HALEX GROUP

HALEX HOLDINGS BERHAD

ANNUAL REPORT 2017

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OUR COMPANY

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.

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.

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.

The philosophy of Halex has always been working hard to establish each subsidiary into independent and effective competitors in their respective industries, the management consciously identifies and grooms key and potential employees from their folds to take enable constant career advancement and more important roles to achieve the objectives of each subsidiary.

Halex believes in operating business with:

PASSION
Devoted in delivering excellence

INTEGRITY
Transparent services

QUALITY
Continuously providing our product & services at its fineness

SAFETY AND RELIABILITY
Ensures safe working environment, reliable and good manufacturing practice

INTEGRATED BUSINESS
Creating seamless management process

COVER RATIONALE

COLOUR

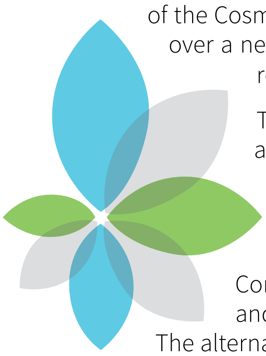
GREEN represents the major colour of Halex Logo with its flourish leaves that depict hope, renewal, and revival.

BLUE represents the corporate colour of Halex's holding company and also it also symbolizes depth, stability and wisdom which Halex benefits from its holding company.

GREY signifies how Halex's past slowly evolving to vibrant colours of today and the future.

DESIGN

Generally leaves are symbolic of fertility and growth, and in the Chinese tradition the leaves of the Cosmic Tree represent all of the beings in the universe. The words of "Turning over a new leaf" also correctly portrays Halex current recovery stage to regain its renowned status in its respective active market sectors.



The layers of the leaves from grey leaves at the bottom signifying how Halex had learned from the past and able to grow and be how Halex presently is. This is indicated by the vibrant colour leaves at the top layer. This also denotes how Halex is able to put its name in the list of top players in the agrochemical market.

The symmetry overlapping of leaves dignifies even though with the growth and successes of Halex, the Company also observe and ensure parallel incline with its compliances with the regulatory requirements and legal framework to ensure good corporate governance and sustainability.

The alternating colours of blue and green leaves connotes Halex's seamless integration with its holding company and the ability to work together to achieve common goals hand in hand.

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 corporate office is located in Kuala Lumpur, Malaysia.

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.

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.

Halex Group currently are principally involved in:

- Manufacturing, formulation, re-packaging, distribution and agency of Agrochemicals.
- Propagation of various ornamental plants through the application of Biotechnology and other related Agro-Biotechnology activities.
- Propagation and sales of foliage cutting, potted and festive plants.
- Manufacturing and distribution of healthcare disposable products, such as wet wipes, cotton-based products, sanitary towels and tissue products.

Office and Factory
Taruka, Johor Bahru

Office and Factory
Ulu Tiram, Johor Bahru


Office and Plant Tissue Culture/ Horticulture
Ban Foo, Ulu Tiram

Office and Factory
Bandar Tenggara, Johor

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' EDDIE ONG CHOO MENG
Non-Independent Executive Director

LEE CHOOI KENG (f)
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
Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir

NOMINATION COMMITTEE
Liew Jee Min @ Chong Jee Min *(Chairman)*
Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir
Yeoh Chin Hoe

REMUNERATION COMMITTEE
Y.D.H 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 (f) *(Chairman)*
Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir
Yeoh Chin Hoe

WHISTLEBLOWING COMMITTEE
Yeoh Chin Hoe *(Chairman)*
Lee Chooi Keng (f)
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 Horwath (AF 1018)
Chartered Accountants
Member Crowe Horwath International
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.

CORPORATE OFFICE
Block K-08-02,
No.2, Jalan Solaris, Solaris Mont Kiara,
50480 Kuala Lumpur.
Tel : +6(03) 6203 4848
Fax : +6(03) 6201 1628
Email : halexm@halex-group.com

WEBSITE
www.halex-group.com

GROUP STRUCTURE

HALEX GROUP

HALEX HOLDINGS BERHAD

- HALEX TRADING SDN BHD (100%)
- HALEX LINK SDN BHD (100%)
- HALEX MANAGEMENT SDN BHD (100%)
- HALEX VENTURES SDN BHD (100%)
- HALEX (M) SDN BHD (100%)
  - Halex Industries (M) Sdn Bhd (100%)
  - Halex Chemical (S) Pte Ltd (100%)
  - Halex Realty Sdn Bhd (100%)
  - Halex Engineering Sdn Bhd (100%)
  - Pengedaran Beras Lestari Sdn Bhd (100%)
  - Halex Biotechnologies Sdn Bhd (100%)
- HALEX WOOLTON (M) SDN BHD (100%)
- HALEX INTERNATIONAL SDN BHD (100%)
- NUSA SUASA SDN BHD (100%)

CHAIRMAN'S STATEMENT

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

Dear Shareholders,
On behalf of the Board of Directors of Halex Holdings Berhad ("Halex" or the "Group"), I am pleased to present the Ninth Annual Report and the Audited Financial Statements for the financial year ended 31 December 2017 ("FYE2017").

In 2017, 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 2017 to 31 December 2017. Further explanation on an overview of our financial performance and moving forward action strategies will be demonstrated in the Management, Discussion & Analysis segment of the annual report.

CHAIRMAN'S STATEMENT (cont'd)

DIVIDEND

The Board of Directors did not propose any dividend for the financial year ended 31 December 2017.

A CHANGE IN OUR BOARDROOM

On behalf the Group, I would like to take this opportunity to welcome new members of the Board that were appointed within the year of 2017. The addition to Board composition are to further enhance and improve the governance structure of the Group in line with the Group's future direction and strategy.

On behalf of the current Board and I would also like to bid farewell and wish all the best in their future endeavor to the former Board members that retire and resigned during the year including General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) our former Independent Non-Executive Chairman that resigned in early December of 2017.

SUSTAINABILITY

The Board is committed in undertaking responsible agricultural practices which entail on sustainability and good corporate governance. At this juncture, the Group 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 we are steadfast to attend to it.

OUR HIGHLIGHTS

Pursuant to the changes in Substantial Shareholders ("Waras Dinamik Sdn Bhd") in early months of 2017, the Group subsequently performed various improvements to the Group to assist in its financial standing throughout the year.

As the Group refocuses the direction of the Group to concentrate on its core businesses, the Group managed to execute a divestment strategy from property development segment which was approved by shareholders and completed in November 2017.

Further enhancement effort for the Group's focus on core businesses, Halex also announced on 6 December 2017 that Halex intended to acquire an entire equity interest in Hextar Chemicals Limited from Hextar Holdings Sdn Bhd ("Proposed Acquisition").

Rationale for the Proposed Acquisition are to allow Halex to benefit from economies of scale and operational synergies through, amongst others, optimisation of production processes and capacity as well as procurement and administrative functions; and to potentially provide value-added services to Halex's customers through a combined range of products and services on our similar agrochemical business segment.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express our 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.

Amiably, 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 evolvement.

DIRECTORS' *PROFILE*

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

2. **Y.BHG DATO' ONG SOON HO**
   Non Independent Non-Executive Vice Chairman

3. **LEE CHOOI KENG (f)**
   Non-Independent Executive Director

4. **Y.BHG DATO' EDDIE ONG CHOO MENG**
   Non-Independent Executive Director

5. **YEOH CHIN HOE**
   Senior Independent Non-Executive Director

6. **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 41, 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 Johol, 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.

DIRECTORS' PROFILE (cont'd)

Y.BHG DATO' ONG SOON HO

A male Malaysian aged 71, 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' Eddie 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' EDDIE ONG CHOO MENG

A Malaysian aged 40, is our Non-Independent Executive Director and was appointed to the Board on 22 May 2017.

Dato' Eddie 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' Eddie 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 / Group Chief Executive Officer in the company.

Dato' Eddie 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.

LEE CHOOI KENG

A female Malaysian aged 61, 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 10 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 67, 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 Harrisons 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. He is also an Independent Director and Chairman of the Audit Committee, Nominating Committee and Remuneration Committee of Weida (M) Bhd.

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.

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 Director of Jaks Resources Berhad, Lion Industries Corporation Berhad, YKGI Holdings Berhad, Weida (M) Bhd and an Advisor of Sunsuria Berhad.

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

Mohd Faisal Kaim Bin Abdullah

Chief Executive Officer

A male Malaysian aged 54, was appointed as our Group Managing Director on 24 October 2016. He also holds the position of the Group Chief Risk Officer in the Group. On 22 May 2017, Mr. Faisal was then re-designated to Chief Executive Officer of the Company.

He possess a Master of Business Administration specializing in Strategic Management from International Islamic University, Malaysia; a Bachelor of Business Administration (Hons.) majoring in Accounting & Finance and a Diploma in Accountancy from University Technology Mara. He hold the Fund Manager Capital Market Representatives License, is a certified member of Certified Financial Planner and the Federation of Investment Managers Malaysia.

Mr. Faisal has over 20 years of experience predominantly in the area of Fund Management & Investment Services, Financial Planning & Investment Products, New Business Development & Institutional Marketing; Banking Operations, Retail Business & Branch Networks, Operation Management & Strategic Planning, Staff Development & Customer Satisfaction, Allegiance & Strategic Partnerships.

Having held senior executive position with verifiable success in achieving revenue, profit and business growth objectives within start up, turnaround and rapid change environments. He has been successful in building relationships with upper-level decision makers, seizing control of critical problem areas and delivering on customer commitments.

He has gained invaluable experience in leading a government related company pursuing for commercial activities and corporate expansion. He has also worked with a multi-national company as Country Manager leading the business development portfolio.

With more than 15 years' experience within the banking and financial services & capital market industries Mr. Faisal has acquired a deep understanding of critical business drivers in multiple markets and industries, being customer focused and performance driven.

Mr. Faisal 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.

Ang Eng Sun

Chief Financial Officer

A male Malaysian aged 45 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.

KEY SENIOR MANAGEMENT TEAM (cont'd)

Chen Sen Loon

Executive Director – Agrochemicals & Biotechnology Division

A male Malaysian aged 51, 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 45, 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 industrial chemical 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 Kuala Lumpur, 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 2017

Overview of the Economy

Overview of the Economy
The year 2017 experienced global economy growing stronger than expected on the back of faster growth in the advanced economies, as well as continued improvements in the emerging market and developing economies. The global pickup in activity that began in the second half of 2016 gained further momentum throughout 2017.

Domestically, Malaysia economy grew by 5.9% during the year 2017 (2016: 4.5%) amid internal and external uncertainties affecting the country, such as lower global oil price, depreciation of Malaysian Ringgit and increasingly costlier of doing business.
According to the Bank Negara, the private-sector demand continues to be the primary driver of growth, with further support from the external demand.

Despite the steadily improving global and domestic economy, many companies including Halex had to contend with still slow-moving private and public sector demand in part as a result of bank lending restraints for a good part of the year. Strong US dollar added more pressure to already tough conditions and saw us having to deal with higher costs of raw materials which adversely affected the performance of our operation. Gratefully, the Ringgit began strengthening in the final quarter of 2017.

Financial Performance 2017 vs 2016

	2017	2016	Change
Business segments:-			
Revenue (RM'000)			
- Investment Holdings	**-**	-	-
- Agriculture Supplies and Trading	**36,586**	33,502	9.2%
- Consumer Products	**28,310**	30,883	(8.3%)
- Horticulture and Agro-biotechnologies	**4,143**	4,265	(2.9%)
	69,039	68,650	0.6%
Profit/(Loss) before taxation (RM'000)			
- Investment Holdings	**1,123**	(15,701)	107.2%
- Agriculture Supplies and Trading	**795**	(1,978)	140.2%
- Consumer Products	**(11,769)**	(2,242)	(424.9%)
- Horticulture and Agro-biotechnologies	**(1,870)**	(1,483)	(26.1%)
	(11,721)	(21,404)	45.2%

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

For the financial year 2017, the Group's revenue declined marginally, largely due to lower contribution from Consumer Products segment and Horticulture and Agro-biotechnologies segment, which decreased by 8.3% and 2.9% respectively. The decline in revenue of these segments was however softened by the favourable revenue growth from the Agriculture Supplies and Trading segment by 9.2%.

The Agriculture Supplies and Trading segment was growing gradually as the Group strengthened its position and market share. As for the Consumer Products segment, the lacklustre revenue as the consumers were increasingly price-sensitive amid the rising cost of living while the Horticulture and Agro-biotechnologies segment revenue decreased marginally as the ringgit slowly appreciated towards the year end that dampened the export sales to Japan.

In terms of financial performance, the Group reported an improvement of its losses from RM21.40 million to RM11.72 million, representing an improvement of 45.2%. The improvement was mainly generated from Investment Holdings segment and Agriculture Supplies and Trading segment.

The Investment Holdings segment showed a significant turnaround as it pocketed a profit of RM7.53 million in respect of the disposal of associate company, Kensington Development Sdn. Bhd. held by the wholly owned subsidiary company, Halex Realty Sdn. Bhd. of which the disposal was completed on 23 November 2017. Meanwhile, the Group showed a successful transformation by turning the Agriculture Supplies and Trading segment into a profit of RM0.80 million resulted from synergies and tapping on the parent company's network following the takeover by Hextar group in May 2017.

The Consumer Products segment sustained losses for the year. Operationally, the adverse results were affected by a lower revenue and higher cost mainly due to the depreciation of Ringgit Malaysia as the raw materials were mainly imported from overseas. In addition to that, the adverse results were also affected by the impairment review, which saw the impairment loss and write off totalling to RM6.48 million of which the impairment and write off of plant and equipment of RM4.86 million, inventories written down of RM1.0 million, impairment on receivables of RM0.53 million, etc paving way for a more efficient and cleaner balance sheet moving forward.

In Horticulture and Agro-biotechnologies segment, despite the fact of the marginal drop in revenue, the loss before taxation was further aggravated by 26.1% mainly due to changes in value of biological assets as at year end.

Liquidity Performance 2017 vs 2016

Financial year	**2017 RM('000)**	2016 RM('000)
Group Current Assets	**65,282**	45,060
Group Current Liabilities	**22,650**	22,023
Net Current Assets	**42,632**	23,037
Current Ratio	**2.88 times**	2.05 times

The Group's liquidity improved at 2.88 times for the financial year 2017, the net current assets increased by RM 19.60 million compared to the corresponding financial year 2016. The improvement in liquidity was mainly due to cash generated from disposal of investment in associate during the financial year.

Capital Expenditure

There was no major capital expenditure incurred during the financial year 2017. Saved and disclosed the balance payment toward the full settlement of purchase of 6-storey shop office to house the shared service functions, there is no immediate plan to incur a major capital expenditure in financial year 2018.

Review of Operating Activities

Agriculture Supplies & Trading Division

Product Registration

In 2017, the Group has a total of ninety-nine (99) products 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.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Consumer Products Division

Machinery Operating Below Optimum Capacity

The healthcare disposable products saw a 8.3% drop in revenue in financial year 2017 as compared to the same corresponding financial year 2016 due to declining demand. As a result, this division's was affected by higher cost of production as its machinery were running below optimum capacity of 80%.

Horticulture & Agro-Biotechnologies Division

Export sales which are mainly to Japan which made up of 83% (2016: 84%) of the total sales in 2017. In a move to increase sales in the domestic market, the Company has been considering its expansion plans into the public sectors.

Future Prospects

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.

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.

In response to it, 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 ("Proposed Acquisition").

(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 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.

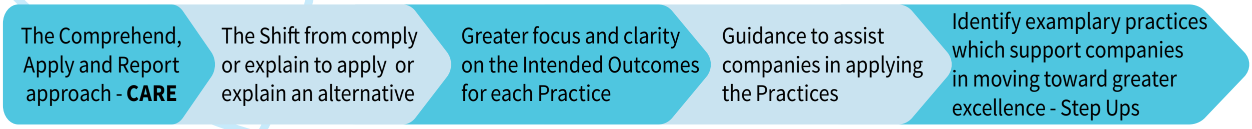
The Board is of the view that, with the abovementioned strategies and merger with HCL Group, moving forward, the Group financial performance is expected to show a better improvement and is prepared to embrace the challenges ahead.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

This statement is prepared in compliance with Bursa Malaysia Securities Berhad 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 into 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 2017.

In 2017, the Code, which supercedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture. Key features of the new approach are listed in Diagram below and the Company comprehends on these new 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 2017. 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.

The Code is based 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

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 of 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 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 Executive Directors 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.

1.3 Chairman and CEO

The Chairman of the Company is Y.D.H. Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir and the CEO of the Company is Mohd Faisal Kaim bin Abdullah.

The Board is guided by the Board Charter and the Limits of Authority ('LOA") which defines matters that are specifically reserved for the Board and the delegated day-to-day management of the Company under the CEO. The LOA is cascaded to the senior management team.

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

The Executive Directors and the CEO are responsible for the overall performance of the Company. They develop and implement the strategic goals of the Company after obtaining Board 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 Executive Directors will assess all potential business opportunities.

The CEO is supported by Senior Management Committees for each major business division, whose duties are clearly defined in their scope of work. The CEO 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 brief the Board on the contents and timing of material announcements to be made to Bursa Malaysia.

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 fourteen (14) 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' Circular Resolution.

2. Responsibilities

2.1 Board Charter

The Board is guided by the Board Charter, which is constantly updated and reviewed to ensure its consistency with the practices and adherence to the relevant rules, regulations and governance. A copy of Charter can be found on the Company's website (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.
- 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") on 20 November 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.

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

<u>Formalised Ethical Standards through Code of Conduct & Ethics</u>

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 Ethics published by the Companies Commission of Malaysia and encompasses principles in relation to honesty, integrity, responsibility and corporate responsibility. The Code is located in the company's website 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 the performance and exercise of 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 a to ensure that good corporate governance practices are being adopted, the Company has established 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, Senior Independent Non-Executive Director of the Company. All reports received will be investigated independently to ensure appropriate actions are 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.

Part II - Board Composition

4. Board's Objectivity

4.1 Composition

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

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

4.2 Tenure of Independent Director

To-date none of the Independent Directors has served for a cumulative term of more than nine 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 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 8 to 12 and 13 to 14 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 in the Board composition and senior management. On 22 May 2017, Ms Lee Chooi Keng was appointed as the Executive Director ("ED") of the company raising total Board composition of female to 16.67% from nil.

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 in year 2018.

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. During the financial year, changes in the CEO position occurred once. Encik Mohd Faisal Kaim Abdullah took over the helm on 24 October 2016 as the Company Managing Director cum Executive Director of the Company. Subsequently, he retired on 22 May 2017 and was then appointed as CEO of the Company on even date.

