decisions. Senior Management staff are invited to the Board meetings to brief the Board on areas of business within their responsibilities, provide Board members with insights into the business or to clarify the matters tabled or raised by the Board and if required, external professional advisors are engaged to provide input on such matters.

During the financial year under review the Board held a total of seven (7) meetings. Special Board meetings were convened to consider urgent proposals or matters requiring the Board's expeditious consideration. There were also decisions taken by way of Directors' Written Resolutions.

## 2. Responsibilities

### 2.1 Board Charter

The Board is guided by the Board Charter, which is constantly updated and reviewed to ensure its consistency

## Corporate Governance Overview Statement (cont'd)

with the practices and adherence to the relevant rules, regulations and governance. A copy of Charter can be found on the Company's website at <http://www.halex-group.com>. The Charter provides reference for the Board in relation to its roles, powers, duties and functions in the discharge of its duties. The Charter also outlines the processes and procedures adopted to ensure the Board and Board Committees' effectiveness in discharging their fiduciary duties. In the Board Charter as well, the Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and Management.

The Board Charter covers the following broad areas:

- Composition of the Board, including size, nominations and appointments and re-elections, annual board evaluations;
- Board Roles and Responsibilities inclusive of Separation of Roles between Chairman of the Board and CEO, Board Committees and the responsibilities of the Directors;
- Board Processes covering meetings, access to independent advisors, Directors' training and Remuneration Committee;
- Compliance of conduct, its core areas and application; and
- Review of the Board Charter.

### 2.2 Issues reserves for the Board

In compliance with best practice in corporate governance, Mr Yeoh Chin Hoe was appointed as the Company's Senior Independent Director ("SID") in year 2017. The SID is the main channel between the Independent Directors and the Chairman on matters that may be deemed sensitive and provides an alternative communication avenue for shareholders and stakeholders alike to convey their concerns and raise issues.

The role of the SID is included in the Board Charter, which is accessible on the Company's website. The SID is also the channel identified in the Company's Whistle-Blowing Policy to whom reports can be directed to. All queries relating to the Company can be sent to the SID's email address at [sid@halex-group.com](mailto:sid@halex-group.com).

For the financial year under review no shareholders has asked or communicated with the SID.

## 3. Code of Conduct and Policies

### 3.1 Corporate Code of Conduct & Ethics

#### Formalised Ethical Standards through Code of Conduct & Ethics

The Company has in place a Code of Conduct & Ethics ("the Conduct") that governs the standards of ethics and responsible business conduct expected from the Board and employees. The said Conduct has been established and

crafted based on the principles as set out in the Code of Conduct & Ethics published by the Companies Commission of Malaysia and encompasses principles in relation to honesty, integrity, responsibility and corporate responsibility. The Code is available in the company's website [www.halex-group.com](http://www.halex-group.com).

The Conduct covers all aspects of the Company's business operations such as compliance with laws, policies and procedures, integrity, conduct in the workplace, business conduct, maintaining confidentiality and disclosure of information, anti-corruption & fraud, conflicts of interests, insider trading, protection of the Company's assets, safety & health, privacy protection, equal opportunity, anti-harassment and criminal breach of trust.

In addition to the above conduct and policy, the Company's employees are also guided by the divisional Vision and Mission values which are embedded in the division's strategic goals and objectives.

#### Directors' Code of Conduct & Ethics

The Board has adopted a Code of Conduct & Ethics for the Directors of the Company, which covers a wide range of business practices and procedures. This Code of Conduct & Ethics describes the standards of business conduct and ethical behaviour for Directors in performing and exercising their responsibilities as Directors of the Company or when representing the Company.

It covers the areas of compliance with rules, regulations and laws, conflict of interest, insider trading, anti-corruption & fraud, whistleblowing and corporate disclosure.

### 3.2 Whistle-Blowing Policy

As part of the Company's continuous efforts to ensure that good corporate governance practices are being adopted, the Company has established a Whistle Blowing Policy to provide a clear line of communication and reporting of concerns for employees at all levels.

Whistle-Blowing Policy provides an avenue for employees to freely communicate to the appropriate parties their concerns about unethical practices or malfeasance without fear of repercussion and intimidation in a safe and confidential manner. Concerns may be reported to the Chairman of the Whistle-blowing Committee, Mr. Yeoh Chin Hoe, SID of the Company. All reports received will be investigated independently to ensure appropriate actions are being taken.

The Code of Conduct & Ethics and Whistle-Blowing Policy are made available to employees of the Company. Salient features of the Code of Conduct & Ethics and the Whistle Blowing Policy may also be obtained from the Company's website.

# Corporate Governance Overview Statement (cont'd)

## Part II – Board Composition

### 4. Board's Objectivity

#### 4.1 Composition

The Current Board consists of six (6) members, of which two (2) are ED, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors (“NED”) including a SID.

<b>Chairman</b>	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Independent Non-Executive Chairman
<b>Vice Chairman</b>	Dato' Ong Soon Ho	Non-Independent Non-Executive Vice Chairman
<b>Member</b>	Dato' Ong Choo Meng	Executive Director
<b>Member</b>	Lee Chooi Keng	Executive Director
<b>Member</b>	Yeoh Chin Hoe	Senior Independent Non-Executive Director
<b>Member</b>	Liew Jee Min @ Chong Jee Min	Independent Non-Executive Director

#### 4.2 Tenure of Independent Director

To-date none of the Independent Directors have served on the Board for a cumulative term of more than nine (9) years in the Company.

#### 4.3 Policy of Independent Director's Tenure

The Company does not have a policy which limits the tenure of its independent directors. In the event it is required, shareholders' approval will be obtained at the Annual General Meeting (“AGM”) each year for the reappointment of any Independent Non-Executive Director who has served for more than nine (9) years.

#### 4.4 Diverse Board and Senior Management Team

The Profile of Directors and the Key Senior Management Team can be found on pages 11 and 13 respectively. The appointment of Board and Key Senior Management are based on objective criteria, merit and besides gender diversity, due regard are given for diversity in skills, experience, age and cultural background.

#### 4.5 Gender Diversity

The Board is supportive of gender diversity and currently Board composition comprises 16.67% of female directors. The Board through the Nomination Committee will consider gender diversity as part of its criteria in its future selection and will look into increasing female board representation.

#### 4.6 New Candidates for Board Appointment

The Board has taken note of the importance of succession planning to the Company and succession planning includes appointing, training, fixing the compensation of and where appropriate, replacing EDs and Management. The possibility of replacing Executive Directors and Management will be addressed when circumstances required.

The Nomination Committee (“NC”) has been tasked with planning for a viable succession plan for Directors and Key Management of the Company.

#### 4.7 Nomination Committee

The Nomination Committee (“NC”) is tasked with the responsibility to oversee the selection and assessment of Directors for appointment, re-election or re-appointment to the Board and Board Committees. The Current NC comprises exclusively of Independent NEDs:

Position	Name	Designation
<b>Chairman</b>	Liew Jee Min @ Chong Jee Min	Independent Non-Executive Director
<b>Member</b>	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Independent Non-Executive Director
<b>Member</b>	Yeoh Chin Hoe	Senior Independent Non-Executive Director

The principal objectives of the Nomination Committee as stated in its Terms of Reference are:

1. Lead the process to identify and nominate suitable candidates for appointment to the Board to fill Board and Board Committee vacancies as and when they arise;
2. Establish the criteria for Board membership required for a particular appointment including experience, skills, knowledge, expertise, professionalism, integrity, time commitment and other factors having regard to the leadership needs of the Company;
3. Review annually the structure, size, balance and composition of the Board and Committees including the required mix of skills, knowledge and experience, the independence of the non-executive directors and Board diversity in terms of gender and age to competently discharge their duties and recommend to the Board with regard to any change;
4. Evaluate and recommend to the Board for re-election or otherwise, directors who are retiring pursuant to the Constitution of the Company having regard to their performance and contributions to the Board as well as the removal of directors;

## Corporate Governance Overview Statement (cont'd)

5. Evaluate on an annual basis the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each director;
6. Assess the training needs of each Director;

During the financial year, in discharging their duties, the NC met three (3) times and reported the following to the Board:

- i. The review and recommendation to organizational changes to the Company organization chart;
- ii. The effectiveness of the present size of the Board;
- iii. The effectiveness of the composition of the Board in relation to the mix Independent Directors, NEDs and EDs;
- iv. The effectiveness of the composition of the Board in relation to the mix of skills, experience, age and other qualities;
- v. The existence or any conflict of interests, where present, of the present and potential Directors with the businesses of the Company;
- vi. The contribution of individual Directors in relation to their time commitment, participation and decision-making; and
- vii. The training undertaken by the individual Board members and the recommendation of appropriate courses to enhance their skills.

### 5. Overall Board Effectiveness

#### 5.1 Annual evaluation

The Board meets on a minimum of quarterly basis, additional as and when required. The general agenda of the meetings includes discussion over minutes of previous meetings, quarterly financial results of the Company and any other issues requiring the Board's deliberation and approval. The agenda for each Board meeting is circulated to all the Directors for their perusal prior to the convening of each meeting to enable Directors to obtain further clarifications/explanations prior to the meeting to ensure smooth proceeding of each meeting. The proceedings and resolutions reached at each Board meeting are minuted and signed by Chairman of the meeting.

Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through circulation of Directors' Resolutions.

The Board had held seven (7) meetings during the financial year on 20 February 2018, 9 April 2018, 4 May 2018, 21 May 2018, 20 August 2018, 22 October 2018 and 23 November 2018.

Record of each Board of Director's attendance at meetings during the year under review is set out below:-

No.	Directors	Total Meeting Attended	%
1.	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Chairman)	7/7	100
2.	Dato' Ong Soon Ho	7/7	100
3.	Dato' Ong Choo Meng	7/7	100
4.	Lee Chooi Keng	7/7	100
5.	Yeoh Chin Hoe	7/7	100
6.	Liew Jee Min @ Chong Jee Min	7/7	100

The following are the record of attendance for Board Committees' Meetings held in 2018:-

#### Audit Committee ("AC")

During the financial year ended 31 December 2018 the AC held seven (7) meetings on 20 February 2018, 9 April 2018, 4 May 2018, 21 May 2018, 19 June 2018, 20 August 2018 and 23 November 2018 and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Yeoh Chin Hoe (Chairman)	7/7	100
2.	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	7/7	100
3.	Liew Jee Min @ Chong Jee Min	7/7	100

#### Nomination Committee ("NC")

During the financial year ended 31 December 2018, the NC held three (3) meetings on 20 February 2018, 9 April 2018, and 23 November 2018 and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Liew Jee Min @ Chong Jee Min (Chairman)	3/3	100
2.	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	3/3	100
3.	Yeoh Chin Hoe	3/3	100

#### Risk Management Committee ("RMC")

During the financial year ended 31 December 2018 the RMC held three (2) meetings on 20 February 2018 and 20 August 2018 and details of attendance of each Committee member are as follows:-

## Corporate Governance Overview Statement (cont'd)

No.	Directors	Total Meeting Attended	%
1.	Lee Choi Keng (Chairman)	2/2	100
2.	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	2/2	100
3.	Yeoh Chin Hoe	2/2	100

### Remuneration Committee ("RC")

During the financial year ended 31 December 2018 RC had on 20 February 2018 held one (1) meeting and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
4.	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Chairman)	1/1	100
5.	Yeoh Chin Hoe	1/1	100
6.	Liew Jee Min @ Chong Jee Min	1/1	100

The Company Secretary helps to monitor the limitation on directorships as required under the MMLR. The Directors upon appointment or resignation as the case may be, will notify the Company Secretary of their directorships in other companies for disclosure to the Board at Board meetings.

Prior to accepting invitation for appointments to other boards Directors are to discuss with the Chairman their board invitation. The Board recognizes that its Directors may be invited to become directors of other companies and that exposure to other boards can broaden the experience and knowledge of its Directors which will benefit the Company. Directors are therefore at liberty to accept other board appointments so long as such appointments are not

in conflict with the business of the Company and do not adversely affect the Director's performance as a member of the Board.

The Chairman after reviewing the said Director's attendance record and the time spent at the Company's Board and Board Committee meetings together with his participation during meetings, the Chairman will discuss with the said Director regarding his invitation to sit on another board and on conclusion would agree/disagree with the Director regarding the invitation.

All the Board members have attended the Mandatory Accreditation Programme as required by the MMLR.

The Board has assumed the onus of determining and overseeing the training needs of the Directors. The Directors are mindful of the need for continuous training to keep abreast of the relevant changes in laws, regulations and the business environment to effectively discharge their responsibilities and are encouraged to attend forums, training and seminars in accordance with their respective needs in discharging their duties as Directors. The Company Secretary will also provide updates to the Directors from time to time on relevant guidelines and statutory and regulatory requirements.

## 6. Remuneration

### 6.1 Policy

The Board has in place a policy which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Company. In this regard, the RC is responsible to formulate and review the remuneration policies for the NEDs and Senior Management of the Company to ensure the same remain competitive,

During the financial year under review, the Directors attended the following training:-

#### SUMMARY OF CEP TRAINING / COURSES ATTENDED BY THE DIRECTORS (2018)

Attendant	Programme
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading
Liew Jee Min @ Chong Jee Min	Corporate Governance Briefing Session : MCCG Reporting & CG Guide
	" Trade and Customs " and " Merger Control / Competition "
	Independents Directors' Programme: The Essence of Independence
Yeoh Chin Hoe	Policing to Consulting Workshop for Chief Internal Auditors
	AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading
Lee Chooi Keng	ISO 9001:2015 Awareness Training
	AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading
	FMM Seminar on Implementing the New SST Regime & Addressing Transitional Issues
Dato' Ong Soon Ho	Psychology of Investing : Victory Over Your Thoughts, Success is Yours!
Dato' Ong Choo Meng	China in Southeast Asia : Building Corporation, Managing Conflict
	Psychology of Investing : Victory Over Your Thoughts, Success is Yours!

## Corporate Governance Overview Statement (cont'd)

appropriate and in alignment with the prevalent market practices. The current Board Remuneration was approved by the shareholders at the 27th AGM of the Company held on 21 May 2018.

### 6.2 Committee

The members of the Remuneration Committee ("RC") consist of two (3) Non-Executive Directors and meet as and when required.

The members of the RC comprise wholly Non-Executive

Directors. The current members of the Remuneration Committee are:-

Position	Name	Designation
Chairman	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Independent Non-Executive Director
Member	Yeoh Chin Hoe	Senior Independent Non-Executive Director
Member	Liew Jee Min @ Chong Jee Min	Independent Non-Executive Director

The Remuneration Committee met once during the year.

## 7. Remuneration of Directors and Senior Management

### 7.1 Directors Remuneration details in 2018 and Proposed Remuneration for 2019

Fee	RM '000 (per annum)	
	2018	2019
Fee - Chairman	66	66
Fee - Audit Committee Chairman	54	54
Fee - Each Executive Director	-	*56
Fee - Each Non-Executive Director	48	48

Allowances	RM (per annum)	
	2018	2019
Meeting Allowance (per day)	1,000	1,000

\*Subject to revision depending on company performance.

The Directors' fees are subject to the approval of shareholders of the Company.

The remuneration of the Directors of the Company for 2018 is as follows:

#### a. NEDs

No.	Directors	Directors' Fee	Allowances
		(RM'000)	(RM'000)
1.	Dato' Ong Soon Ho	48	6
2.	Dato' Sri Dr. Erwan Bin Dato' Hj Mohd Tahir	66	11
3.	Yeoh Chin Hoe	54	13
4.	Liew Jee Min @ Chong Jee Min	48	9

#### b. ED/CEO

No.	Directors	Fee/Salary	Other Emoluments	Total
		(RM'000)	(RM'000)	(RM'000)
1.	Dato' Ong Choo Meng	-	3	3
2.	Lee Chooi Keng	-	3	3



# Corporate Governance Overview Statement (cont'd)

## 7.2 Remuneration of Senior Management

The remuneration of the top five (5) Senior Management Team of the Company is as follows:

Remuneration (RM)	Top 5 Senior Management
0-100,000	3
100,001-200,000	1
200,001-300,000	1
<b>TOTAL</b>	<b>5</b>

## B EFFECTIVE AUDIT AND RISK MANAGEMENT

### Part I – Audit & Risk Management Committee

#### 8. Effective and Independent Audit & Risk Management

The AC is chaired by Mr Yeoh Chin Hoe. The Board has established an internal audit function within the Company, which is led by the out-sourced Internal Auditors, Governance Advisory.com Sdn Bhd., who reports directly to the AC. Details of the internal audit function and activities are set out in the AC Report of this Annual Report. During the year, the Company incurred RM 58,000 in respect of the internal audit services.

Through the AC, the Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the AC and the Board on matters that require the Board's attention.

The External Auditors provide mainly audit-related services to the Company. Due to the familiarity of the Company, the External Auditors also undertake certain non-audit services such as regulatory reviews and reporting and other services. Fees paid to the External Auditor for such non-audit services for the year amounted to RM379,000.

The Company has always maintained a transparent relationship with its External Auditors in seeking professional advice and ensuring compliance with applicable approved financial reporting standards in Malaysia. A summary of the activities of the AC during the year is set out in the AC Report of this Annual Report.

The AC has also obtained a written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The AC has recommended the re-appointment of Messrs. Crowe Malaysia PLT as External Auditors for the financial year ending 31 December 2019. The re-appointment of Messrs. Crowe Malaysia PLT will be presented for shareholders' approval at the forthcoming 28th AGM.

The Company formalised during the year an Audit Independence Policy where the policy & procedures assess the suitability, objectivity & independence of the External Auditors.

### Part II – Risk Management and Internal Control Framework

#### 9. Effective Risk Management and Internal Control Framework

The Company has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objective of the Company. The Board through the AC and RMC reviews the key risks identified on a regular basis to ensure proper management of risks and that measures are taken to mitigate any weaknesses in the control environment. Further detailed information can be found in the Statement on Risk Management and Internal Control of this Annual Report.

#### 10. Effective Risk and Internal Control

The Board acknowledges the importance of establishing a sound system of internal control. A Risk Management Framework has been established to manage risks and to safeguard shareholders' investment and the Company's assets. Moreover, the Board has an overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with the applicable laws and regulations, as well as with internal procedures and guidelines.

RMC chaired by Ms Lee Chooi Keng has recommended to the Board who then approved and accepted the key features of the Risk Management framework and function together with details of the Company's internal control system and framework which are set out in the Statement of Risk Management and Internal Control of the Company of this Annual Report.

## C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Part I – Communication with Stakeholders

#### 11. Continuous Communication between Company and Stakeholders

The Company recognises the importance of keeping shareholders and investors informed of the Company's business and corporate developments.

The shareholders are kept abreast of all important developments concerning the Company through regular and timely dissemination of information via quarterly financial announcements through Bursa Securities' website, distribution of annual report and various announcements made during the year. These will enable the shareholders, investors and members of public to have an overview of the Company's performance and hence, will enable them to make any informed investment decision relating to the Company.

The Company's website: [www.halex-group.com](http://www.halex-group.com), provides an avenue for information, such as dedicated sections on corporate information, including financial information and announcements. The website is continuously updated to ensure that the information contained within is correct.

# Corporate Governance Overview Statement (cont'd)

## Part II – Conduct of General Meetings

### 12. Encourage Shareholder Participation at General Meetings

The Board fully recognises the rights of shareholders and encourages them to exercise their rights at the Company's AGM.

The AGM remains as the principal forum for dialogue with shareholders where they may seek clarifications on the Company's business and reports. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board will respond to any question raised during the meeting.

External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

Notice of the AGM, annual reports and circular are sent out with sufficient notice before the date of the meeting to enable the shareholders to have full information about the meeting to facilitate informed decision-making. The explanatory notes on the proposed resolutions under Special Business are given to help the shareholders vote on the resolutions.

At the AGM, a summary review of the progress and concise overview of the Company's activities will be presented. Shareholders will be given opportunity to raise questions pertaining to the operations, financial and business progress and any other matters related to the agenda of the AGM and participate in the question and answer session on the Company's results.

Pursuant to the MMLR of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such. An Independent scrutineer will be appointed to validate the votes cast at the general meetings.

The outcome of the AGM will be announced to Bursa Securities on the same day of the meeting.

## OTHER INFORMATION

### Related Party Transactions

At the AGM held on 21 May 2018, the Company obtained a Shareholders' Mandate to allow the Company to enter into recurrent related party transactions of a revenue or trading nature. Details of the transactions with related parties undertaken during the financial year under review are disclosed in Note 36 to the financial statements.

## COMPLIANCE STATEMENT

This statement on the Company's corporate governance practice is made in compliance with paragraph 15.25 and 15.08A of MMLR. The statement was approved by the Board on 15 April 2019.





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YOUR GREAT OUTCOME**



# SUSTAINABILITY STATEMENT

- About
- Sustainability and the Company
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- Sustainable Governance
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  - Material Management
  - Laws & Regulations Compliance
  - Energy Efficiency
- **Social**
  - Health & Safety
  - Customer Service
  - Development Training

# Sustainability Statement (cont'd)

## ABOUT

This is the first Sustainable Statement published by Halex Holdings Berhad ("Halex" or "Group" or "Company") for the financial year ended 31st December 2018.

## SUSTAINABILITY AND THE COMPANY

Halex is responsible for corporate behavior operating internationally not only enhance chances for business success but can also contribute to broad-based economic benefits for the country. Investing and operating responsibly also plays an important role in promoting the Company values internationally as well as contributing to the sustainability and development of communities.

Halex also recognises the obligation that extends beyond the statutory obligation to comply with the legislation; therefore voluntary actions were taken to improve the quality of life for employees and their families as well as for the local community and society.

## SCOPE

Sustainability approach for the Company includes integrations of our two (2) main divisions; Agrochemical division and Consumer Products division as part of our sustainable reporting.

## PERIOD REFERENCE

The scope of the Sustainability Statement covers from 1 January 2018 to 31 December 2018. The policies and strategies discussed throughout this Statement are engaged by the Group unless otherwise specified.

## SUSTAINABLE STRUCTURE

The Board of Halex has overall responsibility for the Group as shown in the corporate structure below. Halex (M) Sdn Bhd operates as a production and trade distribution of agrochemical products of the company and Halex Woolton (M) Sdn Bhd operates as our manufacturer, distributor and marketing of Consumer Products of the Group. Below figure 1 are the relations of both entities overviewed by the Board relevant in this sustainable report.

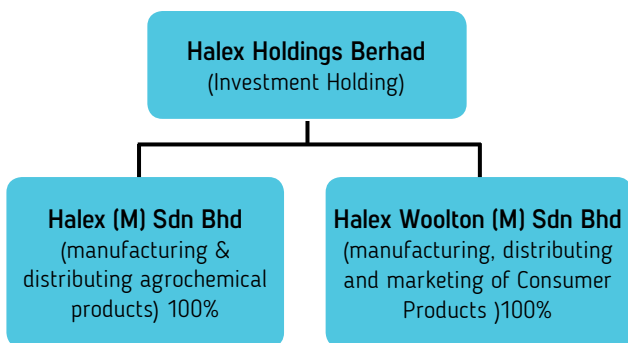


Figure 1. Relevant sustainability part of the Corporate Structure of Halex Holdings Berhad

## SUSTAINABLE GOVERNANCE

The Group has established the sustainability governance structure as set out in figure 2.

Our Sustainability Committee comprises the Group operational executive directors who are primarily responsible for ensuring that all matters relating to the Group's sustainability are well addressed. The chief financial officer of the Company is the secretary of the Sustainability Committee. The Sustainability Committee is assisted by the Departmental Sustainability Working Group comprises representatives from each department within the Group. The primary functions are summarised as below:



Figure 2. Sustainability Governance Structure

## KEY STAKEHOLDER ENGAGEMENT

In common business language, stakeholders are known as any person, group or entity that has interest or concern in the Company and stakeholders can affect or be affected by the Company's actions, objectives and policies thus the Group relies its business on partnerships and working with a diversity of stakeholders.

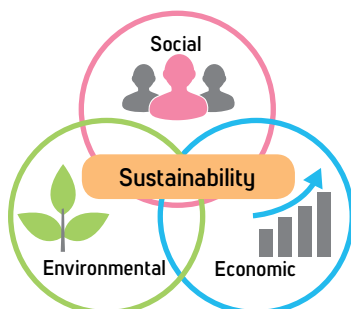
## Sustainability Statement (cont'd)

The table below list describes the Company's key stakeholders and measures on how the Company maintains its engagement:

Stakeholder Groups	Examples	Description	Engagement Efforts
Investors	- Shareholders of the Company	Investors provide fund for the Group with an expectation for a return. It is crucial to engage with the investors for them to grasp the understanding of the Group's business strategies and growth plans.	- General Meetings - Announcement in Bursa Securities Malaysia - Media releases
Authorities	- Local Authorities - Municipals - Regulators - Government ministries	Person or entities with political and/or administrative power, control and body that supervises the industry or business activity.	- Compliance of rules and regulations - Submission regulated reports - Briefing and Trainings - Periodic inspection - Meetings
Bankers	- Financiers - Investment Bankers	Individuals and entities related to banking institution and participates in various financial transactions, which may or may not include investments.	- General Meetings - Announcement in Bursa Securities Malaysia - Media releases
Customers	- Farmers - Plantation Companies Distributors - Agents - Individuals - Supermarket / Grocery Markets	Individuals or entities that buys goods and services from our businesses or any of the customers listed in the examples.	- Brochures - Meetings - Correspondences via email - one to one Product testing - promotional booths - media announcements - General Meetings - Announcement in Bursa Securities Malaysia - Media releases
Suppliers	- Raw material suppliers - Consultants - Contractors	An individual or entities that provide certain products and services for the Company	- Tenders - Meetings - Ensure Purchases of controlled products are under compliance and regulations - Communications via any mail methods
Employees	- Production workers - Executives - Managers - Directors - Assistants	People of the Company that are the operation drive that assist the Company to achieve its target goals and objectives. It is important to engage with them to ensure satisfaction which ripples success on to the Group.	- Briefing and development trainings - Meetings - Sponsorship of ongoing relevant seminars - Performance management - Regular social activities

### MATERIAL ASSESSMENTS

Halex has taken corrective measures in order to achieve Economic, Environmental and Social ("EES") sustainability and in this statement, the Group further elaborates on the initiatives. Halex is committed in accomplishing and executing our business



strategy in line with the EES targets as sustainability is a necessary and continuous commitment by the Group and its leadership. The assessments addressed in the key sustainability matters are within the boundaries of the scope of this statement which are the two (2) main divisions mentioned aforementioned.

Materiality is about identifying the issues that matters to the Company's business and stakeholders. The Company plots the economic, social and environmental issues that are of most concern to stakeholders against those that posture risks or opportunities to Halex.

# Sustainability Statement (cont'd)

Identifying key material matters in this helps Halex to identify issues that stakeholders want to see covered in our reporting and also allow the Management to decide where to focus our internal resources.

Below in figure 3 are the issues identified, placed on a matrix on a position relative to the degree of stakeholder interest and potential business impact. These results represent the material issues facing our business. The issues should not be viewed in isolation; they are interrelated, and changes in one can have an impact on another.

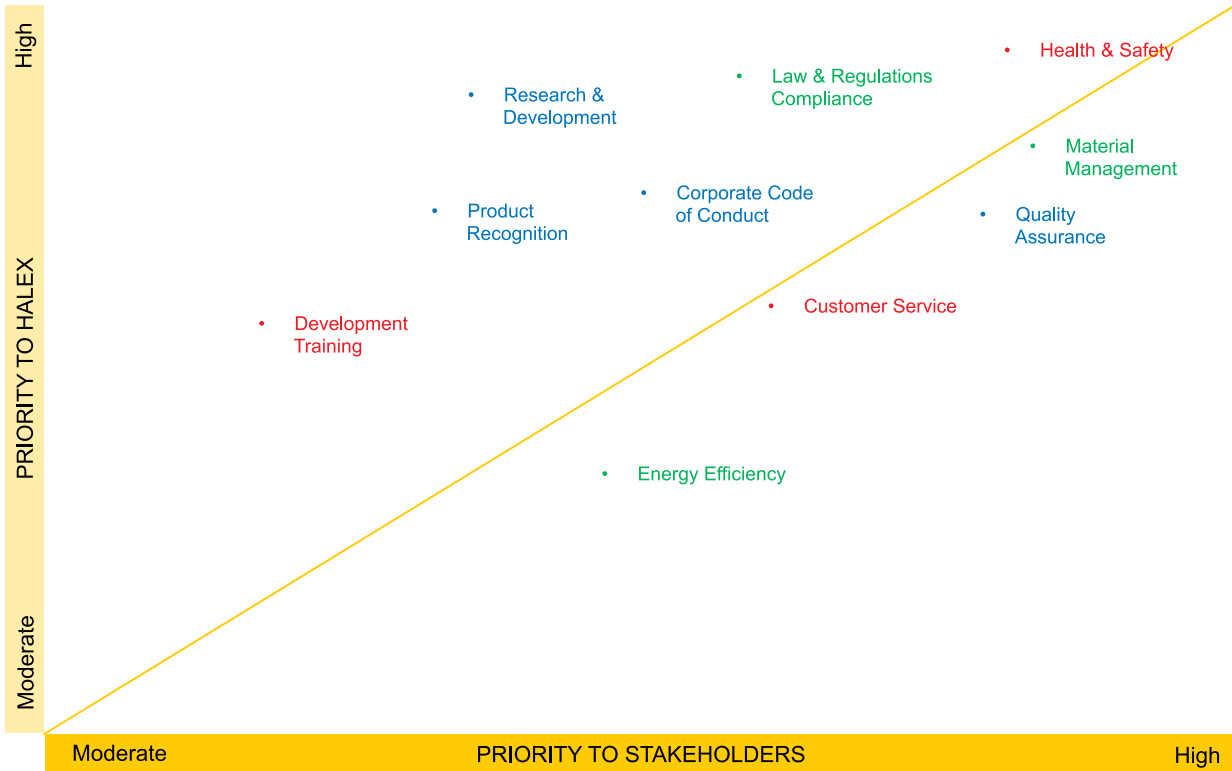
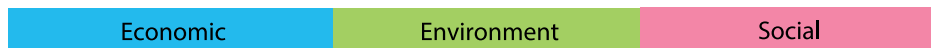
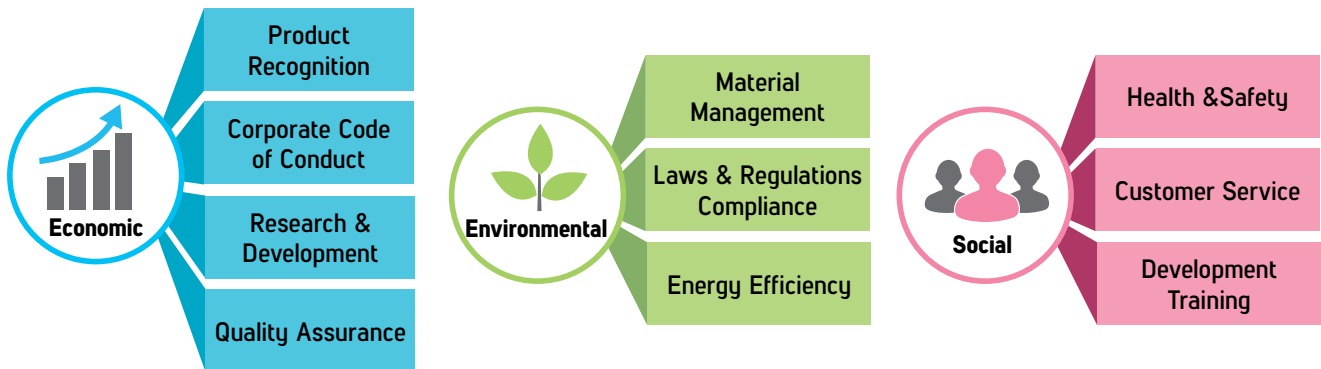


Figure 3. Materiality Matrix



## KEY SUSTAINABILITY MATTERS

There are several key sustainability matters identified under the three (3) areas covered above:



## Sustainability Statement (cont'd)

### ECONOMIC



Economy is about sustaining resources and the concept is used to outline and describe the value resources have today and their possible value in the future. For example, the value can be identified with the help of indicators like added value, assets and debts, savings, patent and intangible assets.

Economic sustainability is an integrated part of sustainability and means that we must use, safeguard and sustain resources regardless of its materiality to create long-term sustainable values by optimal use and recovery.

#### Product Recognition

The company recognises that branding and reputation of the products are key factors in entrenching the dominant market position for the engagement with stakeholders. We believe that with more than 25 years of experience in the industry, the Company has strong understanding of the market dynamics. The Company also keep abreast of the latest development in the industry especially in agricultural landscape. Over the years, the Company has also gained immeasurable trust with the stakeholders and developed a strong customer relationship on long term basis with a good mix of clientele.

For our agrochemical division, we have a wide range of registered pesticides is critical to the sustainability and growth of our business as well as meeting the different needs of our customers. That is how we sustain our product offering as a testament to the market as the products produced are catered to the stakeholders' specifications and needs. With the recent Proposed Acquisition as reference made in the Management Discussion & Analysis in this Annual Report pages 14 to 16 the Company firmly believes that this will further enhance our strength in the market and retain economic sustainability to the Company.

For our Consumable Products division, we not only provide OEM production to our stakeholders, the Company also carries its own product brand names such as TenderSoft and Adeeva to ensure our footprint in the industry giving added advantage to products and services. With this diverse options, we are able to engage better with our stakeholders to accomplish satisfaction.

#### Corporate Code of Conduct

##### *Code of Conduct and Ethics*

Based on several principles of Halex of integrity, passion and reliability, Halex established our Code of Conduct and Ethics primarily on the principles of which business should be executed and the conduct that is expected of our employees at the workplace. In Halex, we treat everyone with respect and dignity, valuing individual with communal differences. The Code is reviewed and evaluated by the Board from time to time and it is updated as and when necessary to ensure that it remains relevant and addresses any ethical issues that may arise within the Company. With proper regulations, the employees will then understand they are protected by the Company and thus creating retention and loyalty among the employees.

##### *Bribery & Corrupt Practices*

Understanding the possibilities of bribery and corrupt practices in the business world, the Company ensures that a set of values and regulations are implemented within the organisation in curbing the matter. Employees of the Company are to accept and acknowledge confidentiality policy and pledge with the understanding of rules set out on bribery and corruption in the Company's handbook. As a representative of Halex, all employees must practise the highest standard of honesty cum integrity at all times. Halex employees must avoid activity in any manner that will expose himself to suspicion of dishonesty and/or conflict of interests; which may include receiving of favours, benefits or gifts (monies or in kind) that could be seen to influence objective decisions when conducting business for the Company.

No employee shall make or promise to make, directly or indirectly, any payment of money or provide anything of value to any person, private entity, local or foreign official of a government or political party or candidate for political office in order to induce or influence such person to act in a way that helps the Company to obtain or retain business for the Company or with the Company.

##### *Whistle Blowing Policy*

Halex has implemented the whistle blowing policy that outlines the Company's commitment to ensure that employees and other stakeholders are able to raise concerns regarding any malpractice or illegal conduct at the earliest opportunity without being subject to victimization, harassment or discriminatory treatment, and to have such concerns properly investigated. This policy sets out the mechanism and framework by which employees, consultants, contractors and any other individuals or organization who have dealings with the Company can confidently voice concerns / complaints in a responsible manner without fear of discriminatory treatment. The policy can be found on our website at <http://www.halex-group.com/investor-relations>.

##### *Corporate Governance*

The Group is committed in having best practices and principles of corporate governance in line with the Malaysian Code on Corporate Governance ("MCCG") to ensure that the governance standard in the Company is observed with a holistic approach to sustain long term shareholders value and returns to our stakeholders. Elaboration on the corporate governance practices of the Company can be found in the Corporate Governance Overview Statement in this Annual Report pages 17 to 25 in reading with our Corporate Governance Report which can be found at <http://www.halex-group.com/investor-relations>.

##### *Risk Management*

Halex has a risk management committee and one of the most important purposes of the committee is to safeguard the shareholder's investment, the interest of customers, regulators and employees, and the Group's assets. The Company's risk management assessment and process can be found in the Statement on Risk Management and Internal Control in this Annual Report pages 34 to 35.



# Sustainability Statement (cont'd)

## Research & Development

The Group places strong emphasis on product development, using its experience, expertise and R&D capabilities to continuously enhance, update and improve its product range with a particular focus on meeting customers' specifications and satisfaction. With the recent Proposed Acquisition as reference made in Management Discussion & Analysis in this Annual Report pages 14 to 16, the Company is positive in expanding this sector for our sustainability strategy having improved in-House research & development specialists and capabilities for the Company's agrochemical division. The Group will have access to well-equipped laboratory facilities and equipment, ability to develop customised solutions to our stakeholders.

## Quality Assurance

In-house product development guarantees the best possible quality and product safety, and ensures that production is managed carefully in order to fulfil environmental requirements and manufacturing safety. Having improved research & development, Halex trusts that strong sustainability path is created for our agrochemicals division by prioritising our product quality and with the acquisition initiative, the Company believes that we will better serve our stakeholders and creating long term growth of success to the Group.

## ENVIRONMENT



Halex attempts to adopt eco-friendly practices in its day-to-day work in order to minimize negative impact on the environment.

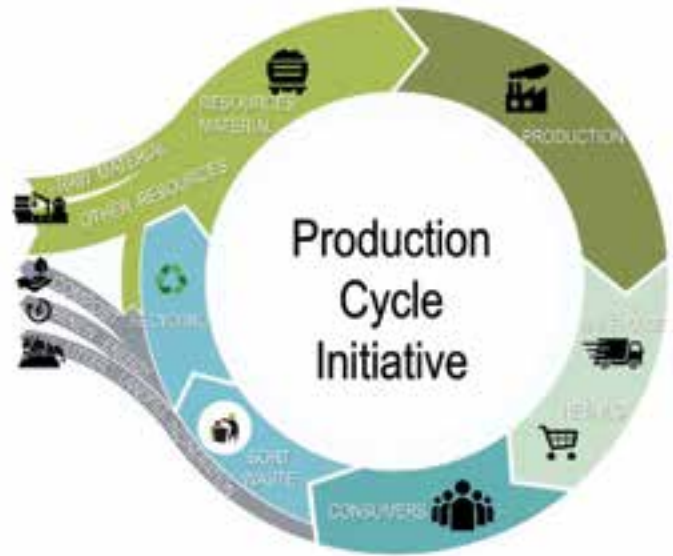
### Material Management

Material management refers to each step of the production life cycle, we must seek to conserve material resources. The concept of dematerialization means combining various conservation strategies such as reducing the amount of environmentally harmful materials needed to provide in product requirement, extending the service life of products, and eliminating the concept of waste by ensuring that there are robust markets to reutilise post-industrial and post-consumer materials.

The Company believes that sustainable materials management is predicated a process for identifying the positive and negative impacts of the life cycle of materials as they are produced and consumed in an economy.

#### Product Life Cycle

One of the economic sustainability can be measured by produced capital. In achieving optimal usage of materials during production Halex practises material management. There is an old saying "waste not, want not" has significant impact when it comes to sustainability. The Company makes efforts to follow closely on this initiative as it allows the Company to reduce product's resource



use and emissions to the environment as well as improve its socio-economic performance through its life cycle. This may assist integration of the economic, social and environmental dimensions within the Company and through its entire value chain.

By integrating the life cycle viewpoint as our initiative on material management, it allows product and process development grow in a more sustainable direction, Halex believes we can reap benefits of environmental, occupational health and safety, risk and quality management, as well as developing and applying cleaner process and product options. Incorporating life cycle in sustainability management will improve image and brand value for both major market players not forgetting smaller suppliers and producers.

#### Paper Waste

Employees and clients are working towards fully maximizing the benefits of technology for example, emails and instant messaging for mode of communications, operations and documentation to reduce the use of paper that is in line with saving trees. Both sides of papers are used for printing where possible to minimize paper usage, while unwanted papers are segregated for recycling.

### Laws & Regulations Compliance

#### The International Organization for Standardization ("ISO")

ISO International Standards ensure that products and services are safe, reliable and of good quality. For business, they are strategic tools that reduce costs by minimizing waste and errors and increasing productivity. All our production factories for both divisions are ISO certified and a minimum of a yearly review is made by the regulatory body in ensuring our compliance and standards in production are satisfactory.

## Sustainability Statement (cont'd)

### Good Manufacturing Practice ("GMP")

GMP Regulations published by the Food and Drug Administration ("FDA") under the Federal Food, Drug, and Cosmetic Act. GMP is a set of regulations that ensures the quality of drugs, medical devices, blood, and some types of food. The regulations cover manufacturing, facilities and controls for the manufacturing, processing, packaging or holding of a drug product. In Consumer Products division, certain products (wet wipes) require liquid chemicals that will expose to human skin which can be harmful if not properly tested and verified. Our factory for this production is GMP certified and GMP regulated thus ensuring all our products delivered are trusted by stakeholders creating long term good reputation for its quality and safety.

### Energy Efficiency

The Company encourages employees to instill a concept of every little thing counts when the employees consciously understand the impact of turning off lights and air-conditioners for rooms and areas which are not in use to aid in reducing the energy consumption. The Company also does allow a degree of flexibility on working hours for sales employees to minimize the time, effort and fuel consumption which would have otherwise been futile especially if it had been spent maneuvering through the rush hour traffic.

One of the Company's biggest efforts in energy savings concurrent with our cost cutting measures is the consolidation of operations for our Consumer Products division. Not only downsizing the operations minimises the division's overhead, the main energies used for production are generation electricity and water supply are significantly reduced allowing the Company not only to save energy consumption, but to also diminish unnecessary expenditures.

### SOCIAL



The Group trusts even the smallest action matters thus various initiatives were planned and fulfilled by the Company to assist the community towards sustainability.

### Health & Safety

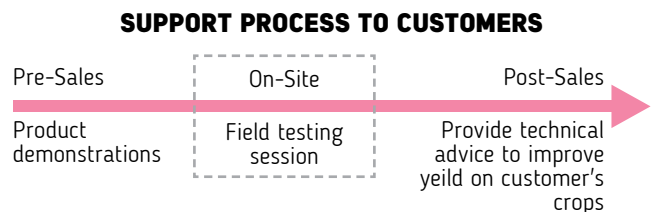
Halex puts effort in organizing safety exercises whenever possible for the employees to generate unity between the individuals within the organization and further educate the importance of it especially on site or in the factory. It is also to nurture contented surrounding and productive workforce with a strong sense of safety comfort. The Company organises regular training for the employees to learn and understand the procedures in case of any fire in or within the compounds of the factory or workplace.