The NC also monitors the performance of the Board and reviews and evaluates suitable potential candidates to fill in any gaps therein. During the financial year upon under review, the NC assessed and recommended suitable candidates for replacement and additions to the Board to fill in the experience and skill gaps left by the former Directors.

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
Chairman	Liew Jee Min @ Chong Jee Min	Independent Non-Executive Director
Member	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Independent Non-Executive Director
Member	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 Articles of Association of the Company having regard to their performance and contributions to the Board as well as the removal of directors;
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 twice and reported the following to the Board:

i. The review and recommendation to organizational changes to the Company organization chart.
ii. The review and recommendation of the contract of employment of EDs and other senior management staff.
iii. The effectiveness of the present size of the Board
iv. The effectiveness of the composition of the Board in relation to the mix Independent Directors, NEDs and EDs.
v. The effectiveness of the composition of the Board in relation to the mix of skills, experience, age and other qualities.

vi. The existence or any conflict of interests, where present, of the present and potential Directors with the businesses of the Company.
vii. The contribution of individual Directors in relation to their time commitment, participation and decision-making.
viii. 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 fourteen (14) meetings during the financial year on 21 February 2017, 27 February 2017, 17 March 2017, 20 March 2017, 23 March 2017, 7 April 2017, 13 April 2017, 17 May 2017, 22 May 2017, 29 May 2017, 23 August 2017, 11 September 2017, 20 November 2017 and 6 December 2017.

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.	General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) (Resigned w.e.f 4/12/2017)	13/13	100
2.	Leftenant General Dato' Wira Hj Masood Bin Hj Zainal Abidin (Resigned w.e.f 22/05/2017)	7/8	88
3.	Mohd Faisal Kaim Bin Abdullah (Retired w.e.f 22/5/2017)	8/8	100
4.	Philip A/L Anthonysamy (Resigned w.e.f 22/5/2017)	8/8	100
5.	Leong Kah Mun (Resigned w.e.f 22/5/2017)	8/8	100
6.	Sr. Teh Teik Bin (Resigned w.e.f 22/5/2017)	8/8	100
7.	Dato' Ong Soon Ho (Appointed w.e.f 22/5/2017)	6/6	100
8.	Dato' Ong Choo Meng (Appointed w.e.f 22/5/2017)	6/6	100
9.	Lee Chooi Keng (Appointed w.e.f 22/5/2017)	6/6	100
10.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Hj Mohd Tahir (Appointed w.e.f 22/5/2017)	5/6	83
11.	Yeoh Chin Hoe (Appointed w.e.f 22/5/2017)	6/6	100
12.	Liew Jee Min @ Chong Jee Min (Appointed w.e.f 14/12/2017)	-	-

The following are the record of attendance for Board Committees' Meetings held in 2017:-

Audit Committee ("AC")

During the financial year ended 31 December 2017 the AC held nine (9) meetings on 21 February 2017, 27 February 2017, 7 April 2017, 13 April 2017, 29 May2017, 23 August 2017, 11 September 2017, 20 November 2017 and 6 December 2017 and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Leong Kah Mun (Resigned w.e.f 22/5/2017)	4/4	100
2.	General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) (Resigned w.e.f 22/5/2017)	8/8	100
3.	Sr. Teh Teik Bin (Resigned w.e.f 22/5/2017)	4/4	100
4.	Yeoh Chin Hoe (Appointed w.e.f 22/5/2017)	5/5	100
5.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Hj Mohd Tahir (Appointed w.e.f 22/5/2017)	4/5	80
6.	Liew Jee Min @ Chong Jee Min (Appointed w.e.f 14/12/2017)	-	-

Nomination Committee ("NC")

During the financial year ended 31 December 2017, the NC held three (3) meetings on 21 February 2017, 22 May 2017, and 6 December 2017 and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Philip A/L S. Anthonysamy (Resigned w.e.f. 22/5/2017)	2/2	100
2.	Leong Kah Mun (Resigned w.e.f. 22/5/2017)	2/2	100
3.	Sr. Teh Teik Bin (Resigned w.e.f. 22/5/2017)	2/2	100
4.	Liew Jee Min @ Chong Jee Min (Appointed w.e.f 14/12/2017)	-	-
5.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Appointed w.e.f 22/5/2017)	1/1	100
6.	Yeoh Chin Hoe (Appointed w.e.f 22/5/2017)	1/1	100

Risk Management Committee ("RMC")

During the financial year ended 31 December 2017, the RMC held two (2) meetings on 21 February 2017, and 23 August 2017 and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Sr. Teh Teik Bin (Resigned w.e.f. 22/5/2017)	1/1	100
2.	Philip A/L S. Anthonysamy (Resigned w.e.f. 22/5/2017)	1/1	100
3.	General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) (Resigned w.e.f. 4/12/2017)	2/2	100
4.	Dato' Ong Choo Meng (Appointed on 22/5/17, Resigned w.e.f 23/8/2017)	1/1	100
5.	Lee Chooi Keng (Appointed w.e.f 22/5/2017)	1/1	100
6.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Appointed w.e.f 22/5/2017)	0/1	0
7.	Yeoh Chin Hoe (Appointed w.e.f 23/8/2017)	-	-

Remuneration Committee ("RC")

During the financial year ended 31 December 2017, RC had on 21 February 2017 held one (1) meeting and details of attendance of each Committee member are as follows:-

No.	Directors	Total Meeting Attended	%
1.	Leftenant General Dato' Wira Hj Masood Bin Hj Zainal Abidin (Rtd) (Resigned w.e.f. 22/5/2017)	1/1	100
2.	Philip A/L S. Anthonysamy (Resigned w.e.f. 22/5/2017)	1/1	100
3.	Leong Kah Mun (Resigned w.e.f. 22/5/2017)	1/1	100
4.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Appointed w.e.f. 22/5/2017)	-	-
5.	Yeoh Chin Hoe (Appointed w.e.f. 22/5/2017)	-	-
6.	Liew Jee Min @ Chong Jee Min (Appointed w.e.f. 14/12/2017)	-	-

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.

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

SUMMARY OF CEP TRAINING / COURSES ATTENDED BY THE DIRECTORS (2017)	
Attendant	Programme
Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Pay Structure Development
	Contractor Development Phase 1
	Business Matching & Networking Session with KLMCC
	Peluang Meluaskan Pasaran Melalui E-dagang : ALIBABA.COM
Liew Jee Min @ Chong Jee Min	Fraud Risk Management Workshop
	Driving Financial Integrity & Performance - Enhancing Financial Literacy
	Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments") and the "new Malaysian Code on Corporate Governance.
	Bursa Risk Management Programme - I Am Ready to Manage Risks
	Advocacy Sessions on Corporate Disclosure for directors and Principal Officers of Listed Issuers
	Effective Internal Audit Function for Audit Committee (AC) Workshop
Yeoh Chin Hoe	Executive Briefing: Malaysian Code on Corporate Governance Update
	Pay Structure Development
	Companies Act 2016 – Practical Consideration
	Effective Internal Audit Function for Audit Committee Workshop – A programme for Audit Committee Members
	Related Party Transaction & Conflict of Interest – their implications to Directors, Audit Committee, Management, Internal Auditors & External Auditors
Lee Chooi Keng	Mandatory Accreditation Programme (MAP).
Dato' Ong Soon Ho	Intergrated Reporting : Creating Value
	Opportunities Amidst Geopolitical Shifts Conference
Dato' Ong Choo Meng	Navigating Through A Changing World
	Riding The Wave of National Transformation

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, appropriate, and in alignment with the prevalent market practices. The current Board Remuneration was approved by the shareholders at the 26th Annual General Meeting of the Company (AGM) held in May 2017.

6.2 Committee

The members of the Remuneration Committee ("RC") consist of three (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	Y.D.H 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 2017 and Proposed Remuneration for 2018

Fee	RM '000 (per annum)	
	2017	2018
Fee - Chairman	**66**	66
Fee - Audit Committee Chairman	**54**	54
Fee - Each Executive Director	***1**	*56
Fee - Each Non-Executive Director	**48**	48

Allowances	RM (per annum)	
	2017	2018
Meeting Allowance (per day)	**1,000.00**	1,000.00
Travelling Allowance (per day)	**50.00**	-

**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 2017 is as follows:

a. <u>NEDs</u>

No.	Directors	Directors' Fee (RM'000)	Allowances (RM'000)
1.	General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) (Resigned w.e.f 4/12/2017)	**61**	**15**
2.	Leftenant General Dato' Wira Hj Masood Bin Hj Zainal Abidin (Resigned w.e.f 22/5/2017)	**34**	**8**
3.	Philip A/L Anthonysam (Resigned w.e.f 22/5/2017)	**16**	**9**
4.	Leong Kah Mun (Resigned w.e.f 22/5/2017)	**21**	**9**
5.	Sr. Teh Teik Bin Resigned w.e.f 22/5/2017)	**19**	**9**
6.	Dato' Ong Soon Ho (Appointed w.e.f 22/5/2017)	**28**	**7**
7.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Hj Mohd Tahir (Appointed w.e.f 22/5/2017)	**30**	**7**
8.	Yeoh Chin Hoe (Appointed w.e.f 22/5/2017)	**32**	**7**
9.	Liew Jee Min @ Chong Jee Min (Appointed w.e.f 14/12/2017)	**2**	**1**

b. Executive Director/Chief Executive Officer

No.	Directors	Salary	Other Emoluments	Total
		(RM'000)	(RM'000)	(RM'000)
1.	Mohd Faisal Kaim Bin Abdullah* (Retired w.e.f 22/5/2017)	**110**	**16**	**126**
2.	Foong Tuck Fai (Resigned w.e.f 7/2/2017)	**64**	**21**	**85**
3.	Dato' Ong Choo Meng (Appointed w.e.f 22/5/2017)	**-**	**2**	**2**
4.	Lee Chooi Keng (Appointed w.e.f 22/5/2017)	**-**	**2**	**2**

**Executive Director from October 2016 and was re-designated to CEO on 22 May 2017.*

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
0-150,000	3
150,001-250,000	1
250,001-350,000	1
TOTAL	**5**

B EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit & Risk Management Committee

8. Effective and Independent Audit & Risk Management

The Audit Committee 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 Audit Committee. Details of the internal audit function and activities are set out in the Audit Committee Report of this Annual Report. During the year, the Company incurred RM 63,640 in respect of internal audit services.

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the Audit Committee 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 RM 12,000.

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 Audit Committee during the year is set out in the Audit Committee Report of this Annual Report.

The Audit Committee 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 Audit Committee has recommended the re-appointment of Messrs. Crowe Horwath as External Auditors for the financial year ending 31 December 2018. The re-appointment of Messrs. Crowe Horwath will be presented for shareholders' approval at the forthcoming 27th AGM.

The Company will be formalising its policy of procedures to asses the suitability, objectivity & independence of the External Auditors in the coming months.

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 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 other 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, 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.

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 of their rights at the Company's AGM.

The AGM remains 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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 Malaysia on the same day of the meeting.

OTHER INFORMATION

Related Party Transactions

At the EGM held on 21 July 2017, 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 transaction with related parties undertaken during the financial year under review are disclosed in Note 37 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 9 April 2018.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY STATEMENT

HALEX ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES") SUSTAINABILITY

Halex understands that responsible of 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 recognizes 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.

Halex had taken corrective measures in order to achieve Economic, Environmental and Social sustainability and below are the further elaborations on the initiatives.

HALEX MATERIAL SUSTAINABLE MATTERS

Focusing on Material Sustainability Matters are EES risks and opportunities that affect our stakeholders and our business. Halex identified the some of the key material sustainable matters by taking internal and external stakeholder's expectations into consideration. As part of our effort to build capacity on sustainability, we have identified several sustainability material matters that coincides with global sustainability like the United Nation's ("UN"). UN developed 17 Sustainable Development Goals ("SDGs") were unveiled and affirmed by 193 member states including Malaysia in September 2015. The 17 SDGs forms as basis for the achievement of the targets in 2030 Agenda.

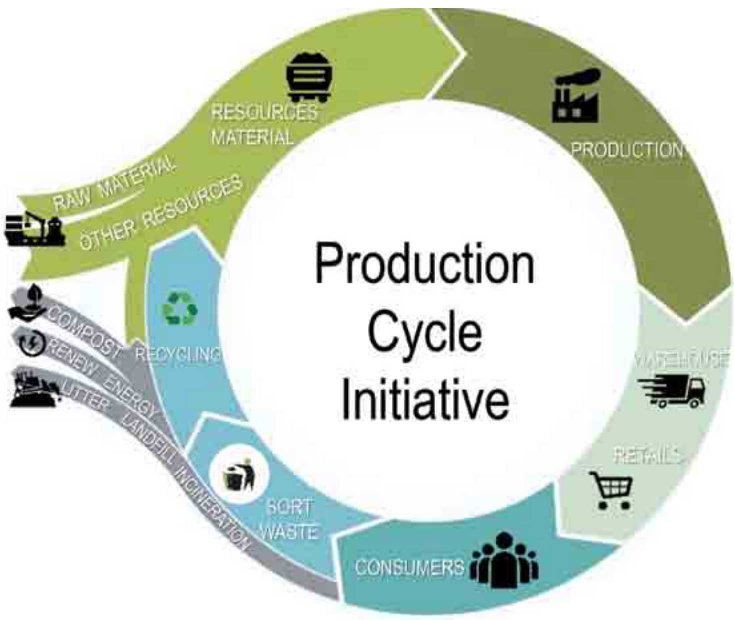
ECONOMIC

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, recovery and recycling.

Material Management

One of the economic sustainability can be measure by produced capital. In achieving optimal usage of materials during production Halex practices material management. There is an old saying "waste not, want not" has significant impact when it comes to sustainability. 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



CORPORATE RESPONSIBILITY AND SUSTAINABILITY STATEMENT (cont'd)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

the amount of materials needed to provide the function required, extending the service life of products, and eliminating the concept of waste by ensuring that there are robust markets to reutilize post-industrial and post-consumer materials.

Halex believe 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.

SOCIAL

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

Corporate Code of Conduct & Ethics

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Based on several principles of Halex of integrity, passion and reliability, Halex established our Code of Conduct and Ethics describes the principles by 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 loyal employees.

Community Awareness

Halex arranges donations annually in the form of cash and tangible goods to various welfare bodies and Non-Governmental Organizations ("NGO") for welfare and disaster relief purposes. Halex also provides employment opportunities where possible, to people with special needs.

The Ministry of Transport (MOT) reported a trend of decline in the index of deaths due to road accidents. However, the road safety awareness required continues campaign to ensure the index shows further decline.

In April 2017, Federation of Malaysian Manufacturing (FMM) Johor Branch in collaboration with Road Safety Department Malaysia (JKJR), Department of Environment (DOE), Department of Occupational Safety & Health (DOSH), Social Security Organisation (PERKESO) and Fire and Rescue Department of Malaysia organised an environment, safety and health programme called "Road Safety to Balik Kampung" and Halex had participated as one of the sponsors. The programme is to promote the safety awareness among road users. This event was supported by distributing bags of goodies to road users at Kempas toll in Johor Bahru which included the safety information and related items will place in the bag.

The programme is organised with objectives to ensure further decline of the fatalities index involving road users during peak season, create safety awareness to the road users along their way to "Balik Kampung" and educate the road users by providing all the relevant information on safety in a pamphlets given by the government agencies.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY STATEMENT (cont'd)

Safety Training for the workforce

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 organized 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. It also important especially for the factory workers to fully comply and implement the regulations and proper usage of the personnel protection equipment.



Halex believes that adopting safety as a value within the organizational 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 factories and office premise will conduct the training at least once a year for constant education and awareness.

ENVIRONMENT

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

Energy Savings

Halex 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. Halex also do 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.

1 Student 1 Plant

Environmental sustainability involves making decisions and taking action that protect the environment, supporting the communities in which we operate. With that, Halex conducted an environmental program collaboration specifically designed conserving our environment with particular emphasis to school and community in May 2017.

Our awareness on the environment parallel is to educating the youth on economic sustainability in an overall view. We achieved this by planting fruit trees across the school in Sekolah Menengah Johor Jaya 2, Johor where the students vwere given an understanding that this can be one of the source of knowledge for human survival (edible plant).



CORPORATE RESPONSIBILITY AND SUSTAINABILITY STATEMENT (cont'd)

By planting the trees, Halex also stressed the importance of trees as they are essential to life. They create the very air we breathe and filter air pollution. Furthermore, trees also build soil and help soak up stormwater before it can create a flood, and they offer energy-saving shade that reduces global warming and creates habitat for thousands of different species. Trees also help to reduce ozone levels in urban areas. Most importantly, trees sequester carbon, helping to remove carbon dioxide and other greenhouse gases from the air, which cools the earth. Halex trusts small footprint matters in sustainability and it should always be a continuous movement.

Paperless environment

Employees and clients are working towards fully maximizing the benefits of ICT (eg email, instant messaging, etc.) 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.

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" and Practice 9.1 and 9.2 of the Malaysian Code of Corporate Goverance (MCCG), 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 period, 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 RM63,640. The AC, at its meeting held on 20 Febuary 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 20 Febuary 2018 had, taken the AC's recommendation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Risk Management Function

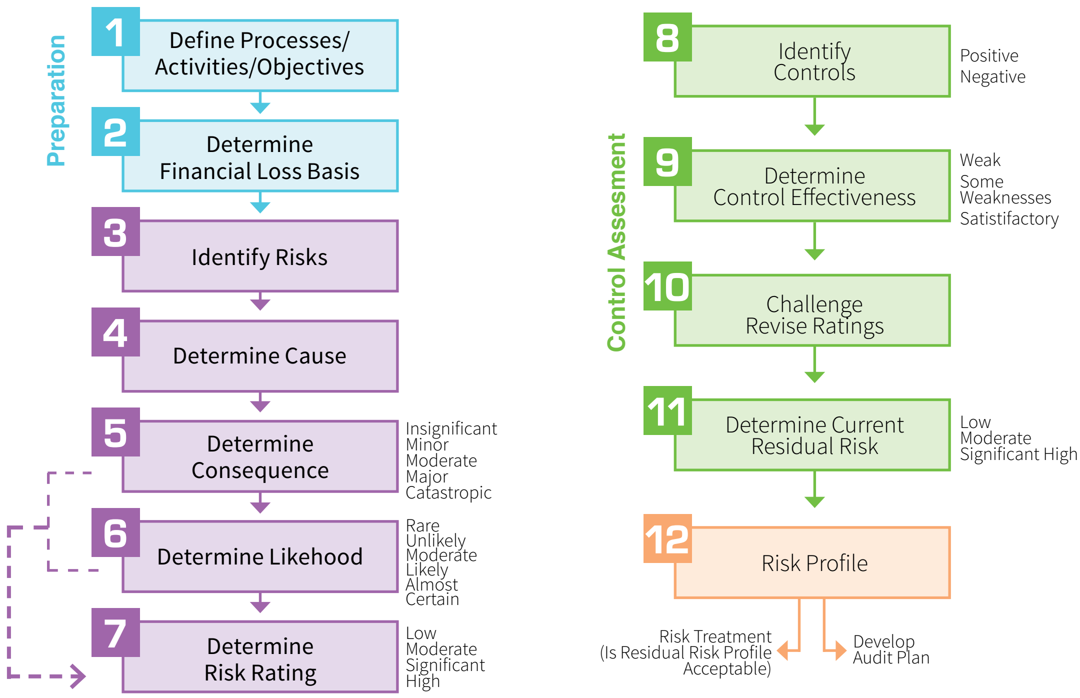
Risk management involves understanding, analysing and addressing risk to make sure organisations achieve their objectives. So it must be proportionate to the complexity and type of organisation involved. Because risk is inherent in everything we do, the type of roles undertaken by risk professionals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

The risk management framework adopted by the Company is based on ISO 31000:2009, an internationally recognised risk management framework.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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 2017 Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3 (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 to be set out, nor is factually inaccurate.

External auditors does not require to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Company's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon in accordance with AAPG 3. The external auditors are also not required to consider the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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 2017 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

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

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

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 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;

(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.

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 IA and 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 2017 the AC held nine (9) meetings on 21 February 2017, 27 February 2017, 7 April 2017, 13 April 2017, 29 May 2017, 23 August 2017, 11 September 2017, 20 November 2017 and 6 December 2017 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.

AUDIT COMMITTEE REPORT (cont'd)

no	Directors	Total Meeting Attended	%
1.	Leong Kah Mun *(Resigned w.e.f 22/5/2017)*	4/4	100
2.	General Tan Sri Dato' Abdul Rahman Bin Abdul Hamid (Rtd) *(Resigned w.e.f 04/12/2017)*	8/8	100
3.	Sr. Teh Teik Bin *(Resigned w.e.f 22/5/2017)*	4/4	100
4.	Y.D.H Dato' Sri Dr. Erwan Bin Dato' Hj Mohd Tahir *(Appointed w.e.f 22/5/2017)*	4/5	80
5.	Yeoh Chin Hoe *(Appointed w.e.f 22/5/2017)*	5/5	100
6.	Liew Jee Min @ Chong Jee Min *(Appointed w.e.f 14/12/2017)*	-	-

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 20 February 2018; and
- Reviewed any related party, recurrent related party or conflict of interest transactions.

(iii) **External Audit**

- Reviewed with the EA on 20 November 2017 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;
- Reviewed the audit report and areas of concern highlighted in the Audit Highlight including management's response to the EA's findings on 20 February 2018;
- 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 External Auditors for the financial year ended 31 December 2017
- 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 period ended 31 December 2017 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 2017.

Quarter	Department/ Function/
Q1/2017	Product Costing
Q2/2017	Procurement
Q3/2017	Credit Control
Q4/2017	Supply Chain Management

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 2017 amounted to RM 63,640.

This report has been reviewed by the AC and approved by the Board on 9 April 2018.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Group's consolidated annual audited financial statements for the financial year ended 31 December 2017 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 2017.

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 standards and/or interpretations (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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
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 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendments, Curtailment of Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
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	1 January 2018
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:-

STATEMENT OF DIRECTORS RESPONSIBILITIES (cont'd)

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:-

Impairment - under MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss on its debts instruments. This application will result in earlier recognition of credit loss.

However, the Group expects that the transition adjustment to be made upon the initial adoption of MFRS 9 will not be material.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers.

The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Company anticipates that the application of MFRS15 in the future may have an impact on the amounts reported and disclosures made in the financial statements.

However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Company performs a detailed review. Based on the assessment completed, the Group expects that the transition adjustment to be made upon the initial adoption of MFRS 15 will not be material.

ADDITIONAL COMPLIANCE INFORMATION

SHARE BUY-BACK

At the last AGM held on 22 May 2017 the Company obtained a mandate from its shareholders for the Company to purchase its own shares of up 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 2017.

OPTIONS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt program during the financial year ended 31 December 2017.

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.

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 year ended 31 December 2017 are RM196,717 and RM12,000 respectively for the financial year.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Except as disclosed in this Annual Report, HALEX 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, Halex Holdings Berhad 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.

FINANCIAL *STATEMENTS*

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 2017.

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	(11,893,614)	(12,433,421)
Attributable to:		
Owners of the parent	(11,893,614)	(12,433,421)

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

No options were granted to any person to take up unissued shares of the Company during the financial year.

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	(Appointed on 22.05.2017)
Lee Chooi Keng	(Appointed on 22.05.2017)
Dato' Ong Soon Ho	(Appointed on 22.05.2017)
Yeoh Chin Hoe	(Appointed on 22.05.2017)
Y.D.H Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir	(Appointed on 22.05.2017)
Liew Jee Min @ Chong Jee Min	(Appointed on 14.12.2017)
General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd)	(Resigned on 04.12.2017)
Leftenant General Dato'Wira Hj Masood Bin Hj Zainal Abidin (Rtd)	(Resigned on 22.05.2017)
Leong Kah Mun	(Resigned on 22.05.2017)
Philip A/L S. Anthonysamy	(Resigned on 22.05.2017)
Teh Teik Bin	(Resigned on 22.05.2017)
Foong Tuck Fai	(Resigned on 07.02.2017)
Mohd Faisal Kaim Bin Abdullah	(Retired on 22.05.2017)

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:-

Alfie Bin Othman	
Sara Nina Binti Shahruddin	
Shaza Lina Binti Shahruddin	
Mohd Faisal Kaim Bin Abdullah	
Teh Li King	(Appointed on 22.05.2017)

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 1.1.2017	Bought	Sold	At 31.12.2017
Indirect interest*:-				
Dato' Ong Choo Meng	-	53,127,595	-	53,127,595
Dato' Ong Soon Ho	-	53,127,595	-	53,127,595

*Deemed interested by virtue of their direct substantial shareholdings in 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 of the Company has received or become entitled to receive a 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 corporations 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 the ordinary course of business with companies in which certain Directors have substantial financial interests as disclosed in Note 37 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:-

- (i) to 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) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(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 Company

The holding company is Waras Dinamik Sdn. Bhd., a company 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 35 to the financial statements.

Indemnity And Insurance Cost

During the financial year, the total amount of indemnity coverage was RM 10,000,000 and insurance premium paid for the directors of the Company was RM19,620. No indemnity was given to or insurance effected for auditors of the Company.

Significant Events During the Financial Year

The significant events during the financial year are disclosed in Note 40 to the financial statements.

Auditors

The Auditors, Messrs Crowe Horwath, have expressed their willingness to continue in office.

The Auditors' remuneration are disclosed in Note 30 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 9 April 2018.

DATO' ONG CHOO MENG

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 53 to 104 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 2017 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 9 April 2018.

DATO' ONG CHOO MENG

LEE CHOOI KENG

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Mohd Faisal Kaim Bin Abdullah, being the officer primarily responsible for the financial management of Halex Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are 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 9 April 2018

Before me:

MOHD FAISAL KAIM BIN ABDULLAH

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and 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.

Other Matters

The financial statements of the Group and of the Company for the preceding financial year were audited by another firm of auditors whose report dated 20 April 2017 expressed an unmodified opinion on those statements.

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:-

Impairment of Property, Plant and Equipment ("PPE") Refer to Note 4 in the financial statements	
Key audit matter	**How our audit addressed the key audit matter**
As at 31 December 2017, the carrying amount of PPE is RM54,889,568. The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the PPE. During the current financial year, the management have identified indicators of impairment in Halex Biotechnologies Sdn. Bhd.("HBSB") and Halex Woolton (M) Sdn. Bhd. ("HWMSB") which are described below:- (i) Decreasing trend in revenue; (ii) Deterioration of gross profit margin; (iii) Net loss incurred for the financial year; (iv) Negative operating cash flows for the financial year; and (v) Negative future projected cash flow. Given the significance of PPE to the Group, the judgements and estimates involved the assessment of the recoverable amounts, we have identified this as an important area of our audit. The aforementioned impairment review gave rise to impairment loss of RM4,795,192 to the Group as disclosed in Note 4(d) to the financial statements.	Our procedures included, amongst others:- • Making enquiries of management on the methodology, input, and assumptions adopted by the management determining the residual value of plant and machinery; and • Assessing the basis used by management in determining the impairment loss of PPE.

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):-

Fair Value of Biological Assets Refer to Note 11 in the financial statements	
Key audit matter	**How our audit addressed the key audit matter**
As at 31 December 2017, the biological assets are valued at RM2,134,193. The Group's biological assets comprise frond on plants, decorative plants and tissue culture. These biological assets are recorded at fair value less cost to sell. Given the significant management judgements and use of subjective assumptions involved in the assessment of the valuations, we have identified this as an area of audit focus.	Our procedures included, amongst others:- • For frond on plants, assessed the appropriateness of assumptions used in relation to the forecast of fronds harvested, grow-out periods and average age of fronds; • Assesed the price assumptions through comparisons with the latest market evidence available; and • Evaluating the adequacy of the disclosures of each significant assumption.

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.

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.

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:-(Cont'd)

- 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, are 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 Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 01772/11/2018 J
Chartered Accountant

Kuala Lumpur
9 April 2018

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2017

		Group		
		31.12.2017	31.12.2016 (Restated)	1.1.2016 (Restated)
	Note	**RM**	RM	RM
Assets				
Non-Current Assets				
Property, plant and equipment	4	**54,889,568**	61,021,333	61,761,244
Investment properties	5	**5,249,000**	5,054,350	5,054,350
Investment in an associate	7	**-**	10,530,944	21,893,273
Investment in quoted securities	8	**-**	252,111	203,004
Other investments	9	**26,000**	26,000	26,000
Intangible assets		**-**	123,222	123,222
Development costs		**-**	-	465,058
		60,164,568	77,007,960	89,526,151
Current Assets				
Inventories	10	**17,483,164**	18,636,869	25,665,807
Biological assets	11	**2,134,193**	2,469,265	2,615,535
Trade receivables	12	**12,115,598**	12,393,207	11,965,048
Other receivables, deposits and prepayments	13	**5,325,584**	6,413,751	6,295,304
Amount due from a related party	14	**636,625**	-	-
Current tax assets		**1,516,879**	1,406,265	665,326
Deposits with licensed banks	15	**1,827,408**	1,771,424	1,714,985
Cash and bank balances		**24,242,194**	1,969,101	1,989,375
		65,281,645	45,059,882	50,911,380
Total Assets		**125,446,213**	122,067,842	140,437,531
Equity and Liabilities				
Equity				
Share capital	16	**54,987,582**	53,000,000	53,000,000
Revaluation reserves	17	**18,817,234**	17,153,606	18,695,158
Share premium	17	**-**	1,987,582	1,987,582
Treasury shares	18	**(17,997)**	(17,997)	(17,997)
		73,786,819	72,123,191	73,664,743
Exchange reserves	17	**115,238**	106,326	116,461
(Accumulated loss)/Retained earnings		**(430,500)**	11,409,236	31,763,468
Total Equity Attributable to Parent		**73,471,557**	83,638,753	105,544,672
Non-Current Liabilities				
Term loans	19	**25,929,301**	12,259,189	10,374,560
Finance lease payables	20	**28,928**	126,476	104,704
Deferred tax liabilities	21	**3,365,946**	4,019,930	3,726,362
		29,324,175	16,405,595	14,205,626
Current Liabilities				
Trade payables	22	**7,891,898**	10,832,406	8,348,872
Other payables and accruals	23	**1,567,191**	2,933,112	2,857,515
Term loans	19	**2,183,133**	1,915,515	2,142,864
Finance lease payables	20	**41,285**	48,639	56,562
Bills payable	24	**9,176,000**	2,363,041	3,836,000
Bank overdrafts	25	**1,776,124**	3,768,861	3,304,336
Current tax liabilities		**14,850**	161,920	141,084
		22,650,481	22,023,494	20,687,233
Total Liabilities		**51,974,656**	38,429,089	34,892,859
Total Equity and Liabilities		**125,446,213**	122,067,842	140,437,531

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

STATEMENTS OF FINANCIAL POSITION (cont'd)
As At 31 December 2017

	Note	Company 31.12.2017 RM	Company 31.12.2016 RM
Assets			
Non-Current Asset			
Investment in subsidiaries	6	**33,116,555**	55,823,062
Current Assets			
Other receivables, deposits and prepayments	13	**52,149**	22,747
Amount due from subsidiaries	26	**16,725,799**	27,805,941
Current tax assets		**41,435**	41,435
Cash and bank balances		**19,856,705**	28,800
		36,676,088	27,898,923
Total Assets		**69,792,643**	83,721,985
Equity and Liabilities			
Equity			
Share capital	16	**54,987,582**	53,000,000
Share premium	17	**-**	1,987,582
Treasury shares	18	**(17,997)**	(17,997)
		54,969,585	54,969,585
Retained earnings		**3,919,010**	16,352,431
Total Equity		**58,888,595**	71,322,016
Non-Current Liability			
Term loans	19	**-**	8,920,937
Current Liabilities			
Other payables and accruals	23	**163,593**	151,026
Amount owing to subsidiaries	26	**10,740,455**	1,450,559
Term loans	19	**-**	1,877,447
		10,904,048	3,479,032
Total Liabilities		**10,904,048**	12,399,969
Total Equity and Liabilities		**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 2017

	Note	Group 2017 RM	Group 2016 (Restated) RM	Company 2017 RM	Company 2016 RM
Revenue	27	**69,038,874**	68,649,659	**-**	-
Cost of sales		**(60,962,332)**	(56,134,724)	**-**	-
Gross profit		**8,076,542**	12,514,935	**-**	-
Other income	28	**8,587,377**	935,246	**4,782**	306
Net gain arising from changes in fair value of biological assets		**2,140,877**	1,564,519	**-**	-
Selling and marketing expenses		**(6,771,713)**	(7,625,978)	**-**	-
Administrative expenses		**(14,533,926)**	(13,208,717)	**(12,438,203)**	(3,260,818)
Other expenses		**(7,732,363)**	(13,903,341)	**-**	-
Loss from operations		**(10,233,206)**	(19,723,336)	**(12,433,421)**	(3,260,512)
Finance costs	29	**(1,423,886)**	(1,581,596)	**-**	-
Share of results of an associate		**(64,139)**	(99,306)	**-**	-
Loss before taxation	30	**(11,721,231)**	(21,404,238)	**(12,433,421)**	(3,260,512)
Taxation	31	**(172,383)**	(453,850)	**-**	(543)
Loss after taxation		**(11,893,614)**	(21,858,088)	**(12,433,421)**	(3,261,055)
Other comprehensive income/(expenses):	32				
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		**8,912**	(10,135)	**-**	-
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property		**1,663,628**	(1,541,552)	**-**	-
Other comprehensive income/(expenses) for the financial year, net of tax		**1,672,540**	(1,551,687)	**-**	-
Total comprehensive expenses for the financial year		**(10,221,074)**	(23,409,775)	**(12,433,421)**	(3,261,055)
Loss after taxation for the financial year attributable to:					
Owners of the parent		**(11,893,614)**	(21,858,088)	**(12,433,421)**	(3,261,055)
Total comprehensive expenses attributable to:					
Owners of the parent		**(10,221,074)**	(23,409,775)	**(12,433,421)**	(3,261,055)
Loss per share	33				
Basic (sen)		**(11.22)**	(20.62)		
Diluted (sen)		**(11.22)**	(20.62)		

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

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2017

GROUP	Note	Share Capital RM	Revaluation Reserves RM	Share Premium RM	Exchange Reserves RM	Treasury Shares RM	Accumulated Losses/ Retained Earnings RM	Total RM
		Attributable to Owners of the Parent						
		Non-Distributable				**Distributable**		
At 1 January 2017		**53,000,000**	**20,208,276**	**1,987,582**	**106,326**	**(17,997)**	**8,503,566**	**83,787,753**
Prior year adjustments	41	**-**	**(3,054,670)**	**-**	**-**	**-**	**2,905,670**	**(149,000)**
Restated balance at 1 January 2017		**53,000,000**	**17,153,606**	**1,987,582**	**106,326**	**(17,997)**	**11,409,236**	**83,638,753**
Loss after taxation for the financial year		**-**	**-**	**-**	**-**	**-**	**(11,893,614)**	**(11,893,614)**
Realisation of revaluation surplus		**-**	**-**	**-**	**-**	**-**	**53,878**	**53,878**
Other comprehensive income for the financial year:								
- Foreign currency translation		**-**	**-**	**-**	**8,912**	**-**	**-**	**8,912**
- Revaluation of property		**-**	**1,717,506**	**-**	**-**	**-**	**-**	**1,717,506**
- Realisation of revaluation surplus		**-**	**(53,878)**	**-**	**-**	**-**	**-**	**(53,878)**
Total other comprehensive income for the financial year		**-**	**1,663,628**	**-**	**8,912**	**-**	**-**	**1,672,540**
Transfer to share capital upon implementation of the Companies Act 2016		**1,987,582**	**-**	**(1,987,582)**	**-**	**-**	**-**	**-**
At 31 December 2017		**54,987,582**	**18,817,234**	**-**	**115,238**	**(17,997)**	**(430,500)**	**73,471,557**
At 1 January 2016, as previously reported		53,000,000	20,245,972	1,987,582	116,461	(17,997)	30,455,916	105,787,934
Prior year adjustments	41	-	(1,550,814)	-	-	-	1,307,552	(243,262)
Restated balance at 1 January 2016		53,000,000	18,695,158	1,987,582	116,461	(17,997)	31,763,468	105,544,672
Loss after taxation for the financial year		-	-	-	-	-	(21,858,088)	(21,858,088)
Realisation of revaluation surplus		-	-	-	-	-	1,503,856	1,503,856
Other comprehensive expenses for the year:								
- Foreign currency translation		-	-	-	(10,135)	-	-	(10,135)
- Realisation of revaluation surplus		-	(1,541,552)	-	-	-	-	(1,541,552)
Total other comprehensive expenses for the financial year		-	(1,541,552)	-	(10,135)	-	-	(1,551,687)
At 31 December 2016		53,000,000	17,153,606	1,987,582	106,326	(17,997)	11,409,236	83,638,753

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 2017

Company	Non-Distributable Share Capital RM	Non-Distributable Share Premium RM	Distributable Treasury Shares RM	Distributable Retained Earnings RM	Total RM
At 1 January 2016	53,000,000	1,987,582	(17,997)	19,613,486	74,583,071
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(3,261,055)	(3,261,055)
At 31 December 2016/ At 1 January 2017	53,000,000	1,987,582	(17,997)	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	54,987,582	-	(17,997)	3,919,010	58,888,595