It is also important for them to know the basic safety measures and first aid especially for the factory workers to fully comply and implement the regulations and proper usage of the personnel protection equipment.

The Company believes adopting safety as a value within the organisational culture. When that is established, it will enable as the cornerstone for linking safety with sustainability. Safety as a value must first permeate the entire organization. Each factory and office premise will conduct the training at least once a year for constant education and awareness.

### Customer Service

We engage with our customers on a regular basis to understand their aspiration and their needs so that we are able to customise our products and services in meeting these needs. The Company upholds our customers' information within the periphery of Malaysian Personal Data Protection Act 2010. The Group's agrochemicals division implements support process to customers through the whole process from product development to sales of products. Below demonstrates the support process:



In continuing to improve our processes and understanding our customers better, various initiatives and programmes have been identified, these include identifying key innovation on chemical formulation and establishing key indicators that measure our customers' satisfaction. These programmes help us identify improvement to our products and services and how we can help our customers achieve their needs.

### Development Training

The Company acknowledges the important role played by its employees and the contributions that they can offer towards the overall growth of the organisation. It is thus our corporate culture that qualified employees will be given the opportunity to attend training and personal development program to enhance their skill and knowledge. While it is not the intention of the Company to restrict the free movement of our employees, it will be necessary in certain circumstances to have a commitment from the employees by establishing a contract between both parties. There are a limit set out on the value of training depending on the position of the employees in the Company.

The Company's objective is to ensure conducive and open working environment where employees are able to learn, develop and achieve their best potentials in the Company. We foster their knowledge and skills to assist them in their existing job field. Regular encouragement and open discussion are made to give feedback and praise performance as the employees are at their best, they will serve the Company with their best foot forward giving success to both the Company and the individual.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and guided by the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” (Para. 32), it is the responsibility of the Board of Directors to ensure that a sound risk management and system of internal controls form an integral part of an effective system of corporate governance and risk management within the Group’s management system.

## Board’s Responsibility

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Company’s and Group’s system of internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks and evaluating the Company’s and the Group’s operational effectiveness and efficiency.

The Board confirms that there is a continuous process to identify, evaluate and manage the significant risks of the Group and this process is regularly reviewed by the Board who derives its comfort from the following processes:

- Regular and comprehensive information is provided by Management through regular meetings and visits to operating units, covering financial performance and key business indicators;
- Periodic financial results are deliberated every quarter against budgets;
- Financial and operational performance analysis are made and benchmarked against business objectives and targets;
- Periodic management reports on the adequacy and effectiveness of the Group’s risk management and internal control systems in all material aspect; and
- Maintaining a high level of professionalism and competence of human resources through careful recruitment process, training and re-skilling programmes and a proper appraisal system.

## Systems of Internal Control

The system of internal control covers financial controls, operational and compliance control as well as risk management. It is designed to meet the Group’s particular needs, manage the risks they are exposed to and ensure compliance with all applicable laws, regulations, rules, directions and guidelines. These systems are designed to manage, rather than eliminate the risks of not adhering to the Group’s policies, goals and objectives; provide reasonable assurance, but not absolute assurance against material misstatement, fraud or loss. The Board may delegate the responsibility of monitoring these internal control systems to Management and exercise control through organizational structure with clearly defined roles, level of responsibility, authority and appropriate reporting procedures.

Based on the internal auditors’ reports, there is reasonable assurance that the Group’s systems of internal control as a whole are adequate and working satisfactorily. Minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group’s annual report.

## Assurance from Management

In accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed issuers, the Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that, to the best of their knowledge, the risk management and internal control of the Group are operating effectively and adequately, in all material respects, based on the risk management and internal control frameworks adopted by the Group.

## Internal Audit Function

The Company has outsourced its internal audit function to GovernanceAdvisory.com Sdn. Bhd. The Internal Auditors (“IA”) have also reported to the Audit Committee (“AC”) that, while they have addressed individual lapses in internal controls during the course of carrying out their internal audit assignments for the year, they have not identified any circumstances that suggest any fundamental deficiencies in the system of internal controls in the Group.

For the financial year under review in this Annual Report the total fees paid to the outsourced Internal Audit firms amounted to RM58,000. The AC, at its meeting held on 23 November 2018 undertook an annual assessment of the suitability and performance of the IA. The AC, in its assessment has considered several factors, which included adequacy and resources of the IA, quality control processes, the professional staff assigned to the audit, independence and objectivity of the IA, discussion on audit scope, plan and fees and communication from the IA.

Feedback was also sought from the management on the IA’s performance. The AC was of the opinion that the performance of the outsourced IA was satisfactory and had recommended their re-engagement to the Board for the ensuing year. The Board, at its meeting on 23 November 2018 had, taken the AC’s recommendation.

## Risk Management Function

Risk management involves understanding, analysing and addressing risk to make sure organisations achieve their objectives. So it must be proportionate to the complexity and type of organisation involved. Because risk is inherent in everything we do, the type of roles undertaken by risk professionals are incredibly diverse.

The functions of risk management for the Company are:

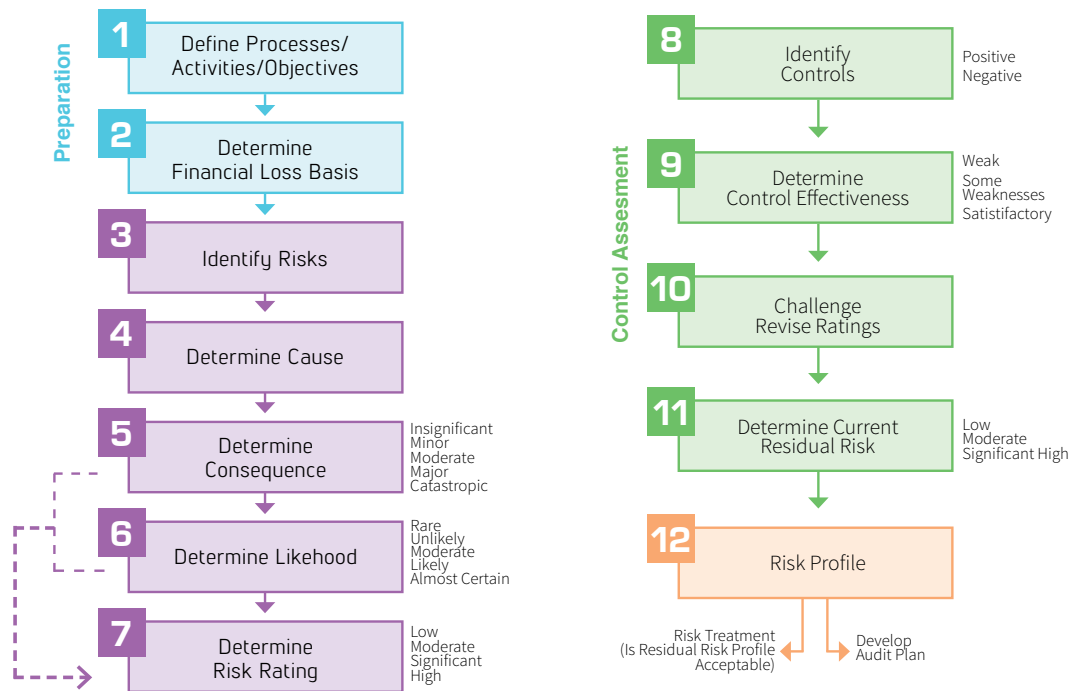
- Supports the fulfilment of the Group’s strategic objectives
- Optimise business opportunities and the returns to the Group, and protect the interests of, stakeholders including shareholders, customers and staff, within acceptable level of risks.
- Promote and embrace education and Risk Assurance Culture.
- Improve customer service whilst at the same time minimise risk exposure.
- Safeguard the Group’s assets and maintain its reputation and brand values.

## Statement On Risk Management And Internal Control (cont'd)

- Identify and assess operational risks and other related business risks in order to improve the Group's operating performance without compromising effectiveness of internal control procedures.
- Compliance to Group policies, regulations and statutory requirements, including timely reporting of performance.

The Board is assisted by Risk Management Committee in reviewing and assessing the risk governance framework and the risk management process of the Group in respect of their adequacy and effectiveness. The Board receives formal feedback on the adequacy of the risk management on half yearly basis.

### Framework of Risk Management Assessment



### Risk Identification and Evaluation Process

The risks are identified through a series of discussions with the key personnel and management of the Group, which is then incorporated into a Business Risk Profile that includes details on the nature of the risk as well as the severity and probability of an occurrence.

The risk identification process includes consideration of both internal and external environmental factors. External environmental factors include political, economic, social technological, legal and environment changes. Internal factors include changes in key personnel, introduction of new or revision of existing policies and procedures.

### Risk Adoption and Monitoring Process

All risks identified are documented into a Business Risk Profile, which is updated on an ongoing basis and approved by the Board. The Business Risk Profile serves as a tool for heads of departments or business units to manage key risks applicable to their areas of business activities on a continual basis.

All key risks and issues are regularly reviewed and resolved by the Management team at regular meetings. Through these mechanisms, key risks identified in the Business Risk Profile are assessed in a timely manner and control procedures or mitigating factors are re-evaluated accordingly in order to ensure that the key risks are mitigated to an acceptable level.

### Review of the Statement by Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report ("the Statement"). Their review was performed in accordance with Recommended AAPG 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers and Practise 9.1 and 9.2 of the Malaysian Code of Corporate Governance 2017 to be set out, nor is the Statement factually inaccurate.

### Conclusion

The Board is of the opinion that the system of internal controls and risk management in place for the financial year ended 31 December 2018 and up to the date of approval of this report is sound and sufficient to safeguard the shareholder's investment, the interest of customers, regulators and employees, and the Group's assets. There were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

# AUDIT COMMITTEE REPORT

## 1. COMPOSITION

As at the date of this Statement, the Audit Committee ("AC") comprises three Independent Directors.

Yeoh Chin Hoe (Chairman)  
*Senior Independent Non-Executive Director*

Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir  
*Independent and Non-Executive Director*

Liew Jee Min @ Chong Jee Min  
*Independent Non-Executive Director*

## 2. TERMS OF REFERENCE

### 2.1 Composition

- (i) The Board shall elect an AC from amongst themselves (pursuant to a resolution of the Board of Directors) comprising not less than three (3) members whom shall be composed of independent non-executive members of the Board.
- (ii) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or possessing such financial related qualification or experience as may be required by Bursa Malaysia Securities Berhad.
- (iii) The term of office of the AC is two years and may be re-nominated and appointed by the Board.
- (iv) All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC cease to be a Director of the Company, his membership in the AC will cease forthwith.
- (v) No Alternate Director of the Board shall be appointed as member of the AC.
- (vi) If the number of members of the AC for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- (vii) All members of the AC shall possess sound judgment, objectivity, management experience, integrity and knowledge of the industry. A member of the AC shall excuse himself from the meeting during discussions or deliberations on any matter which gives rise to an actual or perceived conflict of interest situation for him.
- (viii) A former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed as a member of AC

### 2.2 Objectives

The principal objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the AC shall:

- Evaluate the quality of audits performed by the internal auditors ("IA") and external auditors ("EA");
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the quality, adequacy and effectiveness of the Group's control environment.

### 2.3 Duties and Responsibilities

The duties and responsibilities of the AC are as follows:

- (a) To consider the appointment of EA for appointment or re-appointment and to assess the EA on their independence, qualification, adequacy of experience and resources of the firm and the resources assigned to the audit, the audit fee and any question of resignation or dismissal;
- (b) To annual assess and report to the Board on the independence of the EA, obtaining from the EA their written assurance on their independence and confirmation of their continued registration with the Audit Oversight Board.
- (c) To discuss with the EA before the audit commences, their audit plan, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved and to report the same to the Board;
- (d) To review with the EA on their evaluation of the system of internal controls together with the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- (e) To review the quarterly and year-end financial statements, focusing particularly on-
  - Any change in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - Significant and unusual events;
  - The going concern assumption; and
  - Compliance with accounting standards and other legal requirements.
- (f) To discuss issues and reservations arising from the interim and final audits, and any matter the EA may wish to discuss (in the absence of management, where necessary);
- (g) To review with the EA their management letter and management's response (if any), the EA's audit report and the audited financial statements before the same are presented to the Board for approval;

## Audit Committee Report (cont'd)

- (h) To review and ensure that the system of internal controls is sound, adequate and in place, effectively administered and regularly monitored;
- (i) To review the Group's management information systems including systems for compliance with applicable laws, directives and guidelines;
- (j) To cause reviews to be made on the extent of compliance with established internal policies, standards, plans and procedures including the Code of Conduct & Ethics;
- (k) To do the following, in relation to the internal audit function:-
- To review the qualification, independence, reporting structure and performance of the IA;
  - To review the adequacy of the scope, functions, competency, audit methodology employed and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - To ensure that the goals and objectives of the internal audit function commensurate with the corporate goals of the Company;
  - To review the internal audit programme and budget and be satisfied with their consistency with the Risk Management Framework used and results of the internal audit process and, where necessary, ensure that appropriate remedial actions are taken on the recommendations of the internal audit function and reporting the same to the Board;
  - To review any appraisal or assessment of the performance of members of the internal audit function;
  - To approve the appointment or termination of senior staff members of the internal audit function; and
  - To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (l) To review any related party and conflict of interest transactions proposed to be entered into by the Group;
- (m) To report its findings on the financial and management performance, and other material matters to the Board inclusive of resolving any disagreement between management and the EA regarding financial reporting;
- (n) To monitor the process for dealing with complaints received by the Company regarding the Group's accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (o) To consider the major findings of internal investigations and management's response;
- (p) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the bye-laws of ESOS of the Company (if any);
- (q) To consider annually the Risk Management Framework adopted by the Group and to be satisfied that the methodology employed allows for the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner;
- (r) To monitor the use of the EA in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their independence and objectivity as EA is not compromised. This would include the pre-approval for any such work inclusive of the hiring of employees or previous employees of the EA;
- (s) To prepare the annual AC report to the Board for inclusion in the Annual Report;
- (t) To review the Board's statement in compliance with the Malaysian Code on Corporate Governance for inclusion in the Annual Report;
- (u) To consider other topics as defined by the Board; and
- (v) To consider and examine such other matters as the AC considers appropriate.

### 2.4 Authority

The AC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) Have explicit authority to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the AC;
- (b) Have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the IA and EA and senior management of the Company and the Group;
- (c) Obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (d) Have direct communication channels with the EA and person(s) carrying out the internal audit function or activity (if any); and
- (e) Where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Malaysia.

## Audit Committee Report (cont'd)

### 2.5 Meetings and Minutes

The AC shall meet regularly and hold at least four (4) meetings in a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

The Company Secretary shall be the Secretary of the Committee. The Secretary shall record, prepare and circulate the minutes of meetings of the AC and ensure that the minutes are properly kept and produced for inspection, if required.

Upon the request of the EA, the Chairman of the AC shall convene a meeting of the AC to consider any matter the EA believes should be brought to the attention of the Director or shareholders. A majority of the members in attendance shall form a quorum.

Notice of AC meetings shall be given to the AC members unless the AC waives such requirement.

The Chairman of the AC shall engage on a continuous basis with senior management, such as the Chairman, the Executive Directors, the head of IA and the EA in order to be kept informed of matters affecting the Company.

The Chairman, head of IA and a representative of the EA should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. The AC shall be able to convene meetings with the EA, the IA or both, without executive Board members or employees present whenever deemed necessary.

Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote.

Minutes of each meeting shall be kept at the registered office and distributed to each member of the AC and also to the other members of the Board. The AC Chairman shall report on each meeting to the Board.

The minutes of the AC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

### 3. ACTIVITIES CARRIED OUT BY THE AC

During the financial year ended 31 December 2018 the AC held seven (7) meetings on 20 February 2018, 9 April 2018, 4 May 2018, 21 May 2018, 19 June 2018, 20 August 2018 and 23 November 2018 which were attended by the members. Management and the IA were invited to attend four (4) of these meetings to assist in clarifying matters raised at the meeting.

No.	Directors	Total Meeting Attended	%
1.	Yeoh Chin Hoe (Chairman)	7/7	100
2	Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	7/7	100
3	Liew Jee Min @ Chong Jee Min	7/7	100

The Group's EA were present at two (2) AC meetings where matters relating to the statutory audit of the Group's annual financial statements were discussed.

The Chairman of the AC reports to the Board on matters deliberated at every AC and the recommendations made by the AC.

Besides the above, during the year the AC carried out its duties in accordance to its Terms of Reference and the main activities included:

#### (i) Financial Reporting

- reviewed the quarterly financial results of the Group and the relevant announcement to Bursa Malaysia before recommending the same to the Board for its approval. All the quarterly financial results were reviewed in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and the disclosure requirements of Appendix 9B of the Bursa Malaysia's Main Market Listing Requirements ("MMLR"); and
- reviewed the annual audited financial statements of the Group prior to submission of the same to the Board for approval. The review also included the assurance that the financial reporting and disclosures were in compliance with MMLR, the provisions of the Companies Act, 2016, MFRS, applicable International Financial Reporting Standards, and any other relevant legal and regulatory requirements.

#### (ii) Internal Audit

- reviewed the IA plan including the audit methodology in assessing and rating the auditable areas based on a risk-based approach;
- reviewed the effectiveness of the audit process, resource requirements for the year and assessed the competency and performance of the outsourced professional IA, GovernanceAdvisory.com Sdn Bhd on 23 November 2018; and
- reviewed any related party, recurrent related party or conflict of interest transactions.

#### (iii) External Audit

- reviewed with the EA on 23 November 2018 their audit scope and audit plan for the financial year and their proposed fees for the statutory audit and reviewed the Statement of Risk Management and Internal Control and Audit Committee Report;

## Audit Committee Report (cont'd)

- reviewed the audit report and areas of concern highlighted in the Audit Review including management's response to the EA's findings on 25 February 2019;
- discussed with the EA the significant accounting and audit issues, impact of proposed changes in accounting standards applicable to the Group;
- assessed the independence and objectivity of the EA during the financial year in carrying out the statutory audit. The assessment conducted on the EA by the AC include factors such as experience, competency, resources of the firm and staff assigned, non-audit fees and tenure of engaging partner. The AC also received confirmation from the EA on their independence and that the ethical requirements have been complied with;
- assessed the performance of the EA and made recommendations to the Board on their re-appointment; and
- deliberated and recommended the continuation with EA based on results presented, comparable experience, technical knowledge, time commitment, size of firm, performance and capability.

### (iv) Other Activities

The Audit Committee in carrying out their duties and responsibilities also discussed and reviewed:

- the Statement on Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control and recommended the same to the Board for its approval for the inclusion in the Annual Report;
- unusual transactions including related party transactions;
- review of Recurrent Related Party transactions quarterly basis;
- the Audit Review Memorandum of the EA for the financial year ended 31 December 2018;
- findings of the annual assessment on the Company's auditors;
- the draft Audited Financial Statements for the Company and its subsidiaries for the financial year ended 31 December 2018 and recommendation to the Board for approval;
- report of Enterprise Risk Management and Internal Audit Plan of the IA;
- the Audit Planning Memorandum of the EA;
- the performance of the IA; and
- the performance of the EA.

### 4. INTERNAL AUDIT FUNCTION

The Company's internal audit function has been outsourced to an independent professional internal audit service provider, which reports directly to the AC. All proposals by the management to appoint or remove the IA of the Company shall require the prior approval of the AC.

The principal role of the IA is to undertake independent and systematic reviews on the Group's internal control system so as to provide reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance and to safeguard the Group's assets and shareholders' value. The IA is also tasked with carrying out reviews on the adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the Group.

The IA adopted a risk-based approach towards the planning and conduct of audits consistent with the Enterprise Risk Management ("ERM") Framework (Production) of the Group. Below are the list of the audit executed and reported for the financial year of 2018.

#### Quarter Department/ Function

Q1/2018	Environmental Function
Q2/2018	Enterprise Resource Planning ("ERP") System Review
Q3/2018	Payment Function
Q4/2018	Review of Authorisation Access To Confidential Information

The internal audit reports presented will be deliberated by the AC and the recommendations will be communicated to the management for action. Members of management will be invited to AC meetings from time to time, where necessary, for further clarification purposes.

The total fee incurred on the Company's internal audit function for the financial year ended 31 December 2018 amounted to RM 58,000.

This report has been reviewed by the AC and approved by the Board on 15 April 2019.



# STATEMENT OF DIRECTORS' RESPONSIBILITY

The Group's consolidated annual audited financial statements for the financial year ended 31 December 2018 are in accordance with the applicable approved accounting standards in Malaysia and the Companies Act 2016 ("CA 2016") to give a true and fair view of the affairs of the Company and its Group. The Statement by the Directors pursuant to Section 251 (2) of the CA 2016 is set out in the section headed "Statement by Directors" of the Directors' Report enclosed with the Group's consolidated annual audited financial statements for the financial year ended 31 December 2018.