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

		Group		Company	
		2017	2016 (Restated)	**2017**	2016
	Note	**RM**	RM	**RM**	RM
Cash flows (for)/from operating activities					
Loss before taxation		**(11,721,231)**	(21,404,238)	**(12,433,421)**	(3,260,512)
Adjustments for:					
Allowance for impairment losses on:					
- amount due from subsidiaries		**-**	-	**10,495,010**	-
- trade receivables		**434,688**	57,742	**-**	-
- property, plant and equipment		**4,795,192**	53,803	**-**	-
- investment in an associate		**-**	11,263,023	**-**	-
Reversal of allowance for impairment losses on trade receivables		**(85,631)**	(27,148)	**-**	-
Amortisation of development cost		**-**	80,881	**-**	-
Bad debts written off		**231,186**	160,000	**-**	-
Biological assets written off		**160,168**	-	**-**	-
Depreciation of property, plant and equipment		**2,264,105**	2,342,330	**-**	-
Deposit written off		**3,830,000**	260	**-**	-
Development costs written off		**-**	384,177	**-**	-
Dividend income		**(1,325)**	(2,676)	**-**	-
Fair value gain on investment property		**(194,650)**	-	**-**	-
Fair value gain on biological assets		**(2,140,877)**	(1,564,519)	**-**	-
Fair value gain on investment in quoted securities		**-**	(49,107)	**-**	-
Fair value loss on revaluation of property		**222,685**	-	**-**	-
Gain on disposal of investment in quoted securities		**(31,906)**	-	**-**	-
Gain on disposal of property, plant and equipment		**(24,148)**	(30,000)	**-**	-
Gain on disposal of an associate		**(7,533,195)**	-	**-**	-
(Gain)/Loss on foreign exchange - unrealised		**(606,640)**	538,027	**-**	-
Interest expenses		**1,423,886**	1,581,596	**-**	-
Interest income		**(75,896)**	(95,925)	**(4,782)**	(306)
Intangible assets written off		**123,222**	-	**-**	-
Inventories written down		**1,089,638**	24,369	**-**	-
Inventories written off		**-**	544,320	**-**	-
Property, plant and equipment written off		**814,192**	340,658	**-**	-
Share of results of an associate		**64,139**	99,306	**-**	-
Operating loss before working capital changes		**(6,962,398)**	(5,703,121)	**(1,943,193)**	(3,260,818)
Changes in working capital:					
Biological assets		**2,315,781**	1,710,789	**-**	-
Inventories		**64,067**	6,460,249	**-**	-
Receivables		**(544,467)**	(737,460)	**(29,402)**	468,746
Payables		**(3,699,789)**	2,021,104	**12,567**	46,051
Related party		**(636,625)**	-	**-**	-
		(2,501,033)	9,454,682	**(16,835)**	514,797
Cash (used in)/generated from operations		**(9,463,431)**	3,751,561	**(1,960,028)**	(2,746,021)
Interest paid		**(1,423,886)**	(1,581,596)	**-**	-
Tax paid		**(1,347,085)**	(880,385)	**-**	(543)
Tax refunded		**45,665**	-	**-**	-
		(2,725,306)	(2,461,981)	**-**	(543)
Net cash (used in)/generated from operating activities		**(12,188,737)**	1,289,580	**(1,960,028)**	(2,746,564)

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

STATEMENTS OF CASH FLOWS (cont'd)
For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM	Group 2016 (Restated) RM	Company 2017 RM	Company 2016 RM
Cash flows from/(for) investing activities					
Repayment from subsidiaries		**-**	-	**9,875,028**	4,132,106
Dividend received		**1,325**	2,676	**-**	-
Interest received		**75,896**	95,925	**4,782**	306
Capital reduction in a subsidiary		**-**	-	**23,206,505**	-
Proceeds from disposal of property, plant and equipment		**92,823**	2,380,000	**-**	-
Proceeds from disposal of an associate		**15,500,000**	-	**-**	-
Proceeds from disposal of investment in quoted securities		**284,017**	-	**-**	-
Purchase of property, plant and equipment	34(a)	**(98,209)**	(4,318,276)	**-**	-
Additional investments in an existing subsidiary		**-**	-	**(499,998)**	(6)
Placement of deposits with licensed banks		**(55,984)**	(56,439)	**-**	-
Net cash generated from/(used in) investing activities		**15,799,868**	(1,896,114)	**32,586,317**	4,132,406
Cash flows from/(for) financing activities					
Drawndown of term loan	34(b)	**24,800,000**	3,400,000	**-**	-
Repayment of finance lease payables	34(b)	**(104,902)**	(52,451)	**-**	-
Repayment of term loans	34(b)	**(10,862,270)**	(1,742,720)	**(10,798,384)**	(1,719,040)
Drawndown/(Repayment) of bills payables	34(b)	**6,812,959**	(1,472,959)	**-**	-
Net cash generated from/(used in) financing activities		**20,645,787**	131,870	**(10,798,384)**	(1,719,040)
Net increase/(decrease) in cash and cash equivalents		**24,256,918**	(474,664)	**19,827,905**	(333,198)
Effect of foreign exchange rate changes		**8,912**	(10,135)	**-**	-
Cash and cash equivalents at the beginning of the financial year		**(1,799,760)**	(1,314,961)	**28,800**	361,998
Cash and cash equivalents at the end of the financial year	34(c)	**22,466,070**	(1,799,760)	**19,856,705**	28,800

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

1. Corporate Information

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

The principal places of business of the Company are at No. 9, Jalan Taruka, Tampoi Industrial Estate, 81200 Johor Bahru and Block K-08-02, No. 2, Jalan Solaris, Solaris Mont Kiara, 50480 Kuala Lumpur.

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 holding company is Waras Dinamik Sdn. Bhd., a company incorporated and domiciled in Malaysia.

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)
Amendments to MFRS 107: Disclosure Initiative
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRS Standards 2014 - 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 34 to the financial statements.

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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

2. Basis of Preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments) (cont'd)	Effective Date
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 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendments, Curtailment of Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
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	1 January 2018
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 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:-

Impairment - under MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss on its debts instruments. This application will result in earlier recognition of credit loss.

However, the Group expects that the transition adjustment to be made upon the initial adoption of MFRS 9 will not be material.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Company anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Company performs a detailed review. Based on the assessment completed, the Group expects that the transition adjustment to be made upon the initial adoption of MFRS 15 will not be material.

(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.

2. Basis of Preparation (cont'd)

(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.

(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) 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 11 to the financial statements.

(iv) Impairment of plant and equipment, investment in subsidiaries and associate

The Group determines whether plant and equipment, investment in subsidiaries and associate 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 amount plant and equipment, investment in subsidiaries and associate as at the reporting date are disclosed in Notes 4, 6, and 7 to the financial statements.

(v) 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 10 to the financial statements.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

(vi) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade and other receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amounts of trade and other receivables as at the reporting date are disclosed in Notes 12 and 13 to the financial statements.

(vii) Income 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 amount of current tax assets and liabilities of the Group and the Company as at the reporting date are RM1,516,879, RM14,850 and RM41,435 (2016: RM1,406,265, RM161,920 and RM41,435) respectively.

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:-

(i) Classification between investment properties and owner occupied properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(ii) 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.

(iii) Fair value estimates for certain financial assets and financial liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

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.

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.
Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.
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(l)(b) 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 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.

(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.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation (Cont'd)
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(l)(b) on impairment of non-financial assets.

(b) Investment in associates

An associate is an entity over which the Group has a long-term equity interest and significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's shares of net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is required.

An associate is equity accounted for from the date on which the date investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and the other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profit or losses resulting from upstream and downstream transactions between the Group and its associate is recognised in the Group's consolidation financial statements only to the extent of unrelated investors' interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in associate is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount 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(1)(b) to the financial statements on impairment of non-financial assets.

(c) Foreign currency translation

<u>Foreign currency transactions and balances</u>

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.

3. Significant Accounting Policies (Cont'd)

(c) 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.

(d) 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(l)(b).

(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 perodically, at least once in every three years.

3. Significant Accounting Policies (Cont'd)

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

(i) Recognition and measurement (Cont'd)

Property, plant and equipment under the revaluation model (Cont'd)

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.

(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%
Long-term leasehold land and buildings	Over a lease period of 47 to 60 years
Buildings and structures	2%
Office premises	2%
Plant and machinery	6 2/3 - 10%
Forklifts	20%
Motor vehicles	20%
Tools, equipment, furniture, fixtures 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.

(e) Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company 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.

3. Significant Accounting Policies (Cont'd)

(e) Lease (Cont'd)

As lessee (Cont'd)

(i) Finance lease(Cont'd)

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 a property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or 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.

(f) 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.

3. Significant Accounting Policies (Cont'd)

(g) Intangible assets

(i) Internally-generated intangible assets – research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during the development.

The amount initially recognised for internally-generated assets is the sum of the expenditure incurred from the date when the intangible asset can be recognised criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure in recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost losses accumulated impairment losses.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(l)(b) to the financial statements on impairment of non-financial assets for intangible assets.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company 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.

3. Significant Accounting Policies (Cont'd)

(h) Financial instruments (Cont'd)

Financial instruments are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are 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 is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

3. Significant Accounting Policies (Cont'd)

(h) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iv) Available-for-sale financial assets (Cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

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

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(b) Financial liabilities

The Group and the Company classify their financial liability at initial recognition, into the following categories:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categories as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

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

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

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) Equity instruments

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

(i) 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.

3. Significant Accounting Policies (Cont'd)

(h) Financial instruments (Cont'd)

(c) Equity instruments (Cont'd)

(ii) 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.

(d) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged 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.

(e) 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 best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

(i) 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.

(j) 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.

3. Significant Accounting Policies (Cont'd)

(k) 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.

(l) Impairment

(a) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

(b) 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 an annual impairment assessment is compulsory or 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 an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and 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, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount do the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. Significant Accounting Policies (Cont'd)

(m) Provisions (Cont'd)

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Employee benefits

(a) 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.

(b) 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.

(o) 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.

(p) Revenue and other income

(a) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(b) Dividend income

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

(c) Rental income

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

(d) Interest income

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

(q) Income taxes

(a) 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).

3. Significant Accounting Policies (Cont'd)

(q) Income taxes (Cont'd)

(b) 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.

(c) 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.

(r) 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.

(s) 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.

(t) 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.

3. Significant Accounting Policies (Cont'd)

(u) 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.

4. Property, plant and equipment

GROUP	Freehold land and buildings RM	Long-term leasehold land and buildings RM	Office premises RM	Building and structures RM	Forklifts RM	Motor vehicles RM	Tools, equipment, furniture, fixtures, and fittings RM	Plant and machinery RM	Bearer plant RM	Total RM
	At Valuation				At Cost					
Valuation/Cost										
At 1 January 2017	36,800,000	11,460,535	4,003,309	2,923,684	319,720	1,213,678	8,742,090	17,600,160	611,796	83,674,972
Prior Year Adjustment	-	-	-	(1,066,484)	-	-	-	-	-	(1,066,484)
At 1 January 2017 (Restated)	36,800,000	11,460,535	4,003,309	1,857,200	319,720	1,213,678	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	116,691	(200,420)	-	-	-	-	-	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	4,120,000	1,656,780	319,720	1,067,841	5,681,915	14,299,656	611,796	76,518,243
Accumulated Depreciation										
At 1 January 2017	300,000	621,875	67,333	942,961	280,739	1,051,862	6,775,306	12,260,868	34,492	22,335,436
Prior Year Adjustment	-	-	-	(839,780)	-	-	-	-	-	(839,780)
At 1 January 2017 (Restated)	300,000	621,875	67,333	103,181	280,739	1,051,862	6,775,306	12,260,868	34,492	21,495,656
Charge For The Financial Year	300,000	246,827	77,698	42,867	14,535	60,957	568,026	940,959	12,236	2,264,105
Revaluation Surplus/(Deficit)	(600,000)	(493,654)	(116,531)	(85,734)	-	-	-	-	-	(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	28,500	60,314	295,274	1,022,621	4,479,899	10,433,600	46,728	16,741,984
Accumulated Impairment Losses										
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
Carrying Amount										
At 31 December 2017	37,100,000	11,285,487	4,000,001	1,596,466	24,446	45,220	247,938	590,010	-	54,889,568

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

	At Valuation				At Cost					
Group	**Freehold land and buildings RM**	**Long-term leasehold land and buildings RM**	**Office premises RM**	**Building and structures RM**	**Forklifts RM**	**Motor vehicles RM**	**Tools, equipment, furniture, fixtures, and fittings RM**	**Plant and machinery RM**	**Bearer plant RM**	**Total RM**
As Previously Reported at 1 January 2016	39,150,000	11,460,535	120,000	2,923,264	319,720	1,136,839	8,323,381	17,596,360	959,843	81,989,942
Prior Year Adjustment	-	-	-	(1,066,484)	-	-	-	-	-	(1,066,484)
At 1 January 2016 (Restated)	39,150,000	11,460,535	120,000	1,856,780	319,720	1,136,839	8,323,381	17,596,360	959,843	80,923,458
Additions	-	-	3,883,309	420	-	76,839	420,208	3,800	-	4,384,576
Disposals	(2,350,000)	-	-	-	-	-	-	-	-	(2,350,000)
Written Off	-	-	-	-	-	-	(1,499)	-	(348,047)	(349,546)
At 31 December 2016 (Restated)	36,800,000	11,460,535	4,003,309	1,857,200	319,720	1,213,678	8,742,090	17,600,160	611,796	82,608,488
Accumulated Depreciation										
As Previously Reported at 1 January 2016	-	375,048	22,500	837,281	255,503	972,833	6,188,533	11,263,487	23,996	19,939,181
Prior Year Adjustment	-	-	-	(776,967)	-	-	-	-	-	(776,967)
At 1 January 2016 (Restated)	-	375,048	22,500	60,314	255,503	972,833	6,188,533	11,263,487	23,996	19,162,214
Charge For The Financial Year	300,000	246,827	44,833	42,867	25,236	79,029	586,960	997,381	19,197	2,342,330
Written Off	-	-	-	-	-	-	(187)	-	(8,701)	(8,888)
At 31 December 2016 (Restated)	300,000	621,875	67,333	103,181	280,739	1,051,862	6,775,306	12,260,868	34,492	21,495,656
Accumulated Impairment Losses										
1 January 2016	-	-	-	-	-	-	-	-	-	-
Impairment Loss For The Financial Year	-	-	91,499	-	-	-	-	-	-	91,499
At 31 December 2016 (Restated)	-	-	91,499	-	-	-	-	-	-	91,499
Carrying Amount										
At 1 January 2016 (Restated)	39,150,000	11,085,487	97,500	1,796,466	64,217	164,006	2,134,848	6,332,873	935,847	61,761,244
At 31 December 2016 (Restated)	36,500,000	10,838,660	3,844,477	1,754,019	38,981	161,816	1,966,784	5,339,292	577,304	61,021,333

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 19, 24 and 25 to the financial statements are:

	Group	
	31.12.2017	31.12.2016
	RM	RM
Freehold land and buildings	**37,100,000**	36,500,000
Long-term leasehold land and buildings	**6,500,000**	6,163,459
Office premises	**4,000,000**	3,844,476
Building and structures	**1,596,466**	1,754,019
	49,196,466	48,261,954

(b) Included in property, plant and equipment of the Group are motor vehicles acquired under financial lease arrangements at net book value of RM36,000 (2016: RM156,997).

(c) Revaluation of land and buildings

During the 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 hierachy during the financial year.

The fair value measurements of the freehold 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	
	31.12.2017	31.12.2016
	RM	RM
Freehold land and buildings	**17,856,804**	18,087,660
Long-term leasehold land and buildings	**6,351,075**	6,532,558
Office premises	**3,766,811**	3,844,477
Building and structures	**2,721,458**	2,781,892
	30,696,148	31,246,587

(d) An impairment loss of RM4,795,192 (2016: RM91,499), 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. The estimated recoverable amount of the plant equipment was based on its residual values as determined by the directors.

5. Investment properties

	Group	
	31.12.2017	31.12.2016
	RM	RM
Carrying amount		
At 1 January 2017/2016	**5,054,350**	5,054,350
Gain on change in fair value	**194,650**	-
At 31 December 2017/2016	**5,249,000**	5,054,350
Included in the above are:-		
Freehold land, at fair value	**310,000**	310,000
Long-term leasehold land and building at fair value	**4,939,000**	4,744,350
	5,249,000	5,054,350

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 hierachy during the financial year.

The following amount is recognised in profit or loss:-

	Group	
	31.12.2017	31.12.2016
	RM	RM
Direct operating expenses arising from investment properties that did not generate rental income	**31,444**	90

6. Investment in subsidiaries

	Company	
	31.12.2017	31.12.2016
	RM	RM
Unquoted shares, at cost		
At 1 January 2017/2016	**55,823,062**	55,823,056
Addition during the financial year	**499,998**	6
	56,323,060	55,823,062
Less:-		
Capital reduction in a subsidiary	**(23,206,505)**	-
At 31 December 2017/2016	**33,116,555**	55,823,062

Details of the subsidiary companies are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		%	%	
Direct holding:				
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	100	Dormant
Nusa Suasa Sdn. Bhd.	Malaysia	100	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	100	Dormant
Halex Trading Sdn. Bhd.	Malaysia	100	100	Dormant
Halex Management Sdn. Bhd.	Malaysia	100	100	Provider of management services
Indirect holding through Halex (M) Sdn. Bhd.:				
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 Engineering Sdn. Bhd.	Malaysia	100	100	Trading of agricultural chemicals and fertilisers Ceased business operation since July 2010
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

6. Investment in subsidiaries (Cont'd)

(i) On 12 December 2017, Halex Woolton (M) Sdn. Bhd., a wholly-owned subsidiary of the Company had undergone 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) On 15 September 2017, the Company has 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 units of RM1 each to retain its equity interest of 100%. The acquisition has no significant effect on the financial result of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

(iii) On 5 May 2016, the Company has acquired the entire issued and paid-up capital of three companies, namely Halex Management Sdn. Bhd., Halex Trading Sdn. Bhd. and Halex Venture Sdn. Bhd. from third parties for RM 2 each. The acquisition had no significant effect on the financial results.

(iv) On 1 March 2016, Halex (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, has acquired the entire issued and paid-up capital of Pengedaran Beras Lestari Sdn. Bhd. from third parties for RM150,000. The acquisition had no significant effect on the financial results.