Ensuring that the financial statements are in order, the Board has taken the following measures:

- Adoption of appropriate, adequate and applicable accounting standards and policies and applied them consistently;
- Application of approved accounting standards; and
- Judgments and estimates where needed are made on reasonably with prudence.

In preparing the financial statements, the Board has adopted appropriate accounting policies, consistently applied and supported by reasonable prudent judgment and estimates. The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the CA 2016.

The Company has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) there are not yet effective for the current financial year:

		<b>Effective dates for financial periods beginning on or after</b>
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles		1 January 2019

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations when they become effective in the respective financial periods.

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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

The Board has ensured that the quarterly reports and annual audited financial statements of the Group are released to Bursa Malaysia Securities Berhad in a timely manner in order to keep our investing public informed of the Group's latest performance and developments. The Board has also ensured that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Company, and which enable the Board to ensure the financial statements comply with the CA 2016. The Board has overall responsibility for taking such steps, as are reasonably available to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. SHARE BUY-BACK

At the last AGM held on 21 May 2018 the Company obtained a mandate from its shareholders for the Company to purchase its own shares of up to 10% of its issued and paid-up share capital upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company. The Company did not carry out any share buy-back for the financial year ended 31 December 2018.

## 2. OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

## 3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt program during the financial year ended 31 December 2018.

## 4. SANCTION AND/OR PENALTY

There was no sanction and/or penalty imposed on the Company and its subsidiaries, directors or management by the regulatory bodies for the financial year under review.

## 5. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Group by the Company's EA and its affiliated companies for the financial period ended 31 December 2018 are RM166,378 and RM379,000 respectively for the financial year.

## 6. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Except as disclosed in this Annual Report, the Company nor its subsidiaries have entered into any contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular.

- On 6 December 2017, the Company entered into a heads of agreement ("HOA") with Hextar Holdings Sdn Bhd for the proposed acquisition of four (4) ordinary shares of United States Dollar ("USD") 0.10 each (equivalent to approximately RM0.41 each, based on an exchange rate of USD1.00:RM4.0875) in Hextar Chemicals Limited, representing the entire equity interest therein.
- Subsequently the Company announced that on 15 May 2018 the Company entered into a sale of shares agreement ("SSA") with the Vendor for the Proposed Acquisition by Halex of the entire equity interest in HCL from the Vendor for an aggregate purchase consideration of RM596,794,275 ("Purchase Consideration"). The Purchase Consideration will be satisfied through a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares in Halex ("Consideration Share(s)") at an issue price of RM0.81 per Consideration Share ("Proposed Acquisition").
- On 17 January 2019, the Company submitted an application to Bursa Securities Malaysia Berhad ("Bursa") in respect of the listing and quotation of the Proposed Acquisition on the Main Market of Bursa ("the Application"). Consequently on 21 February 2019, Bursa resolved to approve the Application.
- On 15 March 2019, a circular to shareholders was sent out in regards to the Proposed Acquisition and was then announced on even date for the Extraordinary General Meeting ("EGM") to take place 1 April 2019 to approve the Proposed Acquisition.
- On 1 April 2019, the Company held the EGM for the shareholders' approval on the Proposed Acquisition and on even date the approval was obtained and the resolution of the Proposed Acquisition was carried pending the completion of the Proposed Acquisition subject to the placement of shares to meet the public spread of 25%.



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# FINANCIAL STATEMENTS



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# DIRECTORS' REPORT

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

## Principal Activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

## Financial Results

	Group RM	Company RM
Loss after taxation for the financial year	<u>(10,646,496)</u>	<u>(4,927,585)</u>
Attributable to:		
Owners of the Company	<u>(10,646,496)</u>	<u>(4,927,585)</u>

## Reserves and Provisions

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

## Dividends

No dividend was recommended by the Directors for the financial year.

## Issue of Shares and Debentures

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## Options Granted Over Unissued Shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## Directors

The names of Directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Ong Choo Meng  
 Lee Chooi Keng  
 Dato' Ong Soon Ho  
 Yeoh Chin Hoe  
 Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir  
 Liew Jee Min @ Chong Jee Min

## Directors' Report (cont'd)

The names of Directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Sara Nina Binti Shahrudin	
Shaza Lina Binti Shahrudin	
Teh Li King	
Alfie Bin Othman	(Resigned on 30.6.2018)
Mohd Faisal Kaim Bin Abdullah	(Resigned on 31.7.2018)

### Directors' Interests

According to the register of Directors' shareholdings, the interests of Directors in shares in the Company and its related corporations during the financial year are as follows:-

	← ----- Number of ordinary shares ----- →			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Indirect interest*:-				
Dato' Ong Choo Meng	53,137,845	2,029,055	-	55,166,900
Dato' Ong Soon Ho	53,137,845	2,029,055	-	55,166,900

\*Deemed interested by virtue of their direct substantial shareholdings in Hextar Holdings Sdn. Bhd. and Waras Dinamik Sdn. Bhd.

By virtue of their shareholdings in the Company, Dato' Ong Choo Meng and Dato' Ong Soon Ho are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares, options over unissued shares or debentures of the Company or its related corporations during the financial year.

### Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 36 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose 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.

### Other Statutory Information

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to:-
- (i) ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for impairment losses on receivables; and
  - (ii) ensure that any current assets which were unlikely to realise in the ordinary course of business, including their value 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.

## Directors' Report (cont'd)

### Other Statutory Information (Cont'd)

- (b) At the date of this report, the Directors are not aware of any circumstances:-
- (i) that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables of the financial statements of the Group and of the Company; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) 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; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) 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 liability of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of Directors:-
- (i) no contingent liability or other liability 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 and of the Company to meet their obligations as and when they fall due;
  - (ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

### Holding Companies

The immediate and ultimate holding companies are Waras Dinamik Sdn. Bhd. and Hextar Holdings Sdn Bhd., respectively. All of the companies are incorporated and domiciled in Malaysia.

### Directors' Remuneration

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 36 to the financial statements.

### Indemnity and Insurance Cost

During the financial year, the total amount of indemnity coverage was RM10,000,000 and insurance premium paid for the directors of the Company was RM18,500. No indemnity was given to or insurance effected for auditors of the Company.

# Directors' Report (cont'd)

## Significant Events

The significant events occurred during the financial year and after the reporting period are disclosed in Note 40 to the financial statements.

## Auditors

The Auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The Auditors' remuneration are disclosed in Note 31 to the financial statements.

Signed in accordance with a resolution of the directors dated 15 April 2019.

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DATO' ONG CHOO MENG

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LEE CHOOI KENG

KUALA LUMPUR



# STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 52 to 101 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 of 31 December 2018 and of their financial performance and cash flows for the financial year then ended on that date.

Signed in accordance with a resolution of the directors dated 15 April 2019.

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DATO' ONG CHOO MENG

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LEE CHOOI KENG

KUALA LUMPUR

# STATUTORY DECLARATION

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

I, ANG ENG SUN, MIA Membership Number: 16014, being the officer primarily responsible for the financial management of Halex Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 101 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the )  
abovementioned at Kuala Lumpur in the )  
Federal Territory on 15 April 2019 )

Before me:

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ANG ENG SUN

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LAI DIN  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

To The Members of Halex Holdings Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Halex Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 101.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report:-

Recoverability of trade receivables Refer to Note 10 and 39.1(b)(iii) to the financial statements	
Key audit matter	How our audit addressed the key audit matter
<p>As at 31 December 2018, trade receivables that were past due and not impaired amounted to RM4,578,181. The details of trade receivables and its credit risks are disclosed in Note 39.1(b)(iii) to the financial statements.</p> <p>The management applied assumptions in assessing the level of allowance for impairment losses on trade receivables based on the following:-</p> <ul style="list-style-type: none"> <li>• specific known facts or circumstances on customers' ability to pay; and/or</li> <li>• by reference to past default experiences</li> </ul> <p>The Group assesses at each of the reporting date whether there is any objective evidence that trade receivables are impaired based on the validity of contractual terms, analysis of customer creditworthiness, past historical payment trends and expectation of repayment patterns.</p> <p>The impairment assessment involved significant judgements and there is inherent uncertainty in the assumptions applied by the management to evaluate the adequacy of the allowance for impairment losses and estimation of future cash collection.</p> <p>We determined this to be a key audit matter due to the inherent subjectivity that is involved in making judgement in relation to credit risk exposures to assess the recoverability of trade receivables.</p>	<p>Our procedures include, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewed and understand the management's assessment of recoverability of major trade receivables;</li> <li>• Reviewed contractual terms to ensure the Group has contractual right to recognise revenue and collect payments;</li> <li>• Obtained confirmation from major trade receivables on outstanding balances as at the reporting date;</li> <li>• Reviewed recoverability of major trade receivables including but not limited to the review of subsequent collections;</li> <li>• Enquired management on receivables status for major customers;</li> <li>• Reviewed collections and sales trends during the financial year of major trade receivables; and/or</li> <li>• Reviewed management's basis of estimation on the adequacy of the Group's allowance for impairment loss on trade receivables.</li> </ul>

# Independent Auditors' Report (cont'd)

To The Members of Halex Holdings Berhad

## Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report (Cont'd):-

<b>Obsolete and slow moving inventories</b> Refer to Note 8 to the financial statements	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The carrying amount of inventories held by the Group as at the reporting date amounted to RM18,200,553. This represented 32% and 15% of current assets and total assets of the Group, respectively.</p> <p>We focused on this area as determination of obsolete and slow moving inventories involves management's judgement.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>Assessed the basis used by management to determine the impairment loss on inventories;</li> <li>Compared net realisable value to cost of inventories at the reporting date to assess the reasonableness of inventories impairment; and</li> <li>Performed ageing test on inventories.</li> </ul>
<b>Biological assets written off</b> Refer to Note 9 to the financial statements	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>Biological assets written off during the year amounted to RM1,939,350 as disclosed in Note 9 to the financial statements. We focused on this area as the write off involves management's judgement.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>Reviewed the Board of Directors' approval for the write off; and</li> <li>Reviewed and assessed the basis and reasonableness of the amount written off.</li> </ul>

## 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 and will 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 the Directors for the Financial Statements

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

## 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.

# Independent Auditors' Report (cont'd)

To The Members of Halex Holdings Berhad

## Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and 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 of 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 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 subsidiary of which we have not acted as auditors, is disclosed in Note 6 to the financial statements.

## OTHER MATTERS

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

**Crowe Malaysia PLT**  
LLP0018817-LCA & AF 1018  
Chartered Accountants

**Onn Kien Hoe**  
Approval No: 01772/11/2020 J  
Chartered Accountant

Kuala Lumpur  
15 April 2019

# STATEMENTS OF FINANCIAL POSITION

As At 31 December 2018

	Note	Group 2018 RM	2017 RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	59,616,616	54,889,568
Investment properties	5	4,134,000	5,249,000
Other investments	7	26,000	26,000
		<b>63,776,616</b>	<b>60,164,568</b>
<b>CURRENT ASSETS</b>			
Inventories	8	18,200,553	17,483,164
Biological assets	9	-	2,134,193
Trade receivables	10	10,970,890	12,115,598
Other receivables, deposits and prepayments	11	20,835,204	5,325,584
Amount due from a related company	12	-	636,625
Current tax assets		791,630	1,516,879
Deposits with licensed banks	13	70,585	1,827,408
Cash and bank balances		6,161,071	24,242,194
		<b>57,029,933</b>	<b>65,281,645</b>
Asset classified as held for sale	14	1,600,000	-
<b>TOTAL ASSETS</b>		<b>122,406,549</b>	<b>125,446,213</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	54,987,582	54,987,582
Treasury shares	16	(17,997)	(17,997)
Revaluation reserve	17	15,904,241	18,817,234
Exchange reserve	17	104,065	115,238
Accumulated losses		(8,853,996)	(430,500)
<b>TOTAL EQUITY</b>		<b>62,123,895</b>	<b>73,471,557</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	18	28,687,638	25,929,301
Finance lease payables	19	-	28,928
Deferred tax liabilities	20	2,947,808	3,365,946
		<b>31,635,446</b>	<b>29,324,175</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	3,524,534	7,891,898
Other payables and accruals	22	2,909,812	1,567,191
Provision	23	1,394,228	-
Amount due to related companies	12	5,504,009	-
Term loans	18	2,543,585	2,183,133
Finance lease payables	19	-	41,285
Bills payable	24	12,145,423	9,176,000
Bank overdrafts	25	625,617	1,776,124
Current tax liabilities		-	14,850
		<b>28,647,208</b>	<b>22,650,481</b>
<b>TOTAL LIABILITIES</b>		<b>60,282,654</b>	<b>51,974,656</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>122,406,549</b>	<b>125,446,213</b>

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

# Statements Of Financial Position (cont'd)

As At 31 December 2018

	Note	31.12.2018 RM	Company 31.12.2017 RM (Restated)	1.1.2017 RM
<b>ASSETS</b>				
<b>NON-CURRENT ASSET</b>				
Investment in subsidiaries	6	<b>32,432,087</b>	35,616,553	55,823,062
<b>CURRENT ASSETS</b>				
Other receivables, deposits and prepayments	11	<b>17,961,270</b>	52,149	22,747
Amount due from subsidiaries	26	<b>15,302,555</b>	14,225,801	27,805,941
Current tax assets		-	41,435	41,435
Cash and bank balances		<b>57,114</b>	19,856,705	28,800
		<b>33,320,939</b>	34,176,090	27,898,923
<b>TOTAL ASSETS</b>		<b>65,753,026</b>	69,792,643	83,721,985
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	15	<b>54,987,582</b>	54,987,582	53,000,000
Treasury shares	16	<b>(17,997)</b>	(17,997)	(17,997)
Share premium		-	-	1,987,582
(Accumulated loss)/Retained earnings		<b>(1,008,575)</b>	3,919,010	16,352,431
<b>TOTAL EQUITY</b>		<b>53,961,010</b>	58,888,595	71,322,016
<b>NON-CURRENT LIABILITY</b>				
Term loans		-	-	8,920,937
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	22	<b>275,953</b>	163,593	151,026
Amount due to subsidiaries	26	<b>11,516,063</b>	10,740,455	1,450,559
Term loans		-	-	1,877,447
		<b>11,792,016</b>	10,904,048	3,479,032
<b>TOTAL LIABILITIES</b>		<b>11,792,016</b>	10,904,048	12,399,969
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,753,026</b>	69,792,643	83,721,985

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Revenue	27	68,146,135	69,038,874	-	-
Cost of sales		(59,732,255)	(60,962,332)	-	-
Gross profit		8,413,880	8,076,542	-	-
Other income	28	509,892	8,505,992	209,314	4,782
Net gain arising from changes in fair value of biological assets		5,122	2,140,877	-	-
Selling and marketing expenses		(6,058,429)	(6,771,713)	-	-
Administrative expenses		(11,001,488)	(14,533,926)	(1,910,998)	(1,943,193)
Other expenses		(1,036,103)	(7,297,675)	(3,184,466)	-
Finance costs	29	(2,280,626)	(1,423,886)	-	-
Net impairment gains/(losses) on financial assets	30	501,700	(353,303)	-	(10,495,010)
Share of results of an associate		-	(64,139)	-	-
Loss before taxation	31	(10,946,052)	(11,721,231)	(4,886,150)	(12,433,421)
Taxation	32	299,556	(172,383)	(41,435)	-
Loss after taxation		(10,646,496)	(11,893,614)	(4,927,585)	(12,433,421)
Other comprehensive (expenses)/income:-	33				
<u>Items that will be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences		(11,173)	8,912	-	-
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Revaluation of property		-	1,717,506	-	-
Remeasurement of deferred tax on revalued property arising from change in real property gains tax ("RPGT") rate		(689,993)	-	-	-
Total other comprehensive (expenses)/income for the financial year, net of tax		(701,166)	1,726,418	-	-
Total comprehensive expenses for the financial year		(11,347,662)	(10,167,196)	(4,927,585)	(12,433,421)
Loss after taxation for the financial year attributable to: Owners of the Company		(10,646,496)	(11,893,614)	(4,927,585)	(12,433,421)
Total comprehensive expenses attributable to: Owners of the Company		(11,347,662)	(10,167,196)	(4,927,585)	(12,433,421)
Loss per share	34				
Basic (sen)		(10.05)	(11.22)		
Diluted (sen)		(10.05)	(11.22)		

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

# STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018

	Share Capital RM	Tresury Shares RM	Revaluation Reserve RM	Share Premium RM	Exchange Reserve RM	Retained Earnings/ (Accumulated Losses) RM	Total RM
<b>Group</b>							
At 1 January 2017	53,000,000	(17,997)	17,153,606	1,987,582	106,326	11,409,236	83,638,753
Loss after taxation for the financial year	-	-	-	-	-	(11,893,614)	(11,893,614)
Other comprehensive income for the financial year:							
- Foreign currency translation differences	-	-	-	-	8,912	-	8,912
- Revaluation of property	-	-	1,717,506	-	-	-	1,717,506
Total comprehensive expenses for the financial year	-	-	1,717,506	-	8,912	(11,893,614)	(10,167,196)
Transfer to share capital upon implementation of the Companies Act 2016	1,987,582	-	-	(1,987,582)	-	-	-
Realisation of revaluation surplus	-	-	(53,878)	-	-	53,878	-
At 31 December 2017	54,987,582	(17,997)	18,817,234	-	115,238	(430,500)	73,471,557

	Share Capital RM	Tresury Shares RM	Revaluation Reserve RM	Exchange Reserve RM	Accumulated Losses RM	Total RM
<b>Group</b>						
At 1 January 2018	54,987,582	(17,997)	18,817,234	115,238	(430,500)	73,471,557
Loss after taxation for the financial year	-	-	-	-	(10,646,496)	(10,646,496)
Other comprehensive expenses for the financial year:						
- Foreign currency translation differences	-	-	-	(11,173)	-	(11,173)
- Remeasurement of deferred tax on revalued property arising from change in RPGT rate	-	-	(689,993)	-	-	(689,993)
Total other comprehensive expenses for the financial year	-	-	(689,993)	(11,173)	(10,646,496)	(11,347,662)
Realisation of revaluation surplus	-	-	(2,223,000)	-	2,223,000	-
At 31 December 2018	54,987,582	(17,997)	15,904,241	104,065	(8,853,996)	62,123,895

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



# Statements Of Changes In Equity (cont'd)

For The Financial Year Ended 31 December 2018

Company	Share Capital RM	Tresury Shares RM	Share Premium RM	Retained Earnings/ (Accumulated Loss) RM	Total RM
At 1 January 2017	53,000,000	(17,997)	1,987,582	16,352,431	71,322,016
Transfer to share capital upon implementation of the Companies Act 2016	1,987,582	-	(1,987,582)	-	-
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(12,433,421)	(12,433,421)
At 31 December 2017/1 January 2018	<b>54,987,582</b>	<b>(17,997)</b>	-	<b>3,919,010</b>	<b>58,888,595</b>
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(4,927,585)	(4,927,585)
At 31 December 2018	<b>54,987,582</b>	<b>(17,997)</b>	-	<b>(1,008,575)</b>	<b>53,961,010</b>

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

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2018

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	(10,946,052)	(11,721,231)	(4,886,150)	(12,433,421)
Adjustments for:-				
Bad debts written off	2,494	231,186	-	-
Biological assets written off	1,939,350	160,168	-	-
Depreciation of property, plant and equipment	943,158	2,264,105	-	-
Deposit written off	-	3,830,000	-	-
Dividend income	-	(1,325)	-	-
Fair value (gain)/loss on:				
- investment property	-	(194,650)	-	-
- biological assets	(1,944,472)	(2,140,877)	-	-
- property	-	222,685	-	-
Gain/(Loss) on disposal of:				
- investment in quoted securities	-	(31,906)	-	-
- investment in an associate	-	(7,533,195)	-	-
- investment property	65,000	-	-	-
- property, plant and equipment	(2,999)	(24,148)	-	-
Impairment losses on:				
- amount due from subsidiaries	-	-	-	10,495,010
- trade receivables	263,445	434,688	-	-
- property, plant and equipment	-	4,795,192	-	-
- investment in a subsidiary	-	-	3,184,458	-
Interest expenses	2,280,626	1,423,886	-	-
Interest income	(314,292)	(75,896)	(209,314)	(4,782)
Intangible assets written off	-	123,222	-	-
Inventories written down	-	1,089,638	-	-
Inventories written off	636,517	-	-	-
Investment in subsidiaries written off	-	-	8	-
Property, plant and equipment written off	5	814,192	-	-
Provision for consolidation of operations	1,564,805	-	-	-
Unrealised gain on foreign exchange	(52,323)	(606,640)	-	-
Share of results of an associate	-	64,139	-	-
Operating loss before working capital changes	(5,564,738)	(6,876,767)	(1,910,998)	(1,943,193)
Changes in working capital:-				
Biological assets	2,139,315	2,315,781	-	-
Inventories	(1,353,906)	64,067	-	-
Receivables	3,272,977	(630,098)	(5,293)	(29,402)
Payables	(3,142,997)	(3,699,789)	112,360	12,567
Related companies	6,140,634	(636,625)	-	-
Subsidiaries	-	-	(301,146)	-
CASH FROM/(FOR) OPERATIONS	1,491,285	(9,463,431)	(2,105,077)	(1,960,028)
Interest received	102,152	-	-	-
Interest paid	(70,351)	(230,852)	-	-
Tax paid	(381,595)	(1,347,085)	-	-
Tax refunded	283,419	45,665	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	1,424,910	(10,995,703)	(2,105,077)	(1,960,028)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Repayment from subsidiaries	-	-	-	12,375,026
Deposit paid for the proposed acquisition of a subsidiary	(17,903,828)	-	(17,903,828)	-
Dividend received	-	1,325	-	-
Interest received	212,140	75,896	209,314	4,782
Capital reduction in a subsidiary	-	-	-	23,206,505
Proceeds from disposal of:				
- property, plant and equipment	31,000	92,823	-	-
- investment property	1,050,000	-	-	-
- investment in an associate	-	15,500,000	-	-
- investment in quoted securities	-	284,017	-	-
Purchase of property, plant and equipment	(7,298,212)	(98,209)	-	-
Additional investments in an existing subsidiary	-	-	-	(2,999,996)
Withdrawal/(Placement) of deposits with licensed banks	1,756,823	(55,984)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(22,152,077)	15,799,868	(17,694,514)	32,586,317

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

# Statements Of Cash Flows (cont'd)

For The Financial Year Ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Drawdown of term loans	35(a)	<b>5,440,000</b>	24,800,000	-	-
Interest paid	35(a)	<b>(2,210,275)</b>	(1,193,034)	-	-
Repayment of finance lease payables	35(a)	<b>(70,213)</b>	(104,902)	-	-
Repayment of term loans	35(a)	<b>(2,321,211)</b>	(10,862,270)	-	(10,798,384)
Net drawdown of bills payable	35(a)	<b>2,969,423</b>	6,812,959	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		<b>3,807,724</b>	19,452,753	-	(10,798,384)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(16,919,443)</b>	24,256,918	<b>(19,799,591)</b>	19,827,905
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		<b>(11,173)</b>	8,912	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<b>22,466,070</b>	(1,799,760)	<b>19,856,705</b>	28,800
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35(b)	<b>5,535,454</b>	22,466,070	<b>57,114</b>	19,856,705

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 1. Corporate Information

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

The principal place of business of the Company is at No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru.