7. Investment in an associate

	Group	
	31.12.2017	31.12.2016
	RM	RM
Unqouted shares, at cost	**22,000,000**	22,000,000
Share of post-acquisition reserves	**(270,172)**	(206,033)
	21,729,828	21,793,967
Allowance for impairment losses	**(11,263,023)**	(11,263,023)
	10,466,805	10,530,944
Disposal during the financial year	**(10,466,805)**	-
Carrying amount	**-**	10,530,944

Details of the associate are as follows:

Name of associate	Principal place of business	Effective equity interest		Principal activity
		31.12.2017 %	31.12.2016 %	
Kensington Development Sdn. Bhd. ("KDSB") #	Malaysia	**-**	25	Property development

Audited by other firm of chartered accountants.

(i) On 23 November 2017, the Group through its 100% subsidiary, namely Halex Realty Sdn Bhd disposed of its entire 25% equity interest in KDSB for a cash consideration of RM18 million. The disposal resulted a gain on disposal of RM7,533,195.

(ii) In the previous financial year, the Group performed an impairment assessment. The recoverable amount of RM10.531 million was determined based on fair value less costs of disposal. An impairment loss of RM11.263 million was recognised in the previous financial year. The fair value was derived using adjusted net assets method, which was categorised as a level 3 fair value. The most significant input used was price per square foot of comparable lands.

7. Investment in an associate (Cont'd)

(iii) The summarised unaudited financial information:-

	KDSB
	31.12.2016
Summarised financial information	RM
Non-current assets	3,116,186
Current assets	6,395,158
Current liabilities	(11,047,010)
Net assets	(1,535,666)
Loss after taxation/Total comprehensive expenses for the financial year	(397,224)
Reconcilliation on net assets to carrying amount	
Group's share of net assets	(383,917)
Goodwill	10,914,861
Carrying amount	10,530,944

8. Investment in quoted securities

	Group			
	31.12.2017		31.12.2016	
	Carrying Amount	**Market Value**	Carrying Amount	Market Value
	RM	**RM**	RM	RM
Quoted shares, at fair value	**-**	**-**	252,111	252,111

9. Other investments

	Group	
	31.12.2017	31.12.2016
	RM	RM
At cost		
Club membership	**26,000**	26,000

Investment on club membership is designated as available-for-sale financial assets but is stated at cost less impairment losses as its fair value cannot be reliably measured using valuation techniques due to lack of marketability of the investment.

10. Inventories

	Group	
	31.12.2017	31.12.2016
	RM	RM
Raw material	**8,669,369**	7,533,847
Work in progress	**1,112,137**	1,025,320
Finished goods	**6,707,614**	3,445,222
Goods for resale	**-**	5,719,742
Consumables	**994,044**	912,738
	17,483,164	18,636,869
Recognised in profit or loss:		
Inventories written down	**1,089,638**	24,369
Inventories written off	**-**	544,320
Recognised as costs of sales	**47,731,536**	55,955,680

11. Biological assets

	Fronds RM	Trees RM	Tissue culture RM	Total RM
Group				
At 1 January 2016	1,349,727	1,144,390	121,418	2,615,535
Addition	-	-	114,474	114,474
Total gain from changes in fair value less costs to sell	1,564,829	(22,359)	22,049	1,564,519
Decreases due to harvest	(1,825,263)	-	-	(1,825,263)
At 31 December 2016/ 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)**
At 31 December 2017	**1,047,093**	**982,509**	**104,591**	**2,134,193**

Included in tissue culture is an amount RM81,132 (2016: RM166,387) 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 RM453,316 (2016: gain of RM22,049).

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)
31.12.2017		
Number of plants	**765**	**2**
Quantity of fronds harvested	**3,972**	**-**
31.12.2016		
Number of plants	763	2
Quantity of fronds harvested	4,171	-

11. Biological assets (Cont'd)

b) Non-financial Measures and Physical Quantities (Cont'd)

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	-Grow-out period of fronds is between 4-8 months. -Fronds formation is continuous. -Average age of fronds on plants is one-half of the grow-out period. -Quantity estimated is based on past experiences and supplemented with actual post-harvest experiences. -Prices observed at the measurement date or recent transactions	-Actual number of decorative plants. -Price in recent transactions.	-Actual number of tissue plants. -Price in recent transactions
Sensitivity Analysis	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 (2016: RM108,929). If the estimated fair value less costs to sell were to change by 5%, the value of the fronds will change by RM52,355 (2016: RM54,465).	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 (2016: RM56,102).	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 (2016: 12,897).

12. Trade receivables

	Group	
	31.12.2017	31.12.2016
	RM	RM
Trade receivables	**12,919,884**	12,848,436
Less: Allowance for impairment losses	**(804,286)**	(455,229)
	12,115,598	12,393,207

Trade receivables are non-interest bearing and normal trade credit terms range from 30 to 90 (2016: 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.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	31.12.2017	31.12.2016
	RM	RM
At 1 January 2017/2016	**(455,229)**	(424,635)
Add: Charge during the year	**(434,688)**	(57,742)
Less: Reversal of impairment losses	**85,631**	27,148
At 31 December 2017/2016	**(804,286)**	(455,229)

13. Other receivables, deposits and prepayments

	Group		Company	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	RM	RM	**RM**	RM
Other receivables	**2,519,980**	227,363	**9,558**	10,158
Deposits	**1,227,585**	5,263,991	**1,000**	1,300
Prepayments	**1,321,063**	775,603	**41,591**	11,289
Goods and services tax receivables	**256,956**	146,794	**-**	-
	5,325,584	6,413,751	**52,149**	22,747

On 23 November 2017, the Group through its 100% subsidiary, namely Halex Realty Sdn Bhd disposed of all its 25% equiy interest in Kensington Development Sdn. Bhd. ("KDSB") for a cash consideration of RM18 million. Included in other receivables of the Group is the balance consideration from the disposal which is not yet due, amounting to RM2,500,000 (2016: Nil).

Included in the deposits of the Group in the previous financial year was a deposit paid of RM3,830,000 for acquisition of 3,750,000 ordinary shares of RM1 each, representing the remaining 75% equity interest in KDSB. The acquisition was terminated on 20 October 2016 and the deposit has been written off in the current financial year.

14. Amount due from a related party

The amount outstanding is trade in nature and subject to the normal credit term of 60 days (2016: Nil). Other credit terms are assessed and approved on a case-by-case basis. The amount outstanding is to be settled in cash.

15. Deposits with licensed banks

The deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.90% to 3.10% (2016: 3.10% to 3.20%) per annum. The deposits have maturity periods ranging from 92 to 456 (2016: 90 to 365) days.

The fixed deposits of the Group at the end of the reporting period has been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 24 to the financial statements.

16. Share capital

	Group and Company			
	Number of shares		Amount	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	Unit	Unit	**RM**	RM
Authorised				
Ordinary shares of RM0.50 each	**N/A**	200,000,000	**N/A**	100,000,000

N/A:- Not applicable pursuant to the Companies Act, 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

	Group and Company			
	Number of shares		Amount	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	Unit	Unit	**RM**	RM
Issued and fully paid up				
Ordinary shares with no par value (2016: par value of RM 0.50 each)				
At 1 January 2017/2016	**106,000,000**	106,000,000	**53,000,000**	53,000,000
Transfer from share premium account	**-**	-	**1,987,582**	-
At 31 December 2017/2016	**106,000,000**	106,000,000	**54,987,582**	53,000,000

16. Share capital (Cont'd)

(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.

(ii) On 31 January 2017, 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.

17. Reserves

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

(a) Revaluation reserve

	Group	
	31.12.2017	31.12.2016 (Restated)
	RM	RM
As previously reported at 1 January 2016/2017	**20,208,276**	20,245,972
Prior year adjustments	**(3,054,670)**	(1,550,814)
At 1 January 2017/2016 (Restated)	**17,153,606**	18,695,158
Revaluation of property	**1,717,506**	-
Realisation of revaluation surplus	**(53,878)**	(1,541,552)
At 31 December 2017/2016	**18,817,234**	17,153,606

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) Share premium

	Group/Company	
	31.12.2017	31.12.2016
	RM	RM
At 1 January 2017/2016	**1,987,582**	1,987,582
Transfer to share capital upon implementation of the Companies Act 2016	**(1,987,582)**	-
At 31 December 2017/2016	**-**	1,987,582

(c) 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. 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 2017, the Company has 27,500 (2016: 27,500) of ordinary shares held as treasury shares.

19. Term loans

	Group		Company	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	RM	RM	**RM**	RM
Non-current liabilities	**25,929,301**	12,259,189	**-**	8,920,937
Current liabilities	**2,183,133**	1,915,515	**-**	1,877,447
	28,112,434	14,174,704	**-**	10,798,384

19. Term loans (Cont'd)

(a) The term loans are secured by:

(i) First party legal charge over certain properties of the Group as disclosed in Note 4 to the financial statements; and
(ii) Corporate guarantee of the Company.

(b) The term loans bore effective interest rates ranging from 4.52% to 5.50% (2016: 4.52% to 8.95%) per annum.

20. Finance lease payables

	Group	
	31.12.2017 RM	31.12.2016 RM
Minimum lease payments:		
- Not later than one year	**44,267**	57,290
- Later than one year and not later than five years	**29,544**	118,910
- Later than five years	**-**	19,703
	73,811	195,903
Less: Amount representing finance charges	**(3,598)**	(20,788)
Present value of minimum lease payment	**70,213**	175,115
Represented by:		
Non-current liabilities	**28,928**	126,476
Current liabilities	**41,285**	48,639
	70,213	175,115

The finance lease payables bore an effective interest rate of 6.18% (2016: 5.08% to 6.18%) per annum. The interest rates are fixed at the inception of the finance lease payables arrangement.

21. 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**
Group				
As previously reported at 1 January 2016	3,574,030	11,000	501,604	4,086,634
Prior year adjustments	(486,396)	-	126,124	(360,272)
At 1 January 2016 (Restated)	3,087,634	11,000	627,728	3,726,362
Recognised in profit or loss (Note 31)	328,672	-	(35,104)	293,568
At 31 December 2016 (Restated)/ at 1 January 2017	**3,416,306**	**11,000**	**592,624**	**4,019,930**
Recognised in profit or loss (Note 31)	**(837,652)**	**46,716**	**(80,417)**	**(871,353)**
Recognised in other comprehensive income (Note 32)	**217,369**	**-**	**-**	**217,369**
At 31 December 2017	**2,796,023**	**57,716**	**512,207**	**3,365,946**

22. Trade payables

The normal trade credit terms granted to the Group range from 7 to 120 (2016: 7 to 120) days depending on the terms of the contracts.

23. Other payables and accruals

	Group		Company	
	31.12.2017 RM	31.12.2016 RM	**31.12.2017 RM**	31.12.2016 RM
Other payables	**665,759**	1,677,949	**-**	-
Deposits received	**22,850**	455	**-**	-
Accruals	**814,495**	1,194,637	**163,593**	151,026
Goods and services tax payable	**64,087**	60,071	**-**	-
	1,567,191	2,933,112	**163,593**	151,026

24. Bills payable

The bills payable of the Group bore interest rates ranging from 3.21% to 5.75% (2016: 3.11% to 5.61%) per annum and secured by certain land and buildings, deposits with licensed banks and corporate guarantee from the Company as disclosed in Note 4 and 15 to the financial statements.

Included in bills payable is an amount of RM7,958,000 (2016: Nil) which were granted from banking facility of Hextar Chemicals Sdn. Bhd., a related party of the Group. The banking facility of the related party is secured by fixed deposit pledged to the bank of the related party and a joint and several guarantee of certain directors of the Company.

25. Bank overdrafts

(a) The bank overdrafts of the Group are secured by a fixed charge over the certain properties of the Group as disclosed in Notes 4 to the financial statements and corporate guarantee from the Company.

(b) The bank overdrafts of the Group at the end of the reporting date bore floating interest rates ranging from 7.60% to 8.50% (2016: 7.85% to 8.17%) per annum.

26. Amounts due from/(to) subsidiaries

	Company	
	31.12.2017	31.12.2016
	RM	RM
Amount due from:-		
Non-trade balances	**27,220,809**	27,805,941
Less: Allowance for impairment losses	**(10,495,010)**	-
	16,725,799	27,805,941

(a) The amounts due from/(to) subsidiaries are non-trade in nature, interest-free and repayable on demand. The amounts outstanding are to be settled in cash.

(b) Amount due from subsidiaries that are 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	
	2017	2016
	RM	RM
Sales of goods	**69,038,874**	68,649,659

28. Other income

	Group		Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Reversal of impairment losses on trade receivables	**85,631**	27,148	**-**	-
Fair value gain on investment property	**194,650**	-	**-**	-
Gain on disposal of property, plant and equipment	**24,148**	30,000	**-**	-
Gain on disposal of investment in quoted securities	**31,906**	-	**-**	-
Fair value gain on investment in quoted securities	**-**	49,107	**-**	-
Gain on foreign exchange:				
- Unrealised	**606,640**	-	**-**	-
Gain on disposal of an associate	**7,533,195**	-	**-**	-
Dividend received from quoted securities	**1,325**	2,676	**-**	-
Interest received	**75,896**	95,925	**4,782**	306
Sales incentives	**-**	705,255	**-**	-
Sundry income	**33,986**	25,135	**-**	-
	8,587,377	935,246	**4,782**	306

29. Finance costs

	Group 2017 RM	2016 RM
- Term loans	**878,091**	1,143,112
- Bank overdrafts	**190,005**	264,591
- Bills payable	**297,744**	155,727
- Finance lease payables	**17,199**	15,472
- Letter of credit and trust receipts	**15,545**	2,694
- Other interest	**25,302**	-
	1,423,886	1,581,596

30. Loss before taxation

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Allowance for impairment losses on:				
- amount due from subsidiaries	**-**	-	**10,495,010**	-
- trade receivables	**434,688**	57,742	**-**	-
- property, plant and equipment	**4,795,192**	53,803	**-**	-
- investment in an associate	**-**	11,263,023	**-**	-
Amortisation of development cost	**-**	80,881	**-**	-
Auditors' remuneration:				
- audit fees:				
- auditors of the Company	**188,000**	145,489	**42,000**	40,000
- other auditors	**8,717**	-	**-**	-
- non-audit service	**12,000**	16,000	**6,000**	5,000
Bad debts written off	**231,186**	160,000	**-**	-
Biological assets written off	**160,168**	-	**-**	-
Deposit written off	**3,830,000**	260	**-**	-
Depreciation of property, plant and equipment	**2,264,105**	2,342,330	**-**	-
Development costs written off	**-**	384,177	**-**	-
Directors' remuneration:				
- fees	**242,046**	694,421	**242,046**	263,051
- salaries and other emoluments	**267,751**	831,169	**267,751**	732,963
- defined contribution plan	**25,126**	92,045	**25,126**	79,305
Fair value gain on biological assets	**(2,140,877)**	(1,564,519)	**-**	-
Fair value loss on revaluation of property	**222,685**	-	**-**	-
Intangible assets written off	**123,222**	-	**-**	-
Inventories written down	**1,089,638**	24,369	**-**	-
Inventories written off	**-**	544,320	**-**	-
Loss on foreign exchange:				
- realised	**385,504**	115,700	**-**	-
- unrealised	**-**	538,027	**-**	-
Management fee	**-**	-	**74,175**	-
Property, plant and equipment written off	**814,192**	340,658	**-**	-
Rental of hostel	**74,338**	-		
Rental of equipment	**24,780**	23,660	**-**	-
Rental of land	**21,120**	20,120	**-**	-
Rental of motor vehicle	**30,000**	60,000	**-**	-
Rental of premise	**47,701**	455,274	**-**	-
Staff costs:				
- salaries, wages, allowances and other emoluments	**11,224,666**	12,930,296	**389,326**	720,742
- defined contribution plan	**885,568**	1,070,669	**44,300**	83,879

31. Taxation

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 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.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

	Group		Company	
	2017	2016 (Restated)	**2017**	2016
	RM	RM	**RM**	RM
Income tax:				
- for the current financial year	**332,970**	206,014	**-**	-
- (over)/underprovision in the previous financial year	**(38,210)**	(45,732)	**-**	543
	294,760	160,282	**-**	543
Deferred tax (Note 21):				
- for the current financial year	**(11,000)**	(241,928)	**-**	-
- (over)/underprovision in the previous financial year	**(809,638)**	663,929	**-**	-
- fair value changes of investment properties	**46,716**	-	**-**	-
- fair value changes of biological assets	**(80,417)**	(35,104)	**-**	-
- realisation of revaluation surplus	**(17,014)**	(93,329)	**-**	-
	(871,353)	293,568	**-**	-
Real property gain tax ("RPGT")	**748,976**	-	**-**	-
Taxation for the financial year	**172,383**	453,850	**-**	543

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	
	2017	2016 (Restated)	**2017**	2016
	RM	RM	**RM**	RM
Loss before taxation	**(11,721,231)**	(21,404,238)	**(12,433,421)**	(3,260,512)
At Malaysian statutory tax rate of 24%	**(2,813,095)**	(5,137,017)	**(2,984,021)**	(782,523)
Tax effects of:-				
Non-deductible expenses	**5,609,680**	5,367,783	**2,984,021**	782,523
Income not subject to tax	**(2,481,142)**	(395,113)	**-**	-
Utilisation of deferred tax assets previously not recognised	**(55,867)**	-	**-**	-
Effect of differential in tax rate on fair value adjustment of investment properties	**11,679**	-	**-**	-
Real property gains tax arising from disposal of property	**748,976**	-	**-**	-
(Over)/underprovision in the previous financial year:				
- income tax	**(38,210)**	(45,732)	**-**	543
- deferred tax	**(809,638)**	663,929	**-**	-
	172,383	453,850	**-**	543

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

	Group	
	2017 **RM**	2016 RM
Unutilised tax losses	**5,717,459**	3,141,984
Unutilised reinvestment allowances	**10,502,402**	12,306,666
Unabsorbed capital allowances	**1,251,059**	2,255,048
	17,470,920	17,703,698

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 therefrom.

32. Other comprehensive income/(expenses)

	Group 2017 RM	2016 RM
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation:		
- changes during the financial year	**8,912**	(10,135)
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property	**1,934,875**	-
Less: Deferred taxation (Note 21)	**(217,369)**	-
	1,717,506	-
Impairment on property, plant and equipment	**-**	(37,696)
Realisation of revaluation surplus	**(53,878)**	(1,503,856)
	1,663,628	(1,541,552)
	1,672,540	(1,551,687)

33. 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 2017	2016
Loss after taxation for the financial year (RM)	**(11,893,614)**	(21,858,088)
Weighted average number of ordinary shares in issue	**106,000,000**	106,000,000
Basic loss per ordinary share (in sen)	**(11.22)**	(20.62)

(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.