The registered office of the Company is at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The immediate and ultimate holding companies are Waras Dinamik Sdn. Bhd. and Hextar Holdings Sdn Bhd, respectively. All the holding companies are incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 April 2019.

## 2. Basis of Preparation

### (a) Statement of compliance

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in the other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Adoption of new and amended standards

During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 - Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 - 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements other than the new classification of financial assets under MFRS 9 which is disclosed in Note 39.3 to the financial statements. This is because the measurement of financial assets under MFRS 9 and the timing and amount of revenue recognised under MFRS 15 are consistent to the Group's current practice.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 2. Basis of Preparation (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Standards issued but not yet effective

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

### (b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than those that are disclosed in the notes to the financial statements.

### (c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

### (d) Critical accounting estimates and judgements

#### *Key sources of estimation uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

#### (i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 2. Basis of Preparation (Cont'd)

### (d) Critical accounting estimates and judgements (Cont'd)

#### *Key sources of estimation uncertainty (Cont'd)*

#### (ii) Property and investment properties under revaluation

Properties and investment properties of the Group are reported at revalued amounts which are based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for tenure, location, size, market trends and recent transactions. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amounts of properties and investment properties measured at revaluation as at the reporting date are disclosed in Notes 4 and 5 to the financial statements.

#### (iii) Impairment of plant and equipment and investment in subsidiaries

The Group determines whether plant and equipment and investment in subsidiaries are impaired by evaluating the extent to which the recoverable amounts of the assets are less than their carrying amounts. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of plant and equipment and investment in subsidiaries as at the reporting date are disclosed in Notes 4 and 6 to the financial statements.

#### (iv) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

#### (v) Valuation of biological assets

Management estimates the fair values of biological assets less costs to sell at the end of the reporting period with reference to the recent market prices of the underlying agricultural produce. Unexpected volatility in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement changes in future accounting periods.

Forces of nature such as temperature, rainfall and diseases may affect harvest efficiency. Management considers adequate measures are in place, to minimise negative impacts from natural disaster, if any. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or changes in harvests in future accounting periods. The key assumptions used and carrying amount of the Group's biological assets are disclosed in Note 9 to the financial statements.

#### (vi) Impairment of trade receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date are disclosed in Note 10 to the financial statements.

#### (vii) Impairment of non-trade receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amount due from subsidiaries as at the reporting date are disclosed in Notes 11 and 26 to the financial statements.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 2. Basis of Preparation (Cont'd)

### (d) Critical accounting estimates and judgements (Cont'd)

#### *Key sources of estimation uncertainty (Cont'd)*

#### (viii) Incomes taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amounts of current tax assets and liabilities of the Group and the Company as at the reporting date are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM</b>	RM	<b>RM</b>	RM
Current tax assets	<b>791,630</b>	1,516,879	-	41,435
Current tax liabilities	-	14,850	-	-

#### *Critical judgements made in applying accounting policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

#### Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

## 3. Significant Accounting Policies

### (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (i) Subsidiaries (Cont'd)

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(ii) on impairment of non-financial assets.

#### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Disposal of a subsidiary

If the Group loses control of a subsidiaries, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2017: MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### (iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k)(ii) on impairment of non-financial assets.

### (b) Foreign currency translation

#### Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (b) Foreign currency translation (Cont'd)

#### Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These 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 Company's net investment in foreign operation are recognised in profit or loss in the Company's 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 reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

#### Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost/revalued amount less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(ii).

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

#### Property, plant and equipment under the revaluation model

Land and buildings are revalued periodically, at least once in every three years. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings. In addition, the Group also makes an annual transfer of the revaluation reserve to retained profits as the asset is used by the Group. In such a case, the amount of the revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (c) Property, plant and equipment (Cont'd)

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost/revalued amount of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	2%
Leasehold land and buildings	Over a lease period of 47 to 60 years
Buildings and structures	2%
Plant and machinery	6.67% - 10%
Forklifts and motor vehicles	20%
Tools, equipment, furniture, and fittings	10% - 20%
Bearer plant	2%

The residual values, useful lives and depreciation method are reviewed at each reporting period end 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 property, plant and equipment.

### (d) Leased assets

#### (i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (e) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditures that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### (f) Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when, and only when, the Group become a party to the contractual provisions of the financial instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

### (i) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

#### Debt instruments

##### (a) Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (f) Financial instruments (Cont'd)

#### (i) Financial assets (Cont'd)

##### (b) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

##### (c) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

#### Equity instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

#### (ii) Financial liabilities

The Group classified its financial liability at initial recognition, into the following categories:

##### (a) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

##### (b) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

#### (iii) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

##### (a) Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (f) Financial instruments (Cont'd)

#### (iii) Equity instruments (Cont'd)

##### (b) Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

#### (v) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities 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 or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due 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 amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

#### Accounting policies applied until 31 December 2017

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with their previous accounting policies as summarised below:-

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.
- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve was reclassified from equity into profit or loss. Investments in equity instruments whose fair value cannot be reliably measured were measured at cost less accumulated impairment losses, if any.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (g) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a weighted average cost method. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads.

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.

### (h) Biological assets

A biological asset is measured at fair value less costs to sell as it grows. In the absence of an active open market and alternative fair value measurements are determined to be clearly unreliable, a biological asset is stated at cost less accumulated impairment loss on initial recognition. Once the fair value of such a biological asset becomes reliably measurable, it is measured at its fair value less costs to sell.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss in the period in which it arises.

Agricultural produce harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, 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 with original maturity periods of three months or less. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (j) Non-current assets held for sales

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

### (k) Impairment

#### (i) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (k) Impairment (Cont'd)

#### (i) Impairment of financial assets (Cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

#### Accounting policies applied until 31 December 2017

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

#### (ii) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### (l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

A provision for consolidation of operations is recognised when the Group has approved a detailed formal plan and the plan either has commenced or has been announced publicly. Provision is not recognised for future operating losses.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (m) Employee benefits

#### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period 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. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

### (n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (o) Income taxes

#### (i) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and 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 are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.



# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (o) Income taxes (Cont'd)

#### (iii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

### (p) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (q) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### (r) Earning per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held.

### (s) Fair value measurements

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 3. Significant Accounting Policies (Cont'd)

### (t) Revenue from contract customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

### (i) Sale of agriculture supplies, consumer products, horticulture and agro-biotechnologies products

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### (u) Revenue from other sources and other income

#### (i) Rental income

Rental income is accounted for on a straight-line method over the lease term.

#### (ii) Interest income

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

## Notes To The Financial Statements (cont'd)

31 December 2018

## 4. Property, plant and equipment

Group	At valuation					At cost					Total RM	
	Freehold land and buildings RM	Leasehold buildings RM	Building and structures RM	Capital work- in-progress RM	Forklift and motor vehicles RM	Tools, equipment, furniture and fixtures RM	Plant and machinery RM	Bearer plant RM				
<b>Valuation/Cost</b>												
At 1 January 2018	37,100,000	11,660,535	5,776,780	-	1,387,561	5,681,915	14,299,656	611,796	76,518,243			
Additions	-	-	-	7,160,662	-	137,550	-	-	7,298,212			
Disposals	-	-	-	-	(256,130)	-	-	-	(256,130)			
Written off	-	-	-	-	(192,576)	-	-	-	(192,576)			
Classified as held for sale (Note 14)	(1,600,000)	-	-	-	-	-	-	-	(1,600,000)			
At 31 December 2018	35,500,000	11,660,535	5,776,780	7,160,662	938,855	5,819,465	14,299,656	611,796	81,767,749			
<b>Accumulated depreciation</b>												
At 1 January 2018	-	375,048	88,814	-	1,317,895	4,479,899	10,433,600	46,728	16,741,984			
Charge for the financial year	300,000	280,555	119,024	-	8,911	171,958	62,710	-	943,158			
Disposals	-	-	-	-	(228,129)	-	-	-	(228,129)			
Written off	-	-	-	-	(192,571)	-	-	-	(192,571)			
At 31 December 2018	300,000	655,603	207,838	-	906,106	4,651,857	10,496,310	46,728	17,264,442			
<b>Accumulated impairment losses</b>												
At 31 December 2018	-	-	91,499	-	-	954,078	3,276,046	565,068	4,886,691			
<b>Carrying amount</b>												
At 31 December 2018	35,200,000	11,004,932	5,477,443	7,160,662	32,749	213,530	527,300	-	59,616,616			

## Notes To The Financial Statements (cont'd)

31 December 2018

## 4. Property, plant and equipment (Cont'd)

Group	At valuation					At cost					Total RM	
	Freehold land and buildings RM	Leasehold land and buildings RM	Building and structures RM	Forklift and motor vehicles RM	Tools, equipment, furniture and fittings RM	Plant and machinery RM	Bearer plant RM	Plant and machinery RM	Bearer plant RM	Total RM		
<b>Valuation/Cost</b>												
At 1 January 2017	36,800,000	11,460,535	5,860,509	1,533,398	8,742,090	17,600,160	611,796	82,608,488				
Additions	-	-	-	4,555	68,777	24,877	-	98,209				
Revaluation surplus/(deficit)	300,000	200,000	(83,729)	-	-	-	-	416,271				
Disposals	-	-	-	(150,392)	(14,388)	-	-	(164,780)				
Written off	-	-	-	-	(3,114,564)	(3,325,381)	-	(6,439,945)				
At 31 December 2017	37,100,000	11,660,535	5,776,780	1,387,561	5,681,915	14,299,656	611,796	76,518,243				
<b>Accumulated depreciation</b>												
At 1 January 2017	300,000	621,875	170,514	1,332,601	6,775,306	12,260,868	34,492	21,495,656				
Charge for the financial year	300,000	246,827	120,565	75,492	568,026	940,959	12,236	2,264,105				
Elimination of accumulated depreciation on revaluation	(600,000)	(493,654)	(202,265)	-	-	-	-	(1,295,919)				
Disposals	-	-	-	(90,198)	(5,907)	-	-	(96,105)				
Written off	-	-	-	-	(2,857,526)	(2,768,227)	-	(5,625,753)				
At 31 December 2017	-	375,048	88,814	1,317,895	4,479,899	10,433,600	46,728	16,741,984				
<b>Accumulated impairment losses</b>												
At 1 January 2017	-	-	91,499	-	-	-	-	91,499				
Impairment loss for the financial year	-	-	-	-	954,078	3,276,046	565,068	4,795,192				
At 31 December 2017	-	-	91,499	-	954,078	3,276,046	565,068	4,886,691				
<b>Carrying amount</b>												
At 31 December 2017	37,100,000	11,285,487	5,596,467	69,666	247,938	590,010	-	54,889,568				

# Notes To The Financial Statements (cont'd)

31 December 2018

## 4. Property, plant and equipment (Cont'd)

### (a) Assets pledged as security to financial institutions

The carrying amount of certain property, plant and equipment of the Group and the Company pledged as security for bank borrowings as disclosed in Notes 18 and 19 to the financial statements are:-

	Group 2018 RM	2017 RM
Freehold land and buildings	35,200,000	37,100,000
Leasehold land and buildings	-	6,500,000
Building and structures	5,477,442	5,596,466
Motor vehicles	-	36,000
Capital work-in-progress	6,900,000	-
	<u>47,577,442</u>	<u>49,232,466</u>

### (b) Revaluation of land and buildings

In the previous financial year, the Group's land and buildings were revalued by independent professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

The fair values of the land and buildings are within level 2 of the fair value hierarchy.

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between levels of fair value hierarchy during the financial year.

The fair value measurements of the land and buildings are based on the highest and best use which does not differ from their actual use.

Had the revalued properties been carried at historical cost less accumulated depreciation, their carrying amounts would have been:-

	Group 2018 RM	2017 RM
Freehold land and buildings	17,625,949	18,762,227
Leasehold land and buildings	6,169,591	6,351,075
Building and structures	5,441,744	5,579,845
	<u>29,237,284</u>	<u>30,696,147</u>

### (c) In the previous financial year, an impairment loss of RM4,795,192, representing the write-down of the plant and equipment to their expected recoverable amount was recognised in "Other Expenses" line item of the Consolidated Statements of Profit or Loss and Other Comprehensive Income. The estimated recoverable amount of the plant and equipment was based on its residual values as determined by the directors.

## 5. Investment properties

	Group 2018 RM	2017 RM
<i>Carrying amount</i>		
At 1 January	5,249,000	5,054,350
Gain on change in fair value	-	194,650
Disposal	(1,115,000)	-
At 31 December	<u>4,134,000</u>	<u>5,249,000</u>
Included in the above are:-		
Freehold land, at fair value	310,000	310,000
Long-term leasehold land and building at fair value	3,824,000	4,939,000
	<u>4,134,000</u>	<u>5,249,000</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 5. Investment properties (Cont'd)

Investment properties are stated at fair value, which have been determined based on valuations performed by independent professional valuers at the end of the reporting date using the market comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location, market trends and restrictions. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between levels of fair value hierarchy during the financial year.

## 6. Investment in subsidiaries

	Company	
	31.12.2018	31.12.2017
	RM	RM
		(Restated)
Unquoted shares, at cost		
At 1 January	35,616,553	55,823,062
Addition during the financial year:		
- As previously reported	-	499,998
- Prior year adjustments (Note 42)	-	2,499,998
As restated	-	2,999,996
Capital reduction in a subsidiary	-	(23,206,505)
Written off	(8)	-
	<b>35,616,545</b>	<b>35,616,553</b>
Less: Impairment losses	<b>(3,184,458)</b>	-
At 31 December	<b>32,432,087</b>	<b>35,616,553</b>

Details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		%	%	
<b>Direct holding:</b>				
Halex (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing distributions and agency of agrochemicals
Halex Woolton (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and distributions of disposable healthcare products
Halex International Sdn. Bhd. #	Malaysia	-	100	Dormant
Nusa Suasa Sdn. Bhd. #	Malaysia	-	100	Dormant
Halex Link Sdn. Bhd.	Malaysia	100	100	Business of real property, to carry out business of buy or rent of properties
Halex Ventures Sdn. Bhd. #	Malaysia	-	100	Dormant
Halex Trading Sdn. Bhd. #	Malaysia	-	100	Dormant
Halex Management Sdn. Bhd.	Malaysia	100	100	Provider of management services
<b>Indirect holding through Halex (M) Sdn. Bhd.:</b>				
Halex Industries (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and importing agrochemicals and fertilisers
Halex Realty Sdn. Bhd.	Malaysia	100	100	Investment in landed property and investment holding
Halex Chemicals (S) Pte. Ltd. *	Singapore	100	100	Trading of fertilisers and agrochemicals
Halex Marketing Sdn. Bhd. (f.k.a. Halex Engineering Sdn. Bhd.)	Malaysia	100	100	Trading of disposal healthcare products
Halex Biotechnologies Sdn. Bhd.	Malaysia	100	100	Horticulture and agro-biotechnology
Pengedaran Beras Lestari Sdn. Bhd.	Malaysia	100	100	Dormant

\* Audited by other firm of chartered accountants.

# Placed under members' voluntary winding up on 27 November 2018.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 6. Investment in subsidiaries (Cont'd)

- (a) During the financial year, the Company has carried out a review of the recoverable amounts of its investment in a subsidiary that had been persistently making losses. A total impairment losses of RM3,184,458 (2017: Nil), representing the write-down of the investment to its recoverable amounts, was recognised in "Other Expenses" line item of the Statements Of Profit Or Loss and Other Comprehensive Income. This subsidiary suffered significant losses and at present there is no future business plans for this subsidiary. This investment in subsidiary is belonged to the Group's "Consumer Products" reportable segment.
- (b) In the previous financial year:-
- (i) Halex Woolton (M) Sdn. Bhd., a wholly-owned subsidiary of the Company had undergone a capital reduction exercise pursuant to Section 117 of the Companies Act, 2016. In consequence thereof, the Company's cost of investment in this company was reduced by RM23,206,505.
- (ii) the Company had increased its investment in Halex Management Sdn. Bhd. from RM2 to RM500,000 by subscribing for further allotment of Halex Management Sdn. Bhd. ordinary shares of 499,998 for a total consideration of RM499,998 to retain its equity interest of 100%. The acquisition had no significant effect on the financial result and financial position of the Group.
- (iii) the Company had increased its investment in Halex Link Sdn. Bhd. from RM2 to RM2,500,000 by subscribing for further allotment of Halex Link Sdn. Bhd. ordinary shares of 2,499,998 for a total consideration of RM2,499,998 to retain its equity interest of 100%. The acquisition had no significant effect on the financial result and financial position of the Group.

## 7. Other investments

	Group 2018 RM	2017 RM
Club membership	<u>26,000</u>	<u>26,000</u>

## 8. Inventories

	Group 2018 RM	2017 RM
Raw and packing materials	12,650,598	8,669,369
Work-in-progress	134,406	1,112,137
Finished goods	5,174,464	6,707,614
Consumables	<u>241,085</u>	<u>994,044</u>
	<u>18,200,553</u>	<u>17,483,164</u>
Recognised in profit or loss:-		
Inventories written down	-	1,089,638
Recognised as costs of sales	<u>46,931,306</u>	<u>47,731,536</u>

## 9. Biological assets

	Fronds RM	Trees RM	Tissue culture RM	Total RM
At 1 January 2017	1,089,293	1,122,031	257,941	2,469,265
Written off	-	-	(160,168)	(160,168)
Total gain from changes in fair value less costs to sell	1,827,083	(139,522)	453,316	2,140,877
Decreases due to harvest	(1,869,283)	-	-	(1,869,283)
Decreases due to sales	-	-	(446,498)	(446,498)
	<u>1,047,093</u>	<u>982,509</u>	<u>104,591</u>	<u>2,134,193</u>
At 31 December 2017/ 1 January 2018	1,047,093	982,509	104,591	2,134,193
Written off	(728,256)	(981,159)	(229,935)	(1,939,350)
Total gain from changes in fair value less costs to sell	1,382,951	(1,350)	562,871	1,944,472
Decreases due to harvest	(1,701,788)	-	-	(1,701,788)
Decreases due to sales	-	-	(437,527)	(437,527)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 9. Biological assets (Cont'd)

In the previous financial year, included in tissue culture is an amount RM81,132 stated at cost less accumulated impairment loss (if any). This is because no quoted market prices are available for early stage of tissue plants and parameters used in any alternative fair value measurement are clearly unreliable. Grow-out period of tissue culture is between 6-8 months.

Fair value of tissue culture at the final stage become reliably measurable as there is an active open market. The effect of the change is gain of RM562,871 (2017: RM453,316).

### a) Consumable biological assets and nature of activities

The consumable biological assets of the Group comprise fronds growing on mother bearer plants, decorative plants and tissue culture.

In relation to fronds growing on plants, the nature of activity involves cultivating mother bearer plants for harvesting of mature fronds for sales. For the decorative plants, the nature of activity involves cultivating the decorative plants that are harvested by uprooting an entire plant for sales as a whole plant. For the tissue culture, the nature of activity involves growing plant cells and tissue under sterile conditions on a nutrient culture medium that are to be sold as tissue culture plants.

### b) Non-financial measures and physical quantities

	Fronds (‘000)	Trees (‘000)
<b>2018</b>		
Number of plants	-	-
Quantity of fronds harvested	-	-
<b>2017</b>		
Number of plants	765	2
Quantity of fronds harvested	3,972	-

Disclosures about fair value measurement

	FronD on plants	Decorative plants	Tissue Culture
Valuation technique	Observed price or price in a recent transaction	Observed price or price in a recent transaction	Observed price or price in a recent transaction
Inputs	Estimated quantity of fronds on plants & fair value less costs to sell per unit	Actual number of plants & fair value less costs to sell per plant	Actual number of tissue plants & fair value less costs to sell per plant
Level in the fair value hierarchy	Level 3	Level 3	Level 3
Significant Assumptions	<ul style="list-style-type: none"> <li>- Grow-out period of fronds is between 4-8 months.</li> <li>- Fronds formation is continuous.</li> <li>- Average age of fronds on plants is one-half of the grow-out period.</li> <li>- Quantity estimated is based on past experiences and supplemented with actual post-harvest experiences.</li> <li>- Prices observed at the measurement date or recent transactions.</li> </ul>	<ul style="list-style-type: none"> <li>- Actual number of decorative plants.</li> <li>- Price in recent transactions.</li> </ul>	<ul style="list-style-type: none"> <li>- Actual number of tissue plants.</li> <li>- Price in recent transactions</li> </ul>
Sensitivity Analysis	In the previous financial year, the fair value of the fronds growing on plants is affected by possible changes in the estimated quantity and prices. If the estimated quantity were to change by 10%, the value of the fronds on plants will change by RM104,709. If the estimated fair value less costs to sell were to change by 5%, the value of the fronds will change by RM52,355.	In the previous financial year, the fair value of the decorative plants is affected by possible changes in the estimated price. If the price were to change by 5%, value of the decorative plants will change by RM49,125.	In the previous financial year, the fair value of the tissue plants is affected by possible changes in the estimated price. If the price were to change by 5%, value of the tissue culture will change by RM5,230.



# Notes To The Financial Statements (cont'd)

31 December 2018

## 10. Trade receivables

	Group	
	2018 RM	2017 RM
Trade receivables	11,252,653	12,919,884
Less: Allowance for impairment losses	<u>(281,763)</u>	<u>(804,286)</u>
	<u>10,970,890</u>	<u>12,115,598</u>
Allowance for impairment losses:-		
At 1 January	(804,286)	(455,229)
Add: Charge during the financial year	(263,445)	(434,688)
Less: Written off during the financial year	20,823	4,246
Less: Reversal during the financial year	765,145	81,385
At 31 December	<u>(281,763)</u>	<u>(804,286)</u>

Trade receivables are non-interest bearing and normal trade credit terms range from 30 to 90 (2017: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 11. Other receivables, deposits and prepayments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	1,316,265	2,519,980	9,558	9,558
Deposits	18,335,790	1,227,585	17,907,328	1,000
Prepayments	553,488	1,321,063	44,384	41,591
GST recoverable	629,661	256,956	-	-
	<u>20,835,204</u>	<u>5,325,584</u>	<u>17,961,270</u>	<u>52,149</u>

(a) Included in the other receivables of the Group are the following:-

- (i) On 2 October 2018, the Group disposed of an investment property for a cash consideration of RM1,050,000. Included in other receivables of the Group is the balance consideration from the disposal amounting to RM945,000 (2017: Nil).
- (ii) On 23 November 2017, the Group through its 100% subsidiary, namely Halex Realty Sdn. Bhd. disposed of all its 25% equity interest in Kensington Development Sdn. Bhd. for a cash consideration of RM18 million. The balance consideration of RM2,500,000 from the disposal was included in the other receivables in the previous financial year.

(b) On 16 May 2018, the Company paid a cash consideration of RM17,903,828 (2017: Nil) to Hextar Holdings Sdn. Bhd. for the proposed acquisition of 4 ordinary shares of USD0.10 each in Hextar Chemicals Limited ("HCL"), representing the entire equity interest. The proposed acquisition of HCL is still ongoing as at the end of the reporting period.

## 12. Amount due from/(to) related companies

	Group	
	2018 RM	2017 RM
Amount due from:-		
Trade balances	-	636,625
Amount due to:-		
Trade balances	(4,504,009)	-
Non-trade balances	(1,000,000)	-
	<u>(5,504,009)</u>	<u>-</u>

(a) The trade balances are subject to the normal credit term of 60 days (2017: 60 days). Other credit terms are assessed and approved on a case-by-case basis. The amounts owing are to be settled in cash.

(b) The non-trade balances are unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 13. Deposits with licensed banks

The deposits with licensed banks of the Group at the end of the reporting period bore an effective interest rate of 3.00% (2017: 2.90% to 3.10%) per annum. The deposits have maturity periods of 92 (2017: 92 to 456) days.

The deposits of the Group at the end of the reporting period have been pledged to licensed banks as security for banking facilities granted to a subsidiary.

## 14. Asset classified as held for sale

	Group 2018 RM	2017 RM
At 1 January	-	-
Transfer from property, plant and equipment (Note 4)	1,600,000	-
At 31 December	<u>1,600,000</u>	<u>-</u>

The Group entered into a Sale and Purchase Agreement on 28 December 2018 with the vendor to dispose of a piece of freehold land for a total consideration of RM1,780,000.

The transaction is pending the completion of certain conditions precedent.

The carrying amount of the asset is the same as its carrying amount before it was being reclassified.

## 15. Share capital

	Group and Company			
	Number of shares 2018 Unit	2017 Unit	Amount 2018 RM	2017 RM
<b>Issued and fully paid up</b>				
Ordinary shares				
At 1 January	106,000,000	106,000,000	54,987,582	53,000,000
Transfer from share premium account	-	-	-	1,987,582
At 31 December	<u>106,000,000</u>	<u>106,000,000</u>	<u>54,987,582</u>	<u>54,987,582</u>

- (i) The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (ii) In the previous financial year, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. 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.

## 16. Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchased plan can be applied in the best interest of the company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

As at 31 December 2018, the Company has 27,500 (2017: 27,500) of ordinary shares held as treasury shares.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 17. Reserves

The nature of reserves of the Group and Company is as follows:-

### (a) Revaluation reserve

	Group	
	2018 RM	2017 RM
At 1 January	18,817,234	17,153,606
Revaluation of property (Note 4)	-	1,717,506
Remeasurement of deferred tax arising from change in the tax rates of real property gains tax	(689,993)	-
Realisation of revaluation surplus	(2,223,000)	(53,878)
At 31 December	<u>15,904,241</u>	<u>18,817,234</u>

The revaluation reserve represents the increase in the fair value of the land and buildings of the Group (net of deferred tax, where applicable) presented under property, plant and equipment, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

### (b) Exchange reserve

The exchange reserve represents 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.

## 18. Term loans

	Group	
	2018 RM	2017 RM
Non-current liabilities	28,687,638	25,929,301
Current liabilities	2,543,585	2,183,133
	<u>31,231,223</u>	<u>28,112,434</u>

### (a) The term loans are secured by:-

- (i) a first party legal charge over certain properties of the Group as disclosed in Note 4 to the financial statements;
- (ii) an assignment of rental proceeds; and
- (iii) a corporate guarantee of the Company.

### (b) The term loans bore effective interest rates ranging from 4.77% to 6.10% (2017: 4.52% to 5.50%) per annum.

## 19. Finance lease payables

	Group	
	2018 RM	2017 RM
Minimum lease payments:		
- Not later than one year	-	44,267
- Later than one year and not later than five years	-	29,544
	<u>-</u>	<u>73,811</u>
Less: Amount representing finance charges	-	(3,598)
Present value of minimum lease payment	<u>-</u>	<u>70,213</u>
Represented by:		
Non-current liabilities	-	28,928
Current liabilities	-	41,285
	<u>-</u>	<u>70,213</u>

In the previous financial year, the hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 4 to the financial statements.

In the previous financial year, the finance lease payables bore an effective interest rate of 6.18% per annum. The interest rates were fixed at the inception of the finance lease payables arrangement.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 20. Deferred tax liabilities

The components and movements of deferred tax liabilities are as follows:-

	Property, plant and equipment RM	Investment properties RM	Biological assets RM	Total RM
<b>Group</b>				
At 1 January 2017	3,416,306	11,000	592,624	4,019,930
Recognised in profit or loss (Note 32)	(837,652)	46,716	(80,417)	(871,353)
Recognised in other comprehensive income (Note 33)	217,369	-	-	217,369
At 31 December 2018	<b>2,796,023</b>	<b>57,716</b>	<b>512,207</b>	<b>3,365,946</b>
Recognised in profit or loss (Note 32)	(567,478)	(28,446)	(512,207)	(1,108,131)
Recognised in other comprehensive expenses (Note 33)	689,993	-	-	689,993
At 31 December 2018	<b>2,918,538</b>	<b>29,270</b>	<b>-</b>	<b>2,947,808</b>

## 21. Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 (2017: 7 to 120) days depending on the terms of the contracts.

## 22. Other payables and accruals

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	549,881	665,759	225,713	-
Deposits received	1,244,627	22,850	-	-
Accruals	830,074	814,495	50,240	163,593
GST payable	-	64,087	-	-
Sales and services tax payable	285,230	-	-	-
	<b>2,909,812</b>	<b>1,567,191</b>	<b>275,953</b>	<b>163,593</b>

Included in deposits received is an amount of RM820,727 (2017: Nil) received from a buyer for the disposal of a property. The transaction is still in progress as at the end of the financial year.

## 23. Provision

	Group 2018 RM	2017 RM
At 1 January	-	-
Provision made during the financial year	1,564,805	-
Provision utilised during the financial year	(170,577)	-
At 31 December	<b>1,394,228</b>	<b>-</b>

The Group has provided certain expenses relating to consolidation of operations including cost arising from reduction in headcount and relocation expenses. This is aimed at achieving operational efficiencies and reducing cost for long term. The consolidation of operations is expected to be completed by June 2019.

## 24. Bills payable

- The bills payable of the Group bore effective interest rates ranging from 3.73% to 4.72% (2017: 3.21% to 5.75%) per annum and are secured by a corporate guarantee of the Company.
- Included in bills payable is an amount of RM7,704,000 (2017: RM7,958,000) which were granted from banking facility of Hextar Chemicals Sdn. Bhd., a related company of the Group. The banking facility of the related company is secured by fixed deposit pledged to the bank of the related company and a joint and several guarantee of certain directors of the Company.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 25. Bank overdrafts

The bank overdrafts of the Group at the end of the reporting date bore an effective interest rate of 8.70% (2017: 7.60% to 8.50%) per annum.

## 26. Amounts due from/(to) subsidiaries

	Company		
	31.12.2018 RM	31.12.2017 RM (Restated)	1.1.2017 RM
Amount due from:-			
Non-trade balances			
- As previously reported	25,797,565	27,220,809	27,805,941
- Prior year adjustments (Note 42)	-	(2,499,998)	-
As restated	25,797,565	24,720,811	27,805,941
Less: Allowance for impairment losses	(10,495,010)	(10,495,010)	-
	<u>15,302,555</u>	<u>14,225,801</u>	<u>27,805,941</u>
Amount due to:-			
Non-trade balances	<u>(11,516,063)</u>	<u>(10,740,455)</u>	<u>(1,450,559)</u>

(a) The amounts owing are interest-free and repayable on demand. The amounts outstanding are to be settled in cash.

(b) Amount due from subsidiaries that is individually determined to be impaired relate to subsidiaries that have been suffering significant financial losses and presently there are no future business plans for these subsidiaries.

## 27. Revenue

	Group	
	2018 RM	2017 RM
Sales of goods	<u>68,146,135</u>	<u>69,038,874</u>

The information on the disaggregation of revenue is disclosed in Note 38 to the financial statements.

## 28. Other income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fair value gain on investment property	-	194,650	-	-
Gain on disposal of property, plant and equipment	2,999	24,148	-	-
Gain on disposal of investment in quoted securities	-	31,906	-	-
Unrealised gain on foreign exchange	111,594	606,640	-	-
Gain on disposal of an associate	-	7,533,195	-	-
Dividend received from quoted securities	-	1,325	-	-
Interest received	314,292	75,896	209,314	4,782
Rental income	1,200	-	-	-
Sundry income	79,807	38,232	-	-
	<u>509,892</u>	<u>8,505,992</u>	<u>209,314</u>	<u>4,782</u>

## 29. Finance costs

	Group	
	2018 RM	2017 RM
Interest expenses on:		
- Term loans	1,660,458	878,091
- Bank overdrafts	62,795	190,005
- Bills payable	548,496	297,744
- Finance lease payables	1,321	17,199
- Letters of credit and trust receipts	7,556	15,545
- Other interest	-	25,302
	<u>2,280,626</u>	<u>1,423,886</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 30. Net impairment gains/(losses) on financial assets

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Impairment losses during the financial year:				
- Individually impaired under MFRS 139	-	(434,688)	-	(10,495,010)
- Additions under MFRS 9	(263,445)	-	-	-
Reversal of impairment losses	765,145	81,385	-	-
	<b>501,700</b>	<b>(353,303)</b>	<b>-</b>	<b>(10,495,010)</b>

## 31. Loss before taxation

Loss before taxation is derived after charging/(crediting):-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:				
- audit fees:				
- auditors of the Company				
- current financial year	158,000	188,000	37,000	42,000
- underprovision in the previous financial year	14,000	-	10,000	-
- other auditors	8,378	8,717	-	-
- non-audit service				
- auditors of the Company	198,000	12,000	198,000	6,000
- member firms of the auditors of the Company	181,000	39,800	149,000	3,000
Bad debts written off	2,494	231,186	-	-
Biological assets written off	1,939,350	160,168	-	-
Deposit written off	-	3,830,000	-	-
Depreciation of property, plant and equipment	943,158	2,264,105	-	-
Directors' remuneration (Note 36(c))	255,024	534,923	255,024	534,923
Direct operating expenses on investment properties	39,882	31,444	-	-
Fair value gain on biological assets	(1,944,472)	(2,140,877)	-	-
Fair value loss on revaluation of property	-	222,685	-	-
Impairment losses on:				
- property, plant and equipment	-	4,795,192	-	-
- investment in a subsidiary	-	-	3,184,458	-
Intangible assets written off	-	123,222	-	-
Inventories written down	-	1,089,638	-	-
Inventories written off	636,517	-	-	-
Investment in subsidiaries written off	-	-	8	-
Loss on disposal of investment property	65,000	-	-	-
Loss on foreign exchange:				
- realised	229,962	385,504	-	-
- unrealised	59,271	-	-	-
Management fee	-	-	139,129	74,175
Rental expenses on:				
- hostel	76,166	74,338	-	-
- equipment	29,460	24,780	-	-
- land	23,040	21,120	-	-
- motor vehicles	-	30,000	-	-
- premises	20,250	47,701	-	-

# Notes To The Financial Statements (cont'd)

31 December 2018

## 31. Loss before taxation (Cont'd)

Loss before taxation is derived after charging/(crediting) (Cont'd) :-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment written off	5	814,192	-	-
Provision for consolidation of operations	<b>1,564,805</b>	-	-	-
Staff costs:				
- salaries, wages, allowances and other emoluments	<b>11,106,845</b>	11,224,666	-	389,326
- defined contribution plan	<b>656,222</b>	885,568	-	44,300
Waiver of debts	-	-	<b>125,209</b>	-

## 32. Taxation

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax:				
- for the current financial year	<b>565,972</b>	332,970	-	-
- under/(over)provision in the previous financial year	<b>242,603</b>	(38,210)	<b>41,435</b>	-
	<b>808,575</b>	294,760	<b>41,435</b>	-
RPGT	-	748,976	-	-
	<b>808,575</b>	1,043,736	<b>41,435</b>	-
Deferred tax (Note 20):				
- for the current financial year	<b>44,125</b>	(11,000)	-	-
- overprovision in the previous financial year	<b>(618,246)</b>	(809,638)	-	-
- fair value changes of investment properties	-	46,716	-	-
- fair value changes of biological assets	-	(80,417)	-	-
- realisation of revaluation surplus	<b>(534,010)</b>	(17,014)	-	-
	<b>(1,108,131)</b>	(871,353)	-	-
	<b>(299,556)</b>	172,383	<b>41,435</b>	-

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective loss tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before taxation	<b>(10,946,052)</b>	(11,721,231)	<b>(4,886,150)</b>	(12,433,421)
Tax at statutory tax rate of 24%	<b>(2,627,052)</b>	(2,813,095)	<b>(1,172,676)</b>	(2,984,021)
Tax effects of:-				
Non-deductible expenses	<b>1,370,925</b>	5,609,680	<b>1,172,676</b>	2,984,021
Non-taxable income	<b>(493,696)</b>	(2,481,142)	-	-
Deferred tax assets not recognised for the financial year	<b>2,359,920</b>	-	-	-
Utilisation of deferred tax assets previously not recognised	-	(55,867)	-	-
Effect of differential in tax rate	-	11,679	-	-
RPGT arising from disposal of property	-	748,976	-	-
Realisation of revaluation surplus	<b>(534,010)</b>	-	-	-
Under/(Over)provision in the previous financial year:				
- income tax	<b>242,603</b>	(38,210)	<b>41,435</b>	-
- deferred tax	<b>(618,246)</b>	(809,638)	-	-
Income tax expense for the financial year	<b>(299,556)</b>	172,383	<b>41,435</b>	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 32. Taxation (Cont'd)

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

Deferred tax assets have not been recognised in respect of the following items:-

	Group 2018 RM	2017 RM
Unutilised tax losses	18,037,000	8,807,000
Unutilised reinvestment allowances	12,307,000	12,307,000
Unabsorbed capital allowances	11,683,000	12,043,000
Others	2,459,000	1,496,000
	<u>44,486,000</u>	<u>34,653,000</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The unutilised tax losses and unutilised reinvestment allowance expire at end of the year of assessment 2025 but the unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

## 33. Other comprehensive (expenses)/income

	Group 2018 RM	2017 RM
<b>Items that will be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences:		
- changes during the financial year	(11,173)	8,912
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Revaluation of property	-	1,934,875
Less: Deferred taxation (Note 20)	-	(217,369)
	-	1,717,506
Remeasurement of deferred tax arising from change in the tax rates of RPGT (Note 20)	(689,993)	-
	<u>(701,166)</u>	<u>1,726,418</u>

## 34. Loss per share

### (a) Basic loss per share

The basic loss per share is calculated based on the consolidated loss for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:-

	Group 2018	2017
Loss after taxation for the financial year (RM)	<u>(10,646,496)</u>	<u>(11,893,614)</u>
Weighted average number of ordinary shares in issue	<u>105,972,500</u>	<u>105,972,500</u>
Basic loss per ordinary share (in sen)	<u>(10.05)</u>	<u>(11.22)</u>

### (b) Diluted loss per share

The Company has not issued any dilutive potential ordinary shares, and hence, the diluted loss per share is equal to the basic loss per share.



## Notes To The Financial Statements (cont'd)

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## 35. Cash flow information

(a) The reconciliations of liabilities arising from financing activities are as follows:-

	Finance lease payable RM	Term loans RM	Bills payable RM	Total RM
<b>Group 2018</b>				
At 1 January	70,213	28,112,434	9,176,000	37,358,647
<u>Changes in financing cash flows</u>				
Proceeds from drawdown	-	5,440,000	34,260,496	39,700,496
Repayment of borrowing principal	(70,213)	(2,321,211)	(31,291,073)	(33,682,497)
Repayment of borrowing interests	(1,321)	(1,660,458)	(548,496)	(2,210,275)
	(71,534)	1,458,331	2,420,927	3,807,724
<u>Non-cash changes</u>				
Finance charges recognised in profit or loss	1,321	1,660,458	548,496	2,210,275
At 31 December	-	31,231,223	12,145,423	43,376,646
<b>2017</b>				
At 1 January	175,115	14,174,704	2,363,041	16,712,860
<u>Changes in financing cash flows</u>				
Proceeds from drawdown	-	24,800,000	21,111,647	45,911,647
Repayment of borrowing principal	(104,902)	(10,862,270)	(14,298,688)	(25,265,860)
Repayment of borrowing interests	(17,199)	(878,091)	(297,744)	(1,193,034)
	(122,101)	13,059,639	6,515,215	19,452,753
<u>Non-cash changes</u>				
Finance charges recognised in profit or loss	17,199	878,091	297,744	1,193,034
At 31 December	70,213	28,112,434	9,176,000	37,358,647

	Term loans RM
<b>Company 2017</b>	
At 1 January	10,798,384
<u>Changes in financing cash flows</u>	
Repayment of borrowing principal	(10,798,384)
Repayment of borrowing interests	(684,984)
Interest paid by a related company	684,984
	(10,798,384)
At 31 December	-

(b) The cash and cash equivalents comprise the following:-

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Cash and bank balances	6,161,071	24,242,194	57,114	19,856,705
Deposits with licensed banks	70,585	1,827,408	-	-
Bank overdrafts	(625,617)	(1,776,124)	-	-
	5,606,039	24,293,478	57,114	19,856,705
Less: Deposits pledged with licensed banks	(70,585)	(1,827,408)	-	-
	5,535,454	22,466,070	57,114	19,856,705

# Notes To The Financial Statements (cont'd)

31 December 2018

## 36. Related party disclosures

### (a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

The Group has related party relationships with its subsidiary companies, related parties and key management personnel.