34. Cash flow information

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:

	Group 31.12.2017 RM	31.12.2016 RM
Cost of property, plant and equipment purchased (Note 4)	**98,209**	4,384,576
Amount financed through finance lease	**-**	(66,300)
Cash disbursed for purchase of property, plant and equipment	**98,209**	4,318,276

34. Cash flow information (Cont'd)

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

	Finance lease payable RM	Term loans RM	Bills payable RM	Totals RM
Group				
31.12.2017				
At 1 January 2017	**175,115**	**14,174,704**	**2,363,041**	**16,712,860**
Changes in financing cash flows				
Proceeds from drawdown	**-**	**24,800,000**	**21,111,647**	**45,911,647**
Repayment of borrowing	**(122,101)**	**(11,740,361)**	**(14,596,432)**	**(26,458,894)**
Repayment of borrowing interests	**17,199**	**878,091**	**297,744**	**1,193,034**
Repayment of borrowing principal	**(104,902)**	**(10,862,270)**	**(14,298,688)**	**(25,265,860)**
At 31 December 2017	**70,213**	**28,112,434**	**9,176,000**	**37,358,647**
Company				
31.12.2017				
At 1 January 2017	**-**	**10,798,384**	**-**	**10,798,384**
Changes in financing cash flows				
Repayment of borrowing	**-**	**(11,483,368)**	**-**	**(11,483,368)**
Repayment of borrowing interests	**-**	**684,984**	**-**	**684,984**
Repayment of borrowing principal	**-**	**(10,798,384)**	**-**	**(10,798,384)**
At 31 December 2017	**-**	**-**	**-**	**-**

Comparative information is not presented by virtue of the exemption given in MFRS 107.

(c) The cash and cash equivalents comprise the following:

	Group		Company	
	31.12.2017 RM	31.12.2016 RM	**31.12.2017 RM**	31.12.2016 RM
Cash and bank balances	**24,242,194**	1,969,101	**19,856,705**	28,800
Deposits with licensed banks	**1,827,408**	1,771,424	**-**	-
Bank overdrafts	**(1,776,124)**	(3,768,861)	**-**	-
	24,293,478	(28,336)	**19,856,705**	28,800
Less: Deposits pledged with licensed banks	**(1,827,408)**	(1,771,424)	**-**	-
	22,466,070	(1,799,760)	**19,856,705**	28,800

35. 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		Company	
	2017 RM	2016 RM	**2017 RM**	2016 RM
Directors of the Company				
Short-term employee benefits:				
- Fee	**242,046**	694,421	**242,046**	263,051
- Salaries and other emoluments	**267,751**	831,169	**267,751**	732,963
- Defined contribution plan	**25,126**	92,045	**25,126**	79,305
	534,923	1,617,635	**534,923**	1,075,319

36. Capital commitment

	Group 2017 RM	Group 2016 RM
Purchase of property	**6,210,000**	-

37. 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 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Halex Management Sdn. Bhd.				
- Management fee paid	**-**	-	**74,175**	-
Hextar Chemicals Sdn. Bhd.				
- Sales	**2,583,465**	-	**-**	-
- Purchase	**3,165,988**	-	**-**	-

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.

38. Segment information (Cont'd)

(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	Horiculture and Agro-Biotechnologies RM	Elimination RM	Total RM
Group						
At 31 December 2017						
REVENUE AND EXPENSES						
Revenue						
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	1,779,490	47,078,171	28,347,162	4,142,694	(12,308,643)	69,038,874
Results						
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	(9,371,746)	(832,714)	(12,426,218)	(1,869,728)	12,779,175	(11,721,231)
Taxation						(172,383)
Loss after taxation for the financial year						(11,893,614)
Attributable to: Owners of the parent						(11,893,614)
ASSETS AND LIABILITIES						
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						125,446,213
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
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						51,974,656
OTHER INFORMATION						
Interest income	(4,782)	(56,375)	(11,468)	(3,271)	-	(75,896)
Interest expenses	710,214	439,545	274,127	-	-	1,423,886
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

38. Segment information (Cont'd)

	Investment Holding RM	Agriculture Supplies and Trading RM	Consumer Products RM	Horiculture and Agro-Biotechnologies RM	Elimination RM	Total RM
Group						
At 31 December 2016						
REVENUE AND EXPENSES						
Revenue						
External sales	-	33,502,358	30,882,846	4,264,455	-	68,649,659
Inter-segment sales	-	7,159,046	34,808	2,890	(7,196,744)	-
Total revenue	-	40,661,404	30,917,654	4,267,345	(7,196,744)	68,649,659
Results						
Segment results	(14,438,876)	(1,611,751)	(2,068,029)	(1,492,216)	(208,389)	(19,819,261)
Finance costs	(1,063,484)	(340,415)	(177,697)	-	-	(1,581,596)
Finance income	306	82,823	3,389	9,407	-	95,925
Share of results of an associate	(99,306)	-	-	-	-	(99,306)
Loss before taxation	(15,601,360)	(1,869,343)	(2,242,337)	(1,482,809)	(208,389)	(21,404,238)
Taxation						(453,850)
Loss after taxation for the financial year						(21,858,088)
Attributable to: Owners of the parent						(21,858,088)
ASSETS AND LIABILITIES						
Segment assets	93,540,755	45,283,080	67,066,410	12,505,736	(108,265,348)	110,130,633
Unallocated asset:						
- Investment in an associate						10,530,944
- Current tax assets						1,406,265
Total assets						122,067,842
Included in the measure of segment assets are:						
Addition to non-current assets other than financial instruments are:						
- Property, plant and equipment	-	4,137,339	227,303	19,934	-	4,384,576
Segment liabilities	46,131,767	22,411,618	10,319,006	269,318	(44,884,470)	34,247,239
Unallocated liabilities:						
- Deferred tax liabilities						4,019,930
- Current tax liabilities						161,920
Total liabilities						38,429,089
OTHER INFORMATION						
Interest income	(306)	(82,823)	(3,389)	(9,407)	-	(95,925)
Interest expenses	1,063,484	340,415	177,697	-	-	1,581,596
Allowance for impairment losses on:						
- trade receivables	-	57,742	-	-	-	57,742
- property, plant and equipment	-	53,803	-	-	-	53,803
- investment in an associate	11,263,023	-	-	-	-	11,263,023
Amortisation of development cost	-	-	-	80,881	-	80,881
Bad debt written off	160,000	-	-	-	-	160,000
Deposit written off	-	260	-	-	-	260
Depreciation of property, plant and equipment	-	577,983	1,608,150	156,197	-	2,342,330
Development cost written off	-	-	-	384,177	-	384,177
Fair value gain on biological assets	-	-	-	(1,564,519)	-	(1,564,519)
Inventories written down	-	24,369	-	-	-	24,369
Inventories written off	-	-	544,320	-	-	544,320

Geographical information

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

38. Segment information (Cont'd)

Geographical information (Cont'd)

	Group 2017 RM	Group 2016 RM
Local	**54,415,517**	47,826,099
Export	**14,623,357**	20,823,560
Total	**69,038,874**	68,649,659

Major customers

There is no significant concentration of revenue from any major customers.

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

The Group's policies in respect of the major areas of treasury activity are as follows:-

(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"), Japanese Yen ("JPY"), Vietnamese Dong ("VND"), Thai Baht ("THB"), Philippine Peso ("PHP"), Cambodian Riel ("KHR") and Chinese Renminbi ("CNY"). 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

	Others # RM	United States Dollar RM	Singapore Dollar RM	Japanese Yen RM	Ringgit Malaysia RM	Total RM
Group						
31.12.2017						
Financial Assets						
Other investments	-	-	-	-	**26,000**	**26,000**
Trade receivables	-	**1,022,323**	**536,981**	**184,432**	**10,371,862**	**12,115,598**
Other receivables and deposits	-	-	-	-	**3,747,565**	**3,747,565**
Amount due from a related party	-	-	-	-	**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**
	4,285	**1,037,662**	**697,014**	**184,432**	**40,671,997**	**42,591,105**
Financial Liabilities						
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**	-	**1,494,622**	**1,503,104**
Bills payable	-	-	-	-	**9,176,000**	**9,176,000**
Bank overdrafts	-	-	-	-	**1,776,124**	**1,776,124**
	-	**3,313,919**	**8,482**	-	**45,207,372**	**48,529,773**
Net financial assets/(liabilities)	**4,285**	**(2,276,257)**	**688,532**	**184,432**	**(4,535,375)**	**(5,938,668)**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	**(44,310)**	-	**4,535,375**	**4,491,065**
Currency Exposure	**4,285**	**(2,276,257)**	**644,222**	**184,432**	-	**(1,447,603)**

Note: # Others represent Vietnamese Dong, Thai Baht, Philippine Peso, Cambodian Riel and Chinese Renminbi.

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)

	Others^ RM	United States Dollar RM	Singapore Dollar RM	Japanese Yen RM	Ringgit Malaysia RM	Total RM
Group 31.12.2016						
Financial Assets						
Investment in quoted securities	-	-	-	-	252,111	252,111
Other investments	-	-	-	-	26,000	26,000
Trade receivables	-	789,708	574,456	209,539	10,819,504	12,393,207
Other receivables and deposits	-	-	-	-	5,491,354	5,491,354
Deposits with licensed banks	-	-	-	-	1,771,424	1,771,424
Cash and bank balances	1,480	159,173	778,055	-	1,030,393	1,969,101
	1,480	948,881	1,352,511	209,539	19,390,786	21,903,197
Financial Liabilities						
Term loans	-	-	-	-	14,174,704	14,174,704
Finance lease payables	-	-	-	-	175,115	175,115
Trade payables	-	6,206,939	5,453	-	4,620,014	10,832,406
Other payables and accruals	-	-	7,754	-	2,865,287	2,873,041
Bills payable	-	-	-	-	2,363,041	2,363,041
Bank overdrafts	-	-	-	-	3,768,861	3,768,861
	-	6,206,939	13,207	-	27,967,022	34,187,168
Net financial assets/(liabilities)	1,480	(5,258,058)	1,339,304	209,539	(8,576,236)	(12,283,971)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	(103,189)	-	8,576,236	8,473,047
Currency Exposure	1,480	(5,258,058)	1,236,115	209,539	-	(3,810,924)

Note: ^ Others represent Vietnamese Dong, Thai Baht, Philippine Peso and Cambodian Riel.

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

		Group 2017 RM	Group 2016 RM
Effects on loss after taxation/total comprehensive expenses			
USD/RM	- strengthened by 5%	**(86,498)**	(199,806)
	- weakened by 5%	**86,498**	199,806
SGD/RM	- strengthened by 5%	**24,480**	46,972
	- weakened by 5%	**(24,480)**	(46,972)
JPY/RM	- strengthened by 5%	**7,008**	7,962
	- weakened by 5%	**(7,008)**	(7,962)
Others # ^ /RM	- strengthened by 5%	**163**	56
	- weakened by 5%	**(163)**	(56)

Note:

\# Others in 2017 rrepresent Vietnamese Dong, Thai Baht, Philippine Peso, Cambodian Riel and Chinese Renminbi.

^ Others in 2016 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.

39. Financial instruments (Cont'd)

39.1 Financial risk management policies (Cont'd)

(a) Market risk (Cont'd)

(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 fixed deposits with licensed banks 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 Note 39.1(c) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:

	Group		**Company**	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Effects on loss after taxation/total comprehensive expenses				
Increased of 50 basis points	**(148,445)**	(77,165)	**-**	(41,034)
Decreased of 50 basis points	**148,445**	77,165	**-**	41,034

(iii) Equity price risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

The Group does not have any quoted investments at the end of the reporting period and hence, is not exposed to equity price risk. However, at the end of previous reporting period, any reasonably possible change in the prices of quoted investments does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

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 Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides corporate guarantee 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.

39. Financial instruments (Cont'd)

39.1 Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by 1 (2016: 1) customer which constituted approximately 24% (2016: 13%) of its trade receivables (including amount due from a related party) 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 party) at the end of the reporting period is as follows:-

	Group	
	31.12.2017	31.12.2016
	RM	RM
Brunei	**-**	4,694
Cambodia	**-**	265,429
Hong Kong	**120,268**	-
Japan	**184,432**	209,539
Malaysia	**11,008,487**	11,383,501
Philippines	**30,345**	141,557
Singapore	**566,482**	24,724
South Africa	**164,464**	200,137
Turkey	**10,337**	-
Vietnam	**667,408**	163,626
	12,752,223	12,393,207

(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.

(iii) Ageing analysis

The ageing analysis of trade receivables (including amount due by a related party) is as follows:-

	Gross Amount RM	**Individual Impairment RM**	**Carrying Amount RM**
Group			
31.12.2017			
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**
	13,556,509	**(804,286)**	**12,752,223**
31.12.2016			
Not past due	5,433,085	-	5,433,085
Past due:			
- less than 30 days	2,953,735	-	2,953,735
- 31 to 60 days	915,596	-	915,596
- 61 to 90 days	1,053,232	-	1,053,232
- more than 90 days	2,492,788	(455,229)	2,037,559
	12,848,436	(455,229)	12,393,207

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

39. Financial instruments (Cont'd)

39.1 Financial risk management policies (Cont'd)

(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.

The Group maintains sufficient cash balances to support its daily operations. In addition, the holding company has undertaken to provide continued financial support to meet the Group's obligations as and when they fall due.

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):

	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	1 – 5 Years	Over 5 Years
	%	RM	RM	RM	RM	RM
Group						
31.12.2017						
Non-derivative Financial Liabilities						
Term loans	**5.38**	**28,112,434**	**37,829,363**	**3,632,866**	**13,394,793**	**20,801,704**
Finance lease payables	**6.18**	**70,213**	**73,811**	**44,267**	**29,544**	**-**
Trade payables	**-**	**7,891,898**	**7,891,898**	**7,891,898**	**-**	**-**
Other payables and accruals	**-**	**1,503,104**	**1,503,104**	**1,503,104**	**-**	**-**
Bills payable	**4.18**	**9,176,000**	**9,176,000**	**9,176,000**	**-**	**-**
Bank overdrafts	**8.00**	**1,776,124**	**1,918,280**	**1,918,280**	**-**	**-**
		48,529,773	**58,392,456**	**24,166,415**	**13,424,337**	**20,801,704**
31.12.2016						
Non-derivative Financial Liabilities						
Term loans	7.89	14,174,704	18,534,388	3,046,284	11,640,910	3,847,194
Finance lease payables	5.95	175,115	195,903	57,290	118,910	19,703
Trade payables	-	10,832,406	10,832,406	10,832,406	-	-
Other payables and accruals	-	2,873,041	2,873,041	2,873,041	-	-
Bills payable	4.53	2,363,041	2,363,041	2,363,041	-	-
Bank overdrafts	8.04	3,768,861	4,071,818	4,071,818	-	-
		34,187,168	38,870,597	23,243,880	11,759,820	3,866,897
Company						
31.12.2017						
Non-derivative Financial Liabilities						
Other payables and accruals	**-**	**163,593**	**163,593**	**163,593**	**-**	**-**
Amount owing 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**	**-**	**-**
		10,904,048	**51,443,691**	**51,443,691**	**-**	**-**
31.12.2016						
Non-derivative Financial Liabilities						
Term loans	8.95	10,798,384	13,368,394	2,782,524	10,585,870	-
Other payables and accruals	-	151,026	151,026	151,026	-	-
Amount owing to subsidiaries	-	1,450,559	1,450,559	1,450,559	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	-	-	11,374,853	11,374,853	-	-
		12,399,969	26,344,832	15,758,962	10,585,870	-

* 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. Financial instruments (Cont'd)

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	
	31.12.2017	31.12.2016
	RM	RM
Term loans	**28,112,434**	14,174,704
Finance lease payables	**70,213**	175,115
Bills payable	**9,176,000**	2,363,041
Bank overdrafts	**1,776,124**	3,768,861
	39,134,771	20,481,721
Less: Cash and bank balances	**(24,242,194)**	(1,969,101)
Net debt	**14,892,577**	18,512,620
Total equity	**73,471,557**	83,638,753
Debt-to-equity ratio	**0.20**	0.22

There was no change in the Group's approach to capital management during the financial year.

39.3 Classification of financial instruments

	Group		Company	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	RM	RM	**RM**	RM
Financial assets				
Available-for-sale financial assets				
Other investments	**26,000**	26,000	**-**	-
Loans and receivables financial assets				
Trade receivables	**12,115,598**	12,393,207	**-**	-
Other receivables and deposits	**3,747,565**	5,491,354	**10,558**	11,458
Amount due from a related party	**636,625**	-	**-**	-
Amount due from subsidiaries	**-**	-	**16,725,799**	27,805,941
Deposits with licensed banks	**1,827,408**	1,771,424	**-**	-
Cash and bank balances	**24,242,194**	1,969,101	**19,856,705**	28,800
	42,569,390	21,625,086	**36,593,062**	27,846,199
Fair value through profit or loss				
Investment in quoted securities	**-**	252,111	**-**	-
Financial liabilities				
Other financial liabilities				
Term loans	**28,112,434**	14,174,704	**-**	10,798,384
Finance lease payables	**70,213**	175,115	**-**	-
Trade payables	**7,891,898**	10,832,406	**-**	-
Other payables and accruals	**1,503,104**	2,873,041	**163,593**	151,026
Amount due to subsidiaries	**-**	-	**10,740,455**	1,450,559
Bills payable	**9,176,000**	2,363,041	**-**	-
Bank overdrafts	**1,776,124**	3,768,861	**-**	-
	48,529,773	34,187,168	**10,904,048**	12,399,969

39. Financial instruments (Cont'd)

39.4 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 fair value of the Groups other investment that with carrying amount of RM26,000 (2016: RM26,000) is not presented due to the lack of marketability of the investment and the fair value cannot be reliably measured.

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	Carrying
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	fair value	amount
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
31.12.2017								
Financial liabilities								
Finance lease payables	**-**	**-**	**-**	**-**	**70,112**	**-**	**70,112**	**70,213**
Term loans	**-**	**-**	**-**	**-**	**28,112,434**	**-**	**28,112,434**	**28,112,434**
31.12.2016								
Financial assets								
Investment in quoted securities	252,111	-	-	-	-	-	252,111	252,111
Financial liabilities								
Finance lease payables	-	-	-	-	170,726	-	170,726	175,115
Term loans	-	-	-	-	14,174,704	-	14,174,704	14,174,704
Company								
31.12.2016								
Financial liabilities								
Term loans	-	-	-	-	10,798,384	-	10,798,384	10,798,384

(a) Fair value of financial instruments carried at fair value

The fair values above have been determined using the following basis:

(i) The fair value of quoted investments was determined at their quoted closing bid prices at the previous financial year.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair value of financial instruments not carried at fair value

The fair values, which are for disclosure purposes, have been determined using the following basis:

(i) The fair values of finance lease payables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:

39. Financial instruments (Cont'd)

39.4 Fair value information (Cont'd)

(b) Fair value of financial instruments not carried at fair value (Cont'd)

	Group	
	31.12.2017	31.12.2016
	%	%
Finance lease payables	**5.89**	6.27 - 6.80

40. Significant events during the financial year

(a) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced the Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that affected the financial statements of the Company upon its initial adoption are:-

(i) Removal of authorised share capital;
(ii) Ordinary shares ceased to have par value; and
(iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

(b) On 23 November 2017, the Group through its wholly owned subsidiary, namely Halex Realty Sdn Bhd, had disposed of the entire shareholding of 1,250,000 ordinary shares representing 25% equity interest in an associate, Kensington Development Sdn. Bhd. for a total cash consideration of RM18,000,000.

(c) On 6 December 2017, the Company had 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 in HCL. The purchase consideration will be determined prior to the execution of the definitive agreement and will be based on the audited consolidated profit after taxation of HCL and its subsidiaries for the financial year ended 31 December 2017 multiplied by a price-to-earnings ("P/E") multiple of 13.75 times. The purchase consideration will be satisfied through a combination of cash and issuance of new ordinary shares in the Company. The transaction has not completed yet.

41. Comparative figures

The comparative figures as for the financial year ended 31 December 2016 were audited by another firm of accountants other than Messrs. Crowe Horwath.

The financial impacts arising from the changes below have been effected retrospectively as prior year adjustments.

(i) Prior year adjustments

The following comparative figures have been restated due to the following:-

(a) Revaluation surplus of property was adjusted upon disposal;
(b) An annual transfer of the revaluation reserve for additional depreciation charge to retained earnings was not done;
(c) Deficit in revaluation was not charged to profit or loss, but this was offset against the revaluation reserve of other properties;
(d) Overstatement of revaluation reserve for building structure; and
(e) Deferred tax liabilities adjustment arising from the above.

In accordance with MFRS 108: Accounting Policies, Change in Accounting Estimates and Errors, the changes are to be applied retrospectively.

41. Comparative figures (Cont'd)

(ii) Reclassification

The comparative figures have been reclassified to conform with the presentation of the current financial year.

In preparing the opening statement of financial position at 1 January 2017, the Group have adjusted amounts reported previously in financial statements. The financial impacts on the adjustments are as below:-

Reconciliation Statements of Financial Position (Extract):-

	Note	As previously reported RM	Prior year adjustments RM	As restated before reclassification RM	Reclassification RM	As restated RM
Group						
31.12.2016						
Non-Current Assets						
Property, plant and equipment	(i)	61,248,037	(226,704)	61,021,333	-	61,021,333
Equity						
Revaluation reserves	(i)	20,208,276	(3,054,670)	17,153,606	-	17,153,606
Retained earnings	(i)	8,503,566	2,905,670	11,409,236	-	11,409,236
Non-Current Liabilities						
Deferred tax liabilities	(i), (ii)	4,086,634	(77,704)	4,008,930	11,000	4,019,930
Current Liabilities						
Trade payables	(ii)	10,159,255	-	10,159,255	673,151	10,832,406
Other payables and accruals	(ii)	3,606,263	-	3,606,263	(673,151)	2,933,112
Current tax liabilities	(ii)	172,920	-	172,920	(11,000)	161,920
1.1.2016						
Non-Current Assets						
Property, plant and equipment	(i)	62,050,761	(289,517)	61,761,244	-	61,761,244
Equity						
Revaluation reserves	(i)	20,245,972	(1,550,814)	18,695,158	-	18,695,158
Retained earnings	(i)	30,455,916	1,307,552	31,763,468	-	31,763,468
Non-Current Liabilities						
Deferred tax liabilities	(i)	3,772,617	(46,255)	3,726,362	-	3,726,362

Reconciliation Statements of Profit or Loss and Other Comprehensive Income (Extract):-

	Note	As previously reported RM	Prior year adjustments RM	As restated before reclassification RM	Reclassification RM	As restated RM
Group						
31.12.2016						
Cost of sales	(i), (ii)	(56,524,369)	62,813	(56,461,556)	326,832	(56,134,724)
Other income	(ii)	1,159,330	-	1,159,330	(224,084)	935,246
Selling and marketing expenses	(ii)	(7,618,099)	-	(7,618,099)	(7,879)	(7,625,978)
Administrative expenses	(ii)	(27,017,189)	-	(27,017,189)	13,808,472	(13,208,717)
Other expenses	(ii)	-	-	-	(13,903,341)	(13,903,341)
Taxation	(i)	(485,299)	31,449	(453,850)	-	(453,850)
Other comprehensive expenses:						
Items that will not be reclassified subsequently to profit or loss						
Revaluation of property	(i)	(37,696)	(1,503,856)	(1,541,552)	-	(1,541,552)

Reconciliation of Statements of Cash Flows (Extract):-

	Note	As previously reported RM	Prior year adjustments RM	As restated before reclassification RM	Reclassification RM	As restated RM
Group						
31.12.2016						
Net cash used in operating activities		(183,379)	-	(183,379)	1,472,959	1,289,580
Net cash generated from financing activities		1,604,829	-	1,604,829	(1,472,959)	131,870

LIST OF PROPERTIES

Property	Description/ Existing Use	Approximate Age of Building	Tenure	Land/ Build up Area (Sq m)	NBV as at 31/12/2017 (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	37 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	24 years	60 years lease expiring on 26.12.2053	4,860/ 4,768	6,500	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	9 years	Freehold	45,033/ 13,656	31,000	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	13 years	60 years lease expiring on 21.01.2050	12,222	5,000	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	20 years	Freehold	57,101/ 1,826	6,100	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 31/12/2017 (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	Office unit / Office premise	N/A	Freehold	410	4,000	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-5-3A, Block A, Level 3A, Unit No. 3A, Jade Residence Condominium. Held Under CL 015101461 District of Kota Kinabalu	Intermediate Condominium Unit/ Vacant	1 year	99 years lease	190	1,115	1,115	31.12.2017
Lot no. A-5-6, Block A, Level 5, Unit No. 6, Jade Residence Condominium. Held Under CL 015101461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	1 year	99 years lease	168	975	975	31.12.2017
Lot no. A-6-5, Block A, Level 5, Unit No. 5, Jade Residence Condominium. Held Under CL 015101461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	1 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 015101461 District of Kota Kinabalu	Corner Condominium Unit/ Vacant	1 year	99 years lease	263	1,432	1,432	31.12.2017

ANALYSIS OF SHAREHOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/03/2018

NO.	NAME	HOLDINGS	%
1	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Waras Dinamik Sdn Bhd (05-00054-000)	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	3.363
5	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chng Teong Seng	3,171,800	2.994
6	Sundat (S) Pte Ltd	2,569,677	2.424
7	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Peh Lian Hwa	2,455,000	2.316
8	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeoh Hock Seng	2,166,500	2.044
9	Mok Yau Choy	1,378,100	1.300
10	Chua Meng Chew @ Chuah Meng Choo	1,374,000	1.296
11	Fong Hoo Meng	1,247,018	1.176
12	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Datuk Chiau Beng Teik (My2975)	1,000,000	0.944
13	Chung Pel Keon	950,100	0.896
14	Ng Boon Siang	950,000	0.896
15	Hew Sen Kian	811,150	0.765
16	Yew Tuck Kai	806,700	0.761
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	Chan Kok Joe	487,900	0.460
21	RHB Nominees (Asing) Sdn Bhd Pledged Securities Account For Vo Nghia Huu	480,200	0.453
22	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Peh Lian Hwa (SMART)	454,000	0.428
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	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teoh Cheng Tong	350,000	0.330

ANALYSIS OF SHAREHOLDINGS (cont'd)

NO.	NAME	HOLDINGS	%
26	Mok Yau Choy	320,000	0.301
27	Ng Boon Hong	306,000	0.288
28	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiew Khwai @ Chiew Swee King	300,000	0.283
29	Tan Siew Ching	300,000	0.283
30	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tee Tiam Hock	291,500	0.275
		90,573,990	**85.469**

Total Issued Shares As At 30/03/2018 : **106,000,000**

Treasury Shares As At 30/03/2018 : **27,500**

'Adjusted' Capital After Netting Treasury Shares As At 30/03/2018 : **105,972,500**

Distribution of shareholdings as at 30/03/2018

Size of Holdings	No of Holders	%	No of shares	%
Less than 100	77	8.680	2,924	0.002
100-1,000	192	21.645	70,337	0.066
1,001-10,000	309	34.836	1,573,475	1.484
10,001-100,000	245	27.621	8,387,899	7.915
100,001-5,298,625*	63	7.102	42,800,020	40.387
Over 5,298,625**	1	0.112	53,137,845	50.143
TOTAL	**887**	**100.000**	**105,972,500**	**100.000**

* - LESS THAN 5% OF ISSUED SHARES
** - 5% AND ABOVE OF ISSUED SHARES

Substantial Shareholders as at 30/03/2018

NAME	HOLDINGS	%
Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Waras Dinamik Sdn Bhd (05-00054-000)	53,137,845	50.143

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of the Company will be held at Hextar Holdings Sdn Bhd Boardroom, Lot 5, Jalan Perigi Nenas 7/3, Fasa 1A, Pulau Indah Industrial Park, 42920 Pelabuhan Klang, Selangor Darul Ehsan on Monday, 21 May 2018 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 2017 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 Article 93 of the Company's Constitution:
   (a) Y.D.H. Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Ordinary Resolution 1)
   (b) Dato' Ong Soon Ho (Ordinary Resolution 2)
   (c) Dato' Ong Choo Meng (Ordinary Resolution 3)
   (d) Lee Chooi Keng (Ordinary Resolution 4)
   (e) Yeoh Chin Hoe (Ordinary Resolution 5)
   (f) Liew Jee Min @ Chong Jee Min (Ordinary Resolution 6)

3. To approve the following payments to Directors:
   (a) Directors' fees of RM242,047 in respect of the financial year ended 31 December 2017. (Ordinary Resolution 7)
   (b) Directors' fees of up to RM350,000 in respect of the financial year ending 31 December 2018. (Ordinary Resolution 8)
   (c) Directors' benefits of up to RM100,000 for the period from 1 January 2018 until 30 June 2019. (Ordinary Resolution 9)
   [Refer to Explanatory Note (2)]

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 10)

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 11)
   "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 OF SHARE BUY-BACK** (Ordinary Resolution 12)
   "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 2017, 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.

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 SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** (Ordinary Resolution 13)
"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 2.3.1 of the Circular to the Shareholders dated 20 April 2018 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 ADOPTION OF NEW COMPANY'S CONSTITUTION** (Special Resolution 1)
"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the "Annexure A" accompanying the Company's Annual Report for the financial year ended 31 December 2017 be and is hereby adopted as the Constitution of the Company **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all such acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."
[Refer to Explanatory Note (6)]

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)
Company Secretaries

20 April 2018
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:-

i) Pursuant to Section 334 of the Companies Act 2016, a member of a Company shall be entitle to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote a 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.

ii) A proxy need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

iii) 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.

iv) 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.

v) 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.

vi) 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.

vii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall 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, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

viii) 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 14 May 2018 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.

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 9
Payment of Directors' benefits

2. This resolution is to facilitate payment of Directors' benefits for the period from 1 January 2018 to 30 June 2019 (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 January 2018 to 30 June 2019 (the due date for which the next AGM should be held).

Item 5 of the Agenda –Ordinary Resolution 11
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

3. The proposed Resolution No. 11 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 12
Proposed Renewal of Authority of Share Buy-Back

4. The proposed Resolution No. 12, 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 20 April 2018 accompanying the Company's Annual Report for the financial year ended 31 December 2017.

Item 7 of the Agenda –Ordinary Resolution 13
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

5. The proposed Resolution No. 13 in respect of the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is 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 Adoption of New Company's Constitution

6. The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the enforcement of Companies Act 2016 and the amended Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad.

STATEMENT ACCPOMPANYING 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 Section 75 and 76 of the Companies Act 2016 under Explanatory Note (3) of the Notes to the Notice of the 27th Annual General Meeting.

NOTES

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 27th Annual General Meeting of the Company to be held at **Hextar Holdings Sdn Bhd Boardroom**, Lot 5, Jalan Perigi Nenas 7/3, Fasa 1A, Pulau Indah Industrial Park, 42920 Pelabuhan Klang, Selangor Darul Ehsan on **Monday, 21 May 2018** 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		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		
Ordinary Resolution 13		
Special Resolution 1		

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%

____

Signature/ Common Seal of Shareholder(s)

NOTES:-

i) Pursuant to Section 334 of the Companies Act 2016, a member of a Company shall be entitle to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote a 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.

ii) A proxy need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

iii) 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.

iv) 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.

v) 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.

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vii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall 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, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

viii) 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 14 May 2018 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

fold here

HALEX HOLDINGS BERHAD (206220-U)
K-08-02, Level 8, Block K, No. 2, Jalan Solaris,
Solaris Mont Kiara,
50480 Kuala Lumpur, Malaysia.
Tel: 6(03)-6203 4848, 6207 9339
Fax: 6(03)-6201 1628

www.halex-group.com

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	5151
COMPANY NAME	**:**	Halex Holdings Berhad
FINANCIAL YEAR	**:**	December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1
The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	The Board is collectively responsible for the long-term success of a company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board sets the strategic direction of the company while exercising oversight on management. The Board has set up four Governance Committees : - Audit Committee ("AC"); - Risk Management Committee ("RMC"); - Nomination Committee ("NC"); and - Remuneration Committee ("RC"). ▪ The Board provides insights and guidance to the management to achieve corporate objectives of Halex Group ("Company"). ▪ The Board also reviews and approves the strategic business plan presented by the management. ▪ The Board is primary responsible for the governance, management and fiduciary responsibility for the financial health of the Company. ▪ The Board has reviewed the Company's overall strategic and annual operating plans for the coming financial year covering both short term and medium term goals and provided guidance and input towards the Company's business direction. ▪ The Board has reviewed with the management the Company's resources and processes in formulating the strategies. ▪ In adopting the strategic plan the Board also reviewed the necessary capital expenditure requirements (if any) and key management personnel over the various business segments. ▪ As part of the review, the respective business divisions have presented their divisional performances and initiatives towards realizing the Company's overall strategic objectives. The progress of their initiatives, execution and challenges are required to be reported to the Board every quarter for monitoring and periodic assessment.

	▪ 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 is guided by the Board Charter and the Limits of Authority ('LOA") which defines matters that are specifically reserved for the Board and the delegated day-to-day management of the Company under the CEO. The LOA is cascaded to the senior management team. The Board Charter can be found in our website : http://www.halex-Company.com/about-us/board-charter ▪ The Non-Executive Directors ("NEDs") play an important role in providing unbiased and independent judgment to ensure a balance and impartial Board decision-making process. The Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and provides objective challenges to management. The NEDs do not participate in the day-to-day management and do not engage in any business dealings with the Company. They however, have free and open contact with the management and engage with the external and internal auditors to address matters concerning the management. This is to ensure that they are capable of exercising objective judgment whilst acting in the best interest of the Company, its stakeholders and shareholders. ▪ The CEO is responsible for the day-to-day management of the business and operations of the Company and is supported by Senior Management. The Management's performance under the leadership of the CEO is monitored by the Board through segmental report which is tabled to the Board on quarterly basis. ▪ Through the RMC, the Board oversees the risk management framework of the Company. The RMC advises the AC and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organization.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">▪ 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 promotes good corporate governance practices and has been leading the Board towards high performing culture.
▪ Key responsibilities of the Chairman include the following:
- provides leadership for the board so that the board may perform its responsibilities effectively;
- sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;
- leads board meetings and discussions;
- encourages active participation and allows different views to be freely expressed;
- manages the interface between board and management;
- ensures appropriate measures are taken in providing effective communication with stakeholders and that their views are communicated to the board as a whole;
- leads the board in establishing and monitoring good corporate governance practices in the company</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	▪ The positions of Chairman and CEO are held by two different individuals. The Chairman, Y.D.H. Dato' Sri Dr Erwan Bin Dato' Haji Mohd Tahir leads and manages the Board strategic decision making and governance. On the other hand, the CEO, Mohd Faisal Kaim bin Abdullah manages the business and operations of the Company and implements the Board's decisions. ▪ The distinct and separate roles of the Chairman and CEO, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unregulated power.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4
The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application :	Applied
Explanation on application of the practice :	▪ In this matter, looking at the experience and establishment of the Secretary, the Company has appointed Ms Lim Hooi Mooi and Ms Ong Wai Ling who are respectively a Fellow and an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") jointly with our Chief Financial Officer, Mr Ang Eng Sun, who is a member of the Malaysian Institute of Accountants. Collectively they are known as "Company Secretary" and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The current Company Secretary had replaced Mr Ng Yim Kong, who was a licensed secretary. ▪ The Board is regularly updated and advised 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 Board is regularly updated by the Company Secretary on new or changes made to the relevant regulatory requirements, more particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors. The Company Secretary also brief the Board on the contents and timing of material announcements to be made to Bursa Malaysia. ▪ In ensuring that the Company Secretary appointed have relevant experience and skills, the Board warrants that the responsibilities carried out by the Company Secretary amongst others but not limited to: - Preparation and submission of forms under the Companies Act 2016 to the Companies Commission Malaysia; - Proper maintenance of statutory records; - Transmission/submissions of corporate announcements/ replies to the Bursa Securities Malaysia Berhad ("Bursa") electronically via LINK; - Drafting all necessary notices, directors' resolutions, minutes of directors' meeting and shareholders' meeting and relevant documents under the direction and instruction of the Board of Directors;

	- Attendance of AGM/Extraordinary General Meeting ("EGM") of shareholders; - Attendance of Meetings of Directors for all Remuneration, Nomination and Audit committees. - Advising the Company and Directors on matters pertaining to the statutory requirements prescribed under the various Statues, in particular, the Companies Act 2016, the Listing Requirements of Bursa Securities and other secretarial matters. The Company Secretary undertakes amongst others the following functions:- ▪ Advising the Directors on their duties and responsibilities and their obligation to disclose their interest in securities, the prohibition on dealing of securities during closed period, restriction on trading in securities and disclosure of price sensitive information, timely disclosure of any conflict of interest and related party transactions, timely disclosures of material information to shareholders, investors and financial markets. ▪ Issuing notices on closed periods for trading in the Company's securities. ▪ Updating the Board on new or changes to statutory and regulatory requirements, in particular those relating the Bursa Malaysia's Main Market Listing Requirements ("MMLR") and such other related matters. ▪ Organizing Board and Board Committee Meetings, preparing the agenda for Board and Board Committee meetings in consultation with the Chairman of the Board or Board Committees and the circulation of notices of meetings. ▪ Attending Board and Board Committee meetings and ensuring that deliberations at Board and Board Committee meetings are documented and subsequently communicated to the management for appropriate actions. ▪ Assisting the Board in application of the legal and regulatory requirements such as the MMLR, Code and other related legislations. ▪ Ensuring the appointment or new Directors, re-appointment and resignation of Directors are made in accordance with the relevant legislation and regulatory requirements. ▪ Coordinating the annual assessment of Board and Board Committees, the Independent Directors, External Auditors and outsourced Internal Auditors. ▪ Monitoring compliance with the principles and recommendations of the Code and informing the Board on any breaches or gaps. ▪ Working closely with the management to ensure timely and appropriate information flows within and to the Board and Board Committees and between the Non-Executive Directors and management.