### (b) Significant related party transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
Management fee paid/payable to a subsidiary	-	-	139,129	74,175
Advances from a related company	1,000,000	-	-	-
Sales to a related company	156,820	2,583,465	-	-
Purchases from related companies	6,357,182	3,165,988	-	-
Research and development cost paid/payable to a related company	240,000	-	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

### (c) Key management personnel compensation

The key management personnel of the Group and of the Company include executive and non-executive directors of the Company. The key management personnel compensation during the financial year are as follows:-

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<b>Directors of the Company</b>				
Short-term employee benefits:				
- Fee	216,000	242,046	216,000	242,046
- Salaries and other emoluments	39,024	267,751	39,024	267,751
Defined contribution plan	-	25,126	-	25,126
Total directors' remuneration (Note 31)	255,024	534,923	255,024	534,923

The estimated monetary value of benefits-in-kind provided to the directors of the Company were RM6,000 (2017 - Nil).

	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<b>Other key management personnel</b>				
Short-term employee benefits:				
	492,400	409,867	-	-
Defined contribution plan	51,456	49,008	-	-
Total compensation for other key management personnel	480,856	458,875	-	-

## 37. Capital commitment

	Group 2018 RM	2017 RM
Renovation of a property	2,305,586	-
Purchase of property	-	6,210,000

# Notes To The Financial Statements (cont'd)

31 December 2018

## 38. Segment information

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

- Investment holding : Investment in shares and properties are held for capital gain.
- Agriculture supplies and trading : Involved in manufacturing, distribution and agents of agrochemicals.
- Consumer products : Involved in manufacturing and distribution of disposable healthcare products.
- Horticulture and agro-biotechnologies : Involved in horticulture and agro-biotechnology.

- (a) The Group Chief Executive Officer assesses the performance of the reportable segments based on their profit or loss for the financial year. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- (b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than investments in associates and tax-related assets.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.
- (e) Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

	Investment Holding RM	Agriculture Supplies and Trading RM	Consumer Products RM	Horticulture and Agro-Biotechnologies RM	Elimination RM	Total RM
<b>2018</b>						
<b>Revenue</b>						
External sales	-	34,892,229	29,253,814	4,000,092	-	68,146,135
Inter-segment sales	5,493,063	1,931,747	39,433	-	(7,464,243)	-
Total revenue	<u>5,493,063</u>	<u>36,823,976</u>	<u>29,293,247</u>	<u>4,000,092</u>	<u>(7,464,243)</u>	<u>68,146,135</u>
Represented by:-						
<u>Revenue recognised over time</u>						
Management services	5,493,063	-	-	-	(5,493,063)	-
<u>Revenue recognised at a point of time</u>						
Sales of agriculture supplies	-	36,823,976	-	-	(1,931,747)	34,892,229
Sales of consumer products	-	-	29,293,247	-	(39,433)	29,253,814
Sales of horticulture and agro-biotechnologies products	-	-	-	4,000,092	-	4,000,092
Total revenue	<u>5,493,063</u>	<u>36,823,976</u>	<u>29,293,247</u>	<u>4,000,092</u>	<u>(7,464,243)</u>	<u>68,146,135</u>
<b>Results</b>						
Segment results	(3,215,837)	2,030,220	(7,582,817)	(3,058,171)	2,846,887	(8,979,718)
Finance costs	(1,506,487)	(504,611)	(269,528)	-	-	(2,280,626)
Finance income	209,842	73,367	27,718	3,365	-	314,292
(Loss)/Profit before taxation	<u>(4,512,482)</u>	<u>1,598,976</u>	<u>(7,824,627)</u>	<u>(3,054,806)</u>	<u>2,846,887</u>	<u>(10,946,052)</u>
Taxation						299,556
Loss after taxation for the financial year						<u>(10,646,496)</u>
Attributable to:						
Owners of the Company						<u>(10,646,496)</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 38. Segment information (Cont'd)

	Investment Holding RM	Agriculture Supplies and Trading RM	Consumer Products RM	Horticulture and Agro- Biotechnologies RM	Elimination RM	Total RM
<b>2018</b>						
<b>Assets</b>						
Segment assets	114,091,797	41,104,512	25,852,876	9,129,842	(68,564,108)	121,614,919
Unallocated asset:						
- Current tax assets						791,630
Total assets						<u>122,406,549</u>
Included in the measure of segment assets are:						
Addition to non-current assets other than financial instruments are:						
- Property, plant and equipment	<u>7,283,973</u>	<u>6,413</u>	<u>7,826</u>	<u>-</u>	<u>-</u>	<u>7,298,212</u>
<b>Liabilities</b>						
Segment liabilities	67,056,154	17,879,207	12,135,715	1,466,980	(41,203,210)	57,334,846
Unallocated liabilities:						
- Deferred tax liabilities						2,947,808
Total liabilities						<u>60,282,654</u>
<b>Other information</b>						
Allowance for impairment losses on:						
- trade receivables	-	250,280	13,165	-	-	263,445
- investment in a subsidiary	3,184,458	-	-	-	(3,184,458)	-
Bad debt written off	-	2,494	-	-	-	2,494
Biological assets written off	-	-	-	1,939,350	-	1,939,350
Depreciation of property, plant and equipment	14,381	228,676	181,077	39,024	480,000	943,158
Fair value gain on biological assets	-	-	-	(1,944,472)	-	(1,944,472)
Gain/(Loss) on disposal of property and equipment	65,000	-	-	(2,999)	-	62,001
Inventories written off	-	-	526,041	110,476	-	636,517
Provision for consolidation of operations	-	-	1,199,379	365,426	-	1,564,805
Reversal of allowance for impairment losses on trade receivables	-	(13,292)	(751,853)	-	-	(765,145)
Unrealised foreign exchange gain/(loss)	-	(111,594)	59,271	-	-	(52,323)
<b>2017</b>						
<b>Revenue</b>						
External sales	-	36,586,200	28,309,980	4,142,694	-	69,038,874
Inter-segment sales	1,779,490	10,491,971	37,182	-	(12,308,643)	-
Total revenue	<u>1,779,490</u>	<u>47,078,171</u>	<u>28,347,162</u>	<u>4,142,694</u>	<u>(12,308,643)</u>	<u>69,038,874</u>
<b>Results</b>						
Segment results	(8,602,175)	(449,544)	(12,163,559)	(1,872,999)	12,779,175	(10,309,102)
Finance costs	(710,214)	(439,545)	(274,127)	-	-	(1,423,886)
Finance income	4,782	56,375	11,468	3,271	-	75,896
Share of results of an associate	(64,139)	-	-	-	-	(64,139)
Loss before taxation	<u>(9,371,746)</u>	<u>(832,714)</u>	<u>(12,426,218)</u>	<u>(1,869,728)</u>	<u>12,779,175</u>	<u>(11,721,231)</u>
Taxation						(172,383)
Loss after taxation for the financial year						(11,893,614)
Attributable to:						
Owners of the Company						<u>(11,893,614)</u>

The information on the disaggregation of revenue is not presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 38. Segment information (Cont'd)

	Investment Holding RM	Agriculture Supplies and Trading RM	Consumer Products RM	Horticulture and Agro- Biotechnologies RM	Elimination RM	Total RM
<b>2017</b>						
<b>Assets</b>						
Segment assets	88,749,176	80,736,116	30,333,135	11,271,896	(87,160,989)	123,929,334
Unallocated asset:						
- Current tax assets						1,516,879
Total assets						<u>125,446,213</u>
Included in the measure of segment assets are:						
Addition to non-current assets other than financial instruments are:						
- Property, plant and equipment	-	45,362	52,847	-	-	98,209
<b>Liabilities</b>						
Segment liabilities	39,754,912	58,556,038	8,984,415	564,291	(59,265,796)	48,593,860
Unallocated liabilities:						
- Deferred tax liabilities						3,365,946
- Current tax liabilities						14,850
Total liabilities						<u>51,974,656</u>
<b>Other information</b>						
Allowance for impairment losses on:						
- amount due from subsidiaries	10,495,010	-	656,858	-	(11,151,868)	-
- trade receivables	-	12,292	422,396	-	-	434,688
- property, plant and equipment	-	-	4,097,648	697,544	-	4,795,192
- investment in subsidiaries	-	1,598,273	-	-	(1,598,273)	-
Bad debt written off	-	123,445	107,741	-	-	231,186
Deposit written off	3,830,000	-	-	-	-	3,830,000
Depreciation of property, plant and equipment	-	558,020	1,552,021	154,064	-	2,264,105
Fair value gain on biological assets	-	-	-	(2,140,877)	-	(2,140,877)
Gain on disposal of an associate	(7,469,056)	-	-	-	(64,139)	(7,533,195)
Intangible asset written off	-	26,662	96,560	-	-	123,222
Inventories written down	-	94,945	994,693	-	-	1,089,638

### Geographical information

Analysis by geographical segment has been presented in respect of revenue only as the Group operates principally in Malaysia.

	Group 2018 RM	2017 RM
Local	50,645,470	54,415,517
Export	17,500,665	14,623,357
Total	<u>68,146,135</u>	<u>69,038,874</u>

### Major customer

The major customer with revenue equal to or more than 10% of the Group's total revenue is as follow:-

	Revenue 2018 RM	2017 RM	Segment
Customer #1	<u>7,021,435</u>	<u>7,457,364</u>	Consumer products

# Notes To The Financial Statements (cont'd)

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## 39. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 39.1 Financial risk management policies

#### (a) Market risk

##### (i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

#### Foreign currency exposure

	United States Dollar RM	Singapore Dollar RM	Japanese Yen RM	Ringgit Malaysia RM	Total RM
<b>Group 2018</b>					
<u>Financial Assets</u>					
Other investments	-	-	-	26,000	26,000
Trade receivables	959,337	695,970	212,236	9,103,347	10,970,890
Other receivables	-	-	-	1,316,265	1,316,265
Deposits with licensed banks	-	-	-	70,585	70,585
Cash and bank balances	15,885	221,096	-	5,924,090	6,161,071
	<u>975,222</u>	<u>917,066</u>	<u>212,236</u>	<u>16,440,287</u>	<u>18,544,811</u>
<u>Financial Liabilities</u>					
Term loans	-	-	-	31,231,223	31,231,223
Trade payables	1,264,760	-	-	2,259,774	3,524,534
Other payables and accruals	-	8,499	-	1,371,456	1,379,955
Amount due to related companies	-	-	-	5,504,009	5,504,009
Bills payable	-	-	-	12,145,423	12,145,423
Bank overdrafts	-	-	-	625,617	625,617
	<u>1,264,760</u>	<u>8,499</u>	<u>-</u>	<u>53,137,502</u>	<u>54,410,761</u>
Net financial (liabilities)/assets	(289,538)	908,567	212,236	(36,697,215)	(35,865,950)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	(27,008)	-	36,697,215	36,670,207
Currency Exposure	<u>(289,538)</u>	<u>881,559</u>	<u>212,236</u>	<u>-</u>	<u>804,257</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.1 Financial risk management policies (Cont'd)

#### (a) Market risk (Cont'd)

##### (i) Foreign currency risk (Cont'd)

##### Foreign currency exposure (Cont'd)

Group 2017	Others# RM	United States Dollar RM	Singapore Dollar RM	Japanese Yen RM	Ringgit Malaysia RM	Total RM
<b>Financial Assets</b>						
Other investments	-	-	-	-	26,000	26,000
Trade receivables	-	1,022,323	536,981	184,432	10,371,862	12,115,598
Other receivables	-	-	-	-	2,519,980	2,519,980
Amount due from a related company	-	-	-	-	636,625	636,625
Deposits with licensed banks	-	-	-	-	1,827,408	1,827,408
Cash and bank balances	4,285	15,339	160,033	-	24,062,537	24,242,194
	<u>4,285</u>	<u>1,037,662</u>	<u>697,014</u>	<u>184,432</u>	<u>39,444,412</u>	<u>41,367,805</u>
<b>Financial Liabilities</b>						
Term loans	-	-	-	-	28,112,434	28,112,434
Finance lease payables	-	-	-	-	70,213	70,213
Trade payables	-	3,313,919	-	-	4,577,979	7,891,898
Other payables and accruals	-	-	8,482	-	1,471,772	1,480,254
Bills payable	-	-	-	-	9,176,000	9,176,000
Bank overdrafts	-	-	-	-	1,776,124	1,776,124
	<u>-</u>	<u>3,313,919</u>	<u>8,482</u>	<u>-</u>	<u>45,184,522</u>	<u>48,506,923</u>
Net financial assets/(liabilities)	4,285	(2,276,257)	688,532	184,432	(5,740,110)	(7,139,118)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	(44,310)	-	5,740,110	5,695,800
Currency Exposure	<u>4,285</u>	<u>(2,276,257)</u>	<u>644,222</u>	<u>184,432</u>	<u>-</u>	<u>(1,443,318)</u>

Note:-

# Others represent Vietnamese Dong, Thai Baht, Philippine Peso, and Cambodian Riel.

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

##### Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the loss after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's deposits with licensed banks and hire purchase payables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 18, 24 and 25 to the financial statements.

##### Interest rate risk sensitivity analysis

An increase of 50 basis points in interest rates of floating rate borrowings at the end of the reporting period would have increased the Group's loss after taxation by RM167,209 (2017: RM148,445). The analysis assumes that all other variables remain constant. A decrease of 50 basis points in the interest rates would have had an equal but opposite effect on the Group's loss after taxation.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.1 Financial risk management policies (Cont'd)

#### (a) Market risk (Cont'd)

##### (iii) Equity price risk

The Company does not have any quoted investments and hence, no sensitivity analysis is presented.

#### (b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

##### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by 1 (2017: 1) customer which constituted approximately 15% (2017: 24%) of its trade receivables (including amount due from a related Company) at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including amount due from a related company) at the end of the reporting period is as follows:-

	Group 2018 RM	2017 RM
Cambodia	18,081	-
Hong Kong	51,091	120,268
Japan	212,236	184,432
Malaysia	9,103,347	11,008,487
Philippines	34,078	30,345
Singapore	695,970	566,482
South Africa	221,213	164,464
Turkey	-	10,337
Vietnam	634,874	667,408
	<b>10,970,890</b>	<b>12,752,223</b>

##### (ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses.

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

##### (iii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of its financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.



# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.1 Financial risk management policies (Cont'd)

#### (b) Credit risk (Cont'd)

##### (iii) Assessment of impairment losses (Cont'd)

###### *Trade receivables*

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>Group 2018</b>			
Current (not past due)	6,392,709	-	6,392,709
1 to 30 days past due	1,663,034	(26,516)	1,636,518
31 to 60 days past due	556,178	(8,673)	547,505
61 to 90 days past due	760,583	(10,809)	749,774
more than 90 days	1,880,149	(33,165)	1,846,984
	<u>11,252,653</u>	<u>(79,163)</u>	<u>11,173,490</u>
Credit impaired:			
- Individually impaired	-	(202,600)	(202,600)
	<u>11,252,653</u>	<u>(281,763)</u>	<u>10,970,890</u>

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables (including amount due from a related company) is as follows:-

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
<b>Group 2017</b>			
Not past due	6,684,401	-	6,684,401
Past due:			
- less than 30 days	3,619,084	(82,782)	3,536,302
- 31 to 60 days	1,767,020	(116,667)	1,650,353
- 61 to 90 days	682,333	(144,632)	537,701
- more than 90 days	803,671	(460,205)	343,466
	<u>13,556,509</u>	<u>(804,286)</u>	<u>12,752,223</u>

The movements in the loss allowances in respect of trade receivables are disclosed in Note 10 to the financial statements.

###### *Other receivables*

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

###### *Deposits with licensed banks, cash and bank balances*

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.1 Financial risk management policies (Cont'd)

#### (b) Credit risk (Cont'd)

#### (iii) Assessment of impairment losses (Cont'd)

##### *Amount due from subsidiaries*

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>Company 2018</b>			
Low credit risk	10,020,898	-	10,020,898
Credit impaired	15,776,667	(10,495,010)	5,281,657
	<u>25,797,565</u>	<u>(10,495,010)</u>	<u>15,302,555</u>

In the last financial year, the loss allowance on amount due from subsidiaries was calculated under MFRS 139.

The movements in the loss allowances are disclosed in Note 26 to the financial statements.

#### (c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

##### *Maturity analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
<b>Group 2018</b>					
Term loans	31,231,223	42,661,089	4,334,453	19,192,449	19,134,187
Trade payables	3,524,534	3,524,534	3,524,534	-	-
Other payables and accruals	1,379,955	1,379,955	1,379,955	-	-
Amount due to related companies	5,504,009	5,504,009	5,504,009	-	-
Bills payable	12,145,423	12,145,423	12,145,423	-	-
Bank overdrafts	625,617	679,420	679,420	-	-
	<u>54,410,761</u>	<u>65,894,430</u>	<u>27,567,794</u>	<u>19,192,449</u>	<u>19,134,187</u>
<b>2017</b>					
Term loans	28,112,434	37,829,363	3,632,866	13,394,793	20,801,704
Finance lease payables	70,213	73,811	44,267	29,544	-
Trade payables	7,891,898	7,891,898	7,891,898	-	-
Other payables and accruals	1,480,254	1,480,254	1,480,254	-	-
Bills payable	9,176,000	9,176,000	9,176,000	-	-
Bank overdrafts	1,776,124	1,918,280	1,918,280	-	-
	<u>48,506,923</u>	<u>58,369,606</u>	<u>24,143,565</u>	<u>13,424,337</u>	<u>20,801,704</u>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.1 Financial risk management policies (Cont'd)

#### (c) Liquidity risk (Cont'd)

##### Maturity analysis (Cont'd)

Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
<b>2018</b>			
Other payables and accruals	275,953	275,953	275,953
Amount due to subsidiaries	11,516,063	11,516,063	11,516,063
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	-	35,004,782	35,004,782
	<u>11,792,016</u>	<u>46,796,798</u>	<u>46,796,798</u>
<b>2017</b>			
Other payables and accruals	163,593	163,593	163,593
Amount due to subsidiaries	10,740,455	10,740,455	10,740,455
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	-	40,539,643	40,539,643
	<u>10,904,048</u>	<u>51,443,691</u>	<u>51,443,691</u>

\* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

### 39.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	Group 2018 RM	2017 RM
Term loans	31,231,223	28,112,434
Finance lease payables	-	70,213
Bills payable	12,145,423	9,176,000
Bank overdrafts	625,617	1,776,124
	<u>44,002,263</u>	39,134,771
Less: Cash and bank balances	<u>(6,161,071)</u>	(24,242,194)
Net debt	<u>37,841,192</u>	14,892,577
Total equity	<u>62,123,895</u>	73,471,557
Debt-to-equity ratio	<u>0.61</u>	0.20

There was no change in the Group's approach to capital management during the financial year.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.3 Classification of financial instruments

	2018 Group RM	Company RM
<b>Financial assets</b>		
<u>Equity investments at fair value through other comprehensive income</u>		
Other investments	26,000	-
<u>Amortised cost</u>		
Trade receivables	10,970,890	-
Other receivables	1,316,265	9,558
Amount due from subsidiaries	-	15,302,555
Deposits with licensed banks	70,585	-
Cash and bank balances	6,161,071	57,114
	<b>18,518,811</b>	<b>15,369,227</b>
<b>Financial liabilities</b>		
<u>Amortised cost</u>		
Term loans	31,231,223	-
Trade payables	3,524,534	-
Other payables and accruals	1,379,955	275,953
Amount due to related companies	5,504,009	-
Amount due to subsidiaries	-	11,516,063
Bills payable	12,145,423	-
Bank overdrafts	625,617	-
	<b>54,410,761</b>	<b>11,792,016</b>
	2017 Group RM	Company RM (Restated)
<b>Financial assets</b>		
<u>Available-for-sale financial assets</u>		
Other investments	26,000	-
<u>Loans and receivables financial assets</u>		
Trade receivables	12,115,598	-
Other receivables	2,519,980	9,558
Amount due from a related company	636,625	-
Amount due from subsidiaries	-	14,225,801
Deposits with licensed banks	1,827,408	-
Cash and bank balances	24,242,194	19,856,705
	<b>41,341,805</b>	<b>34,092,064</b>
<b>Financial liabilities</b>		
<u>Other financial liabilities</u>		
Term loans	28,112,434	-
Finance lease payables	70,213	-
Trade payables	7,891,898	-
Other payables and accruals	1,480,254	163,593
Amount due to subsidiaries	-	10,740,455
Bills payable	9,176,000	-
Bank overdrafts	1,776,124	-
	<b>48,506,923</b>	<b>10,904,048</b>

# Notes To The Financial Statements (cont'd)

31 December 2018

## 39. Financial instruments (Cont'd)

### 39.4 Gains or losses arising from financial instruments

	Group RM	Company RM
<b>2018</b>		
<b>Financial assets</b>		
<u>Amortised cost</u>		
Net gains recognised in profit or loss	<u>815,992</u>	<u>84,105</u>
<b>Financial liabilities</b>		
<u>Amortised cost</u>		
Net losses recognised in profit or loss	<u>(2,280,626)</u>	<u>-</u>
<b>2017</b>		
<b>Financial assets</b>		
<u>Loans and receivables financial assets</u>		
Net losses recognised in profit or loss	<u>(277,407)</u>	<u>(10,490,228)</u>
<u>Fair value through profit or loss</u>		
Net losses recognised in profit or loss	<u>-</u>	<u>33,231</u>
<b>Financial liabilities</b>		
<u>Other financial liabilities</u>		
Net losses recognised in profit or loss	<u>(1,423,886)</u>	<u>-</u>

### 39.5 Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Group</b>								
<b>2018</b>								
<u>Financial assets</u>								
Other investments	-	26,000	-	-	-	-	26,000	26,000
<u>Financial liabilities</u>								
Term loans	-	-	-	-	31,231,223	-	31,231,223	31,231,223
<b>2017</b>								
<u>Financial liabilities</u>								
Finance lease payables	-	-	-	-	70,112	-	70,112	70,123
Term loans	-	-	-	-	28,112,434	-	28,112,434	28,112,434

\* In the last financial year, the fair value of the Group's other investments with carrying amount of RM26,000 was not presented due to the lack of marketability of the investments and the fair value cannot be reliably measured.

The fair values, which are for disclosure purposes, have been determined using the following basis:

- (a) Fair value of financial instruments carried at fair value
  - (i) The fair value of other investments is determined based on market comparison technique using market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the other investments.
  - (ii) There were no transfer between level 1 and level 2 during the financial year.
- (b) Fair values of financial instruments not carried at fair value
  - (i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
  - (ii) The fair value of finance lease payables that carry fixed interest rate are determined by discounting the relevant future contractual cash flows using current market interest rate for similar instruments at the end of the reporting period. In the previous financial year, the interest rate used to discount the estimated cash flows is 5.89% per annum.

# Notes To The Financial Statements (cont'd)

31 December 2018

## 40. Significant event

On 15 May 2018, the Company entered into a Sale of Shares Agreement with Hextar Holdings Sdn. Bhd. ("Vendor") for the proposed acquisition of the entire equity interest in Hextar Chemicals Limited from the Vendor for an aggregate purchase consideration of RM596,794,275 ("Purchase Consideration"). The Purchase Consideration will be satisfied through a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares in the Company ("Consideration Share") at an issue price of RM0.81 per Consideration Share ("Proposed Acquisition").

On 17 January 2019, the Company submitted an application to Bursa Securities Malaysia Berhad ("Bursa") in respect of the listing and quotation of the Proposed Acquisition on the Main Market of Bursa ("the Application"). Consequently, on 21 February 2019, Bursa resolved to approve the Application.

On 15 March 2019, a circular to shareholders was sent out in regards to the Proposed Acquisition which was then announced on even date for the Extraordinary General Meeting ("EGM") to take place on 1 April 2019 to approve the Proposed Acquisition.

On 1 April 2019, the Company held the EGM for the shareholders' approval on the Proposed Acquisition and on even date the approval was obtained and the resolution of the Proposed Acquisition is pending at the date of this report.

## 41. Comparative figures

The following figures have been reclassified to conform with the presentation of the current financial year and the adoption of MFRS 9 as disclosed in Note 2(a) to the financial statements:-

	As Previously Reported RM	As Restated RM
<i>Statements of financial position (Extracted):-</i>		
Amount due from a related party	636,625	-
Amount due from a related company	-	636,625
<i>Statements of profit or loss and other comprehensive income (Extracted):-</i>		
Other income	8,587,377	8,505,992
Other expenses	(7,732,363)	(7,297,675)
Net impairment losses on financial assets	-	(353,303)
Other comprehensive income	1,672,540	1,726,418
Total comprehensive expenses	(10,221,074)	(10,167,196)
<i>Statements of cash flows (Extracted):-</i>		
Net cash for operating activities	(12,188,737)	(10,995,703)
Net cash from financing activities	20,645,787	19,452,753

## 42. Prior year adjustments

The comparative figures have been restated due to the omission in the increase in investment in a subsidiary in the previous financial year.

In accordance with MFRS 108 - Accounting Policies, Change in Accounting Estimates and Errors, the changes are to be applied retrospectively. The financial impacts on the adjustments are as follows:-

	As Previously Reported RM	Prior Year Adjustment RM	As Restated RM
<b>Company</b>			
<i>Statements of financial position (Extracted):-</i>			
Investment in subsidiaries (Note 6)	33,116,555	2,499,998	35,616,553
Amount due from subsidiaries (Note 26)	16,725,799	(2,499,998)	14,225,801

# LIST OF PROPERTIES

Property	Description/ Existing Use	Approximate Age of Building	Tenure	Land/ Build up Area (Sq m)	NBV as at 31/12/2018 (RM'000)	Market value (RM'000)	Date of Acquisition (or CFO)/ Valuation
Geran No. 28855, Parent title under QT(R) No. 2851/2 TLO 2969/70, Township of Johor Bahru, Johor	Office unit / Vacant	38 years	Freehold	32	0.001	-	12.04.2012
HS(D) 215977 PTD No.19116 Town & District of Johor Bahru, Johor	3 storey detached factory cum office building and other supporting structures/ Manufacturing and office	25 years	60 years lease expiring on 26.12.2053	4,860/ 4,768	6,101	6,500	31.12.2017
Lot 142, GM 826, Mukim Plentong, District of Johor Bahru, Johor	Single storey detached factory with an annexed double storey office building, a single storey warehouse, workshop and a canteen/ Manufacturing and office	10 years	Freehold	45,033/ 13,656	30,700	31,000	31.12.2017
HS(D) 8111, PTB No. 264, Mukim of Hulu Sungai Johor, District of Kota Tinggi, Johor	Single storey detached factory with an annexed double storey office building and supporting structures/ Manufacturing and office premise	14 years	60 years lease expiring on 21.01.2050	12,222	4,900	5,000	31.12.2017
Lot 650 & 651, GM 547 & 361, Ban Foo Village, Mukim Plentong, 81800, Ulu Tiram, Johor	Nursery (including a tissue culture facility and microbiology lab)/ Cultivation	21 years	Freehold	57,101/ 1,826	6,061	6,100	31.12.2017
Geran 98315, Lot 369, Mukim Ulu Sungai Johor, District of Kota Tinggi, Johor	Nursery/ Cultivation	N/A	Freehold	47,700	1,600	1,600	31.12.2017

## List Of Properties (cont'd)

Property	Description/ Existing Use	Approximate Age of Building	Tenure	Land/ Build up Area (Sq m)	NBV as at 31/12/2018 (RM'000)	Market value (RM'000)	Date of Acquisition (or CFO)/ Valuation
Unit K-08-01/02/03/03A, Block K, No. 2, Jalan Solaris, Solaris Mont Kiara, Kuala Lumpur	4 Office unit / Office premise	N/A	Freehold	410	3,920	4,000	29.12.2017
Lot 249, GM 202 EMR 124, Mukim of Ulu Sungei Sedili Besar, District of Kota Tinggi, Johor	Agriculture land / Vacant	N/A	Freehold	26,280	310	310	31.12.2017
Lot no. A-5-6, Level 5, Unit No. 6, Jade Residence Condominium. Held Under CL 015101461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	2 year	99 years lease	168	975	975	31.12.2017
Lot no. A-6-5, Level 5, Unit No. 5, Jade Residence Condominium. Held Under CL 015101461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	2 year	99 years lease	263	1,417	1,417	31.12.2017
Lot no. A-8-5, Block A, Level 7, Unit No. 5, Jade Residence Condominium. Held Under CL 0151011461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	2 year	99 years lease	263	1,432	1,432	31.12.2017
Geran 190269, Lot 128303, Mukim Klang, Daerah Klang, Negeri Selangor. No. 64, Jalan Bayu Laut 4/KS09, Bandar Bayuemas, 41200 Klang, Selangor.	6 Storey Shop Office Building/Vacant	4 years	Freehold	334	7,161	7,161	19.06.2018



# ANALYSIS OF SHAREHOLDINGS

## LIST OF TOP 30 HOLDERS AS AT 25/03/2019

No.	Name	Holdings	%
1	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Waras Dinamik Sdn Bhd	53,137,845	50.143%
2	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tee Tiam Hock	4,781,900	4.512%
3	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiau Beng Teik	4,200,000	3.963%
4	Fong Chiu Wan	3,563,600	3.362%
5	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Peh Lian Hwa	2,895,000	2.731%
6	Sundat (S) Pte Ltd	2,569,677	2.424%
7	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Keh Chuan Seng	2,160,000	2.038%
8	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hextar Holdings Sdn Bhd	2,016,900	1.903%
9	Mok Yau Choy	1,476,600	1.393%
10	Chua Meng Chew @ Chuah Meng Choo	1,374,000	1.296%
11	Trees Linawati	1,046,618	0.987%
12	Cimsec Nominees (Tempatan) Sdn Bhd Cimb Bank For Datuk Chiau Beng Teik	1,000,000	0.943%
13	Chung Pel Keon	950,100	0.896%
14	Ng Boon Siang	950,000	0.896%
15	Yew Tuck Kai	895,900	0.845%
16	Hew Sen Kian	821,150	0.774%
17	Farmcochem Sdn Bhd	730,000	0.688%
18	Hui Soon Oi @ Sun Oi	600,000	0.566%
19	Lim Mui Miaw	591,000	0.557%
20	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Peh Lian Hwa	556,800	0.525%
21	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Peh Lian Hwa	504,000	0.475%
22	Chan Kok Joe	487,900	0.460%
23	Kow Song Tong	450,000	0.424%
24	Rhb Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chin Horng	350,000	0.330%
25	Mok Yau Choy	320,000	0.301%
26	Rhb Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tee Tiam Hock	311,500	0.293%
27	Cimsec Nominees (Tempatan) Sdn Bhd Cimb Bank For Khoo Tong Seng	311,000	0.293%
28	Ng Boon Hong	306,000	0.288%
29	Hlb Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiew Khwai @ Chiew Swee King	300,000	0.283%
30	Tan Siew Ching	300,000	0.283%
		<b>89,957,490</b>	<b>84.887%</b>

Total Issued Shares As At 25/03/2019 : 106,000,000

Treasury Shares As At 25/03/2019 : 27,500

'Adjusted' Capital After Netting Treasury Shares As At 30/03/2018 : 105,972,500

## Analysis of Shareholdings (cont'd)

### Distribution of shareholdings as at 25/03/2019

Size of Holdings	No of Holders	%	No of shares	%
Less than 100	78	8.813	2,869	0.002
100-1,000	193	21.807	68,787	0.064
1,001-10,000	312	35.254	1,587,975	1.498
10,001-100,000	236	26.666	8,676,104	8.187
100,001-5,298,625*	65	7.344	42,498,920	40.103
Over 5,298,625**	1	0.112	53,137,845	50.143
<b>TOTAL</b>	<b>885</b>	<b>100.000</b>	<b>105,972,500</b>	<b>100.000</b>

\* - Less than 5% of Issued Shares

\*\* - 5% and Above of Issued Shares

### Substantial shareholders as at 25/03/2019

Name	Holdings	%
1. Waras Dinamik Sdn Bhd	53,150,000	50.154
2. Hextar Holdings Sdn Bhd	2,016,900	1.903

### Direct and deemed interest of each directors:

Name	Direct Interest	%	Indirect Interest	%
Dato' Ong Soon Ho	Nil	Nil	55,166,900	52.057
Dato' Ong Choo Meng	Nil	Nil	55,166,900	52.057

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 28th Annual General Meeting of the Company will be held at Grand Patio, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100, Shah Alam, Selangor, Darul Ehsan, Malaysia on Monday, 27 May 2019 at 10.00 a.m. to transact the following business:-

## ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.  
**[Refer to Explanatory Note (1)]**
2. To re-elect the following Directors who retire in accordance with Clause No. 93 of the Company's Constitution:
 

(a) Dato' Ong Choo Meng	(Ordinary Resolution 1)
(b) Yeoh Chin Hoe	(Ordinary Resolution 2)
3. To approve the following payments to Directors:
 

(a) Directors' fees of up to RM350,000 in respect of the financial year ending 31 December 2019.	(Ordinary Resolution 3)
(b) Directors' benefits of up to RM100,000 for the period from 1 July 2019 until 30 June 2020.	(Ordinary Resolution 4)

**[Refer to Explanatory Note (2)]**
4. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 5)

## SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

5. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** (Ordinary Resolution 6)

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares 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."

**[Refer to Explanatory Note (3)]**

6. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** (Ordinary Resolution 7)

"**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorized to purchase such number of ordinary shares in the Company as may be determined by the Board from time to time on Bursa Malaysia Securities Berhad upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities Berhad as at the time of purchase(s) and an amount not exceeding the retained profits of the Company based on the latest audited accounts of the Company as at 31 December 2018, at the time of purchase(s).

**THAT** such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting.

**THAT** authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or distribute them as share dividend and/or subsequently cancel them.

## Notice Of Annual General Meeting (cont'd)

**AND THAT** authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including executing all such documents as may be required) and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company.”

[Refer to Explanatory Note (4)]

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT** (Ordinary Resolution 8)

“**THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.3.3 of the Circular to the Shareholders dated 26 April 2019 which are necessary for day-to-day operations and are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are undertaken on arms' length basis and not to the detriment of minority shareholders;

**AND THAT** the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in full force until:

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which this shareholders' mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (the Act) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

**AND THAT** the Board of Directors be and is hereby authorised to complete and do all such acts and things as it may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this mandate.”

[Refer to Explanatory Note (5)]

8. **PROPOSED CHANGE OF NAME OF THE COMPANY FROM "HALEX HOLDINGS BERHAD" TO "HEXTAR GLOBAL BERHAD" ("PROPOSED CHANGE OF NAME")** (Special Resolution 1)

“**THAT** the name of the Company be changed from “HALEX HOLDINGS BERHAD” to “HEXTAR GLOBAL BERHAD” effective from the date of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia to the Company and that all references in the Constitution of the Company in relation to the name “HALEX HOLDINGS BERHAD”, wherever the same may appear, shall be deleted and substituted with “HEXTAR GLOBAL BERHAD”; **AND THAT** the Board and the Secretary of the Company be and are hereby authorised to take all such necessary steps to give effect to the Proposed Change of Name and to carry out all the necessary formalities in effecting the change of name.”

9. To transact any other business of the Company of which due notice shall have been given.

By Order of the Board

**LIM HOOI MOOI (MAICSA No. 0799764)**

**ONG WAI LENG (MAICSA No. 7065544)**

**ANG ENG SUN (MIA No. 16014)**

Company Secretaries

26 April 2019

Kuala Lumpur

## Notice Of Annual General Meeting (cont'd)

### Notes:-

- i) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- ii) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- iii) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- iv) Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- v) The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made either under its common seal or signed by an officer or an attorney duly authorised.
- vi) The instrument appointing a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment the proxies:-
  - i. In hard copy form  
In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
  - ii. By electronic means via facsimile  
In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-2783 9222.
  - iii. By electronic means via email  
In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com

For options (ii) and (iii), the Company will require the member to deposit the original executed proxy form as in (i) above no later than Saturday, 25 May 2019 at 10.00 a.m. for verification purpose.

  - i. Online  
In the case of an appointment made via online lodgement facility, please login to the link website at <https://tiah.online> and select "e-Services" to login. Please refer to the Annexure 1 in the Administrative Guide on how to register to TIIH Online and submit your proxy form electronically.
- vii) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 15 May 2019 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

# Notice Of Annual General Meeting (cont'd)

Explanatory Notes to the Agenda:-

## Item 1 of the Agenda

1. This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

## Item 3 of the Agenda –Ordinary Resolution 4

### Payment of Directors' benefits

2. This resolution is to facilitate payment of Directors' benefits for the period from 1 July 2019 to 30 June 2020 (the due date for which the next AGM should be held). In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Directors' benefits include meeting allowances and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers the period from 1 July 2019 to 30 June 2020 (the due date for which the next AGM should be held).

## Item 5 of the Agenda –Ordinary Resolution 6

### Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

3. The proposed Resolution No. 6 is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

## Item 6 of the Agenda –Ordinary Resolution 7

### Proposed Renewal of Authority of Share Buy-Back

4. The proposed Resolution No. 7, if passed, will empower the Directors of the Company to purchase up to 10% of the total number of issued shares of the Company by utilizing the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information, please refer to the Share Buy-Back Statement dated 26 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018.

## Item 7 of the Agenda –Ordinary Resolution 8

### Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT") and Proposed New Shareholders' Mandate for RRPT

5. The proposed Resolution No. 8 in respect of the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT") and Proposed New Shareholders' Mandate for RRPT are intended to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

## Item 8 of the Agenda –Special Resolution 1

### Proposed Change of Name of the Company from "Halex Holdings Berhad" to "Hextar Global Berhad" ("Proposed Change of Name")

6. Please refer to Part B of the Circular to Shareholders dated 26 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018 for detailed information.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. There is no person seeking election as director of the Company at this Annual General Meeting.
2. General mandate for issue of securities

Kindly refer to the Explanatory Notes on Special Business - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 under Explanatory Note (3) of the Notes to the Notice of the 28th Annual General Meeting.

# PROXY FORM

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account No.	

I/We \_\_\_\_\_ (Name of Shareholder as per NRIC, in capital letters)  
 NRIC No./Company No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old)  
 of \_\_\_\_\_

being a Member(s) of HALEX HOLDINGS BERHAD, hereby appoint \_\_\_\_\_  
 (Name of proxy as per NRIC, in capital letters) NRIC No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old)

Or failing him/her \_\_\_\_\_ (Name of proxy as per NRIC, in capital letters)  
 NRIC No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old) or failing him/her the Chairman of the Meeting

as my/our proxy to vote for me/us on my/our behalf at the 28th Annual General Meeting of the Company to be held at Grand Patio, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100, Shah Alam, Selangor, Darul Ehsan, Malaysia on Monday, 27 May 2019 at 10.00 a.m. and any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Special Resolution 1		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

\_\_\_\_\_  
 Signature/ Common Seal of Shareholder(s)

Contact: \_\_\_\_\_

For appointment of two (2) proxies, number of shares and percentage of shareholding to be represented by each proxy :

	No. of Shares	Percentages
Proxy 1	_____	_____
Proxy 2	_____	_____
Total	_____	100%

Notes:-

- A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
  - Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
  - For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
  - Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
  - The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made either under its common seal or signed by an officer or an attorney duly authorised.
  - The instrument appointing a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment the proxies:-
    - In hard copy form  
 In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
    - By electronic means via facsimile  
 In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-2783 9222.
    - By electronic means via email  
 In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com
- For options (ii) and (iii), the Company will require the member to deposit the original executed proxy form as in (i) above no later than Saturday, 25 May 2019 at 10.00 a.m. for verification purpose.
- Online  
 In the case of an appointment made via online lodgement facility, please login to the link website at <https://tjih.online> and select "e-Services" to login. Please refer to the Annexure 1 in the Administrative Guide on how to register to TIH Online and submit your proxy form electronically.
- For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 15 May 2019 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.





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STAMP

**Tricor Investor & Issuing House Services Sdn. Bhd.** (11324-H)

Unit 32-01, Level 32, Tower A, Vertical Business Suite,

Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,

59200 Kuala Lumpur, Malaysia.

Tel: (03) 2783 9299 Fax: (03) 2783 9222

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# ANNEXURE TO PROXY FORM

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)  
(A wholly owned subsidiary of Tricor Services (Malaysia) Sdn Bhd)

Dear Security Holders

## ELECTRONIC LODGEMENT OF PROXY FORM FOR GENERAL MEETING

We are pleased to inform that security holders can have the option to lodge their proxy forms by electronic means through our system, TIIH Online (“e-proxy form”).

TIIH Online is a web-based facility that provides an online platform for security holders (*individuals only*) to perform lodgement of document/form electronically which includes proxy form in paperless form (“e-lodgement”). Once you have successfully lodged your e-proxy form, you are no longer required to complete and lodge the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-lodgement of proxy form, kindly read and follow the guidance notes which are detailed below:

### 1. Sign up as user of TIIH Online



Using your computer, access our website at <https://tiih.online>.



Sign up as a user by completing the registration form. Registration is free.



Upload a softcopy of your MyKad (front and back) or your passport.



Administrator will approve your registration within one working day and notify you via email.



Activate your account by re-setting your password.

*Notes: (i) If you are already a user of TIIH Online, you are not required to sign up again.*

*(ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account.*

*(iii) At this juncture, only individual security holders are offered to register as user and participate in e-lodgement.*

### 2. Proceed with e-lodgement of proxy form



After the release of the Notice of AGM by the Company, login with your user name (i.e. e-mail address) and password.



Select the corporate event: “**Lodgement of Proxy Form**”.



Read and agree to the Terms & Conditions and confirm the Declaration.



Insert the CDS account number and indicate the number of securities for your proxy(s) to vote on your behalf.



Appoint your proxy(s) or chairman and insert the required details of your proxy(s).



Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.



Review & confirm your proxy(s) appointment.



Proceed to pay handling fee of RM5 for each CDS account through the online FPX payment gateway.



Print payment receipt and e-proxy form for your record.

## Our Contact

Should you need further clarification on the e-lodgement of proxy form, you can contact us at the following. Thank you.

### **Tricor Investor & Issuing House Services Sdn. Bhd.**

Unit 32-01, Level 32, Tower A, Vertical Business Suite,  
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia.

Telephone No: (03) 2783 9299 Fax No: (03) 2783 9222

E-mail: [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)



**HALEX HOLDINGS BERHAD** (206220-U)

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