<table>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5
Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	▪ 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. ▪ 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. ▪ Draft minutes of meetings are circulated to all Directors, at best within five (5) business days, for their review prior to confirmation, usually at the next following meeting. Directors may raise comments or seek clarification before the minutes are tabled for confirmation and at the meeting, upon receiving confirmation the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings held thereat. ▪ Board members are given unrestricted access to all information pertaining to the Company to assist them in carrying out their duties. Should it be deemed necessary; the Directors are allowed to engage independent professionals on the Company's expense on specialized issues to provide the Board with adequate knowledge on matters being deliberated or obtain professional advice on the issues. Any Director who wishes to engage such external professional assistance may bring the request to the Board for approval prior to engagement. Similar access is also extended to all Board Committees on the same basis.

<table>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
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<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	▪ The Board Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of Bursa Malaysia being an Exchange Holding Company, and the functions of the Board Committees as well as the Boards of the respective subsidiary companies within the Company. It sets out amongst other things, the key values, principles and ethos of the Company. ▪ The Board Charter has been adopted by the Board. ▪ Any subsequent amendment to the Charter can only be approved by the Board. Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings and Directors' Training. ▪ The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. ▪ The Board Charter is available on the corporate website: http://www.halex-group.com/about-us/board-charter	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	Halex Group has in place a Code of Conduct & Ethics for Directors and employees of the Company. The Corporate Code of Conduct and Ethics ("Conduct") is available in: http://www.halex-group.com/investor-relations In July 2017, the Board decided that the above code to be reviewed every three (3) years to ensure relevancy and alignment with the prescribed requirements and best corporate governance ("CG") practices. The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability. The Board had in November 2017 reviewed its code so as to reinforce ethical values as part of good CG culture under its leadership. The purpose of this code is to specify and assist as a reference to all the members/employees of the Company on non-negotiable minimum standards of behavior in key areas of the Company to uphold the principles and values which Halex stands by. This code, by its nature is not meant to cover all possible situations that may occur in daily works. In cases where answers are not specified in the Code, employees are to seek guidance when they are in doubt as it is the responsibility of each individual employee to ensure full compliance to the Code and that cannot be delegated. The Code shall be reviewed and updated regularly to ensure continuing relevance. The Code is guided by the following basic principles: • To act honestly and legally at all times; • To ensure confidentiality of the Company's information; • To avoid any conduct that could risk or damage Company's reputation; • To avoid personal interest being ahead of Company's interest.

	Apart from the code, the Company's handbook also sets out the prohibited activities or misconduct involving gifts, gratuities, bribes, dishonest behaviour and sexual harassment. Effective 1 January 2017, Employees shall neither give nor receive gifts to or from customers and/or suppliers for a value greater than MYR 500.00 (five hundred ringgit or the equivalent in local currency) without any disclosure to and prior relevant clearance from the Senior Management/ Board. 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.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	As part of the Company's continuous efforts to ensure that good corporate governance practices are being adopted, the Company has established Whistle Blowing Policy on 20 February 2018 to provide a clear line of communication and reporting of concerns for employees at all levels. The Group's Whistle Blowing Policy provides an avenue for employees to freely communicate their concerns about unethical practices or malfeasance without fear of repercussion and intimidation in a safe and confidential manner. Concerns are reported to the Chairman of the Whistle Blowing Committee, Mr. Yeoh Chin Hoe, Senior Independent Non-Executive Director of the Company. All reports received will be investigated independently to ensure appropriate actions are taken. The Code of Conduct & Ethics and Whistle Blowing Policy are made available to employees of the Group. Salient features of the Code of Conduct & Ethics and the Whistle Blowing Policy may also be obtained from the Company's website in Corporate Governance under Policy Disclosures: http://www.halex-group.com/investor-relations	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">The Board consists of six (6) members, of which two (2) are Executive Directors, one (1) Non Independent Non-Executive Director and three (3) are Independent Directors.

The Independent Directors named below fulfilled the criteria of "Independence" as prescribed under the MMLR. The key criteria for the appointment of an Independent Director is one who is not a member of the management (a Non-Executive Director) and who is free of any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

<table><tr><th>Name</th><th>Position</th></tr><tr><td>Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. Yeoh Chin Hoe</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Mr. Liew Jee Min @ Chong Jee Min</td><td>Independent Non-Executive Director</td></tr><tr><td></td><td></td></tr></table></td></tr>
<tr><td>Explanation for departure</td><td>:</td><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application :	Applied	
Explanation on application of the practice :	None of the Independent Directors has served for a cumulative term of more than nine years in the Company. Should the Board wish to retain an Independent Director who has served for more than nine years, and as required under this Practice, with proper justification provided, shareholders' approval will be sought.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>
Board and Senior Management are appointed based on objective criteria, merit and besides gender diversity, due regard is given for diversity in skills, experience, age and cultural background. The Board pursues diversity in both the Board level and Senior Management. The Board recognises that a diverse Board in the Company could offer greater depth and breadth compared to a non-diverse Board whilst diversity at Senior Management will lead to better decisions.
The current diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board is as follows:-
<table>
<tr><th rowspan="2"></th><th colspan="4">Race/Ethnicity</th><th colspan="2">Nationality</th></tr>
<tr><th>Malay</th><th>Chinese</th><th>Indian</th><th>Others</th><th>Malaysian</th><th>Foreigner</th></tr>
<tr><td>Number of Directors</td><td>1</td><td>5</td><td>-</td><td>-</td><td>6</td><td>-</td></tr>
</table>
The Board also has regard to the existing Directors’ age distribution which appeared to be balanced at an average of 57, falling within the respective age groups as follows:
<table>
<tr><th rowspan="2"></th><th colspan="4">Age Company</th><th colspan="2">Gender</th></tr>
<tr><th>40-49</th><th>50-59</th><th>60-69</th><th>70-79</th><th>Male</th><th>Female</th></tr>
<tr><td>Number of Directors</td><td>2</td><td>1</td><td>2</td><td>1</td><td>5</td><td>1</td></tr>
</table>
The Board strongly views that diversity of the Board’s composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Whilst the capital market experience is of paramount importance to the Board, a high performance board should comprise directors with a wide variety of backgrounds, experiences and skills.
The appointment of key senior management was also made with due regard for diversity in skills, experience, age, cultural background and gender. They are all Malaysians with diversity in the following perspectives as set out in the table:-
<table>
<tr><th colspan="2">Race</th><th colspan="2">Age</th></tr>
<tr><th>Malay</th><th>Chinese</th><th>40-49</th><th>50-59</th></tr>
<tr><td>1</td><td>3</td><td>2</td><td>2</td></tr>
</table>
</td></tr>
<tr><td>Explanation for departure :</td><td></td></tr>
<tr><td></td><td></td></tr>
</table>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application :	Applied	
Explanation on application of the practice :	The Board is supportive of gender diversity in the Board composition and senior management. In 22 May 2017, Ms Lee Chooi Keng was appointed as the Executive Director of the company increasing Board composition of female to 16.67%. It has improved since the preceding year where there was no female representation on the Board. The Board will continue to foster gender diversification to meet 30% in the future.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">In making recommendation of suitable candidates, the Board considers the following :

▪ skills, knowledge and expertise, experience;
▪ time commitment and contribution;
▪ honesty, integrity, professional conduct and business ethics/practices;
▪ specialized knowledge in line with the Company’s strategy; and
▪ number of directorships in other companies and other external obligations which may affect his/her commitment.

For the position of independent non-executive directors, the Nomination Committee shall also evaluate the candidate, at a minimum, with reference to the definition of “Independent Director” as stipulated by the MMLR.

Besides recommendation from existing Board members, the NC also accepts nomination from major shareholders. During the year, there had been a change in major shareholders. Subsequent thereto, the Board underwent a complete change in members.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee is chaired by Mr. Liew Jee Min @ Chong Jee Min who is an Independent Non-Executive Director of the Company. Below is the composition of the Nomination Committee:
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	The Board regularly evaluates its performance and the governance processes that support the Board's work with the aim of improving individual contributions, effectiveness of the Board and its committees and the Company's performance. The effectiveness of the Board is assessed in the areas of Board mix, composition and governance, quality of monitoring and decision-making as well as Board responsibilities. The effectiveness of the committees of the Board are assessed in terms of composition and governance, skills and competencies, and duties and responsibilities in accordance with their respective Terms of Reference. The evaluation process also involved a self and peer review, where the Directors will assess their own performance and that of their fellow Directors. During the financial year under review, the Nomination Committee reviewed:- i. the effectiveness of the Board as a whole and of the committees of the Board and the contribution and performance of each individual Director; ii. appointment of Independent Director for vacant position; iii. the independence of the independent Directors; and iv. the Directors who are subject to retirement by rotation at the forthcoming AGM, and are eligible for re-election. The evaluation was coordinated by Tricor Corporate Services Sdn Bhd, our outsourced Company secretarial service provider.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application :	Applied	
Explanation on application of the practice :	▪ The purpose of Company's remuneration procedure is to attract and retain the Directors and Senior Management required to lead and control the Company effectively. For Executive Director and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. ▪ The fees payable to the Non-Executive Directors are determined by the shareholders. Non-Executive Directors are paid annual fixed fees for serving as members of the Board. In addition they are also paid meeting allowances for each meeting they attend. Information from independent sources on the remuneration practices of other companies are considered in determining the remuneration packages of the Directors.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	▪ The principal function of the Remuneration Committee ("RC") is to assist the Board in their responsibilities in assessing the remuneration packages of the Executive Directors and key senior management. ▪ The RC oversees matters relating to the review and assessment of the remuneration packages of the executive directors in all forms, with or without other independent professional advice or other outside advice, ensure the levels of remuneration be sufficiently attractive and be able to retain directors needed to run the Company successfully, structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level at a particular time. ▪ The Company Secretary of the Company acts as the Secretary to the Committee and shall be attendance and record the proceedings of the Committee's meetings and copies of minutes of the Committee's meetings are circulated to the Board for its notation. ▪ The primary responsibility of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors and key senior management staff of the Company and ensuring that their remuneration is competitive and consistent with the strategic plans of the Group. ▪ The Company also has in place a Directors' and Officers' ("D&O") Liability Insurance against any liability incurred by them in the discharge of their duties while in office. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them. The Directors and key senior management staff are required to contribute jointly to the premium of the D&O Insurance Policy. ▪ For Executive Directors, corporate and individual performance are rewarded through the use of an integrated pay benefits and bonus structure reflective of the Company's operations. To determine their remuneration the RC considers market competitiveness, business results, accomplishment of strategic short and long term goals and individual performance against their KPIs in evaluation the

Executive Directors’ remuneration. The RC will recommend to the Board the remuneration package and the rewards of the Executive Directors inclusive of bonus.

- For Non-Executive Directors (“NED”) the level of responsibilities undertaken and time spent in attending the Company’s matters determine the level of remuneration. The remuneration package for NEDs is a matter for the Board as a whole following the recommendation of the RC and these comprises fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as Directors. The current remuneration policy of the Company comprises as follows:

a. Remuneration Package for Executive Directors (“EDs”)

The performance of the EDs is reviewed annually taking into consideration the corporate and individual performance.

Certain statutory contributions and customary benefits such as mobile phones and petrol allowances, insurance are made available to the CEO and EDs of the Company in accordance with their remuneration package. The total fees, remunerations and allowances payable for the financial year ended 31 December 2017 is calculated to be
RM 14, RM 173,573 and RM 41,876 respectively.

b. Fees and Meeting Allowances for NEDs of the Board and Board Committees

The fees payable to the NEDs are determined by the shareholders. NEDs are paid annual fixed fees for serving as members of the Board. In addition they are also paid meeting allowances for each meeting they attend. Information from independent sources on the remuneration practices of other companies are considered in determining the remuneration packages of the Directors.

The total fees and allowances payable for the financial year ended 31 December 2017 is calculated to be RM 242,046 and RM 71,301 respectively based on the proposal above and the composition of the Board for the financial year under review. The proposed adjustment would also align the Directors’ remuneration to other comparable companies.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1
There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied
Explanation on application of the practice :	- In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements. - During the financial year under review, the Remuneration Committee has deliberated on the remuneration packages of the EDs of which were revised and approved by the Board on 22 May 2017 where EDs are to receive monthly fee of RM 1.00 each based on the Company's performance at that material time and to be revised upon review of the incline performance of the Group. - Incorporating the revision on the above, below set out the details of the remuneration paid for the financial year ended 31 December 2017 are as follows:

(1) NEDs

No.	Directors	Directors' Fee (RM'000)	Allowances (RM'000)
1.	General Tan Sri Dato' Sri Abdul Rahman Bin Abdul Hamid (Rtd) *(Resigned w.e.f 4/12/2017)*	61	15
2.	Leftenant General Dato' Wira Hj Masood Bin Hj Zainal Abidin *(Resigned w.e.f 22/5/2017)*	34	8
3.	Philip A/L Anthonysamy *(Resigned w.e.f 22/5/2017)*	16	9
4.	Leong Kah Mun *(Resigned w.e.f 22/5/2017)*	21	9
5.	Sr. Teh Teik Bin *(Resigned w.e.f 22/5/2017)*	19	9
6.	Dato' Ong Soon Ho *(Appointed w.e.f 22/5/2017)*	28	7
7.	Dato' Sri Erwan Bin Dato' Hj Mohd Tahir *(Appointed w.e.f 22/5/2017)*	30	7
8.	Yeoh Chin Hoe *(Appointed w.e.f 22/5/2017)*	32	7
9.	Liew Jee Min @ Chong Jee Min *(Appointed w.e.f 14/12/2017)*	2	1

(2) Executive Director/Chief Executive Officer

No.	Directors	Salary (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
1.	Mohd Faisal Kaim Bin Abdullah*	110	16	126
2.	Foong Tuck Fai *(Resigned w.e.f 7/2/2017)*	64	21	85
3.	Dato' Ong Choo Meng *(Appointed w.e.f 22/5/2017)*	-	2	2
4.	Lee Choi Keng *(Appointed w.e.f 22/5/2017)*	-	2	2

**Executive Director from October 2016 and was re-designated to CEO on 22 May 2017.*

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Explanation for departure</td><td>:</td><td colspan="2">The Company has made an effort to disclose the top five senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package per annum in financial year 2017.
<table>
<tr><th>Remuneration (RM)</th><th>Top 5 Senior Management</th></tr>
<tr><td>0-150,000</td><td>3</td></tr>
<tr><td>150,001-250,000</td><td>1</td></tr>
<tr><td>250,001-350,000</td><td>1</td></tr>
<tr><td>TOTAL</td><td>5</td></tr>
</table></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2">The Company will review and consider disclosing the top five senior management's remuneration component in bands width of RM50,000 on named basis.</td></tr>
<tr><td>Timeframe</td><td>:</td><td>Within 3 years</td><td></td></tr>
</table>

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	As at the date of this Statement, the Audit Committee ("AC") comprises three Independent Directors. In line with the Company's Term of Reference, this has been in practice by the Company. The AC Chairman is Mr. Yeoh Chin Hoe, Senior Independent Non-Executive Director and Halex Holdings Berhad Chairman is Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir which is Independent and Non-Executive Director. The term of reference can be found in website in Corporate Governance under Policy Disclosures: http://www.halex-group.com/investor-relations	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	▪ The Group recognises the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise. ▪ None of the members of the Board were former key audit partners. Hence, no member of the Audit Committee appointed was a former key audit partner. ▪ The Group will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner.	
		▪ The Board will review the Terms of Reference of the Audit Committee to include the cooling-period.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:	2nd Quarter of 2018	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	▪ Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Company's External Auditors. From time to time, the Auditors highlighted to the Audit Committee 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. ▪ 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 Audit Committee during the year is set out in the Audit Committee Report of this Annual Report. ▪ The Audit Committee has also obtained 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 Audit Committee has recommended the re-appointment of Messrs. Crowe Horwath as External Auditors ("EA") for the financial year ending 31 December 2018. The re-appointment of Messrs. Crowe Horwath will be presented for shareholders' approval at the forthcoming 27th AGM. ▪ 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 2017 are RM196,717 and RM12,000 respectively for the financial year.	
	▪ The Company will put in place a formal policy & procedure to assess the suitability, objectivity & independence of the external auditor.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :	2^{nd} Quarter of 2018	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee ("AC") comprises of Independent Non-Executive Directors ("NEDs"). The same definition has been adopted in the Term of Reference ("TOR") of the Board Committees, As at the date of this Statement, the AC comprises three Independent Directors. -Yeoh Chin Hoe (Chairman) *Senior Independent Non-Executive Director* -Liew Jee Min @ Chong Jee Min *Independent Non-Executive Director* -Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir *Independent and Non-Executive Director*

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	The review of the composition of the Audit Committee ("AC") shall be conducted annually in accordance with Paragraph 15.20 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profile of the Annual Report. All members of the AC had undertaken continuous professional development. During the year, the AC members attended the training as below:-

Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	Pay Structure Development
	Contractor Development Phase 1
	Business Matching & Networking Session with KLMCC
	Peluang Meluaskan Pasaran Melalui E-dagang : ALIBABA.COM
Liew Jee Min @ Chong Jee Min	Fraud Risk Management Workshop
	Driving Financial Integrity & Performance - Enhancing Financial Literacy
	Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments") and the "new Malaysian Code on Corporate Governance.
	Bursa Risk Management Programme - I Am Ready to Manage Risks
	Advocacy Sessions on Corporate Disclosure for directors and Principal Officers of Listed Issuers
	Effective Internal Audit Function for Audit Committee (AC) Workshop
Yeoh Chin Hoe	Executive Briefing: Malaysian Code on Corporate Governance Update
	Pay Structure Development
	Companies Act 2016 – Practical Consideration
	Effective Internal Audit Function for Audit Committee Workshop – A programme for Audit Committee Members
	Related Party Transaction & Conflict of Interest – their implications to Directors, Audit Committee, Management, Internal Auditors & External Auditors

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application :	Applied	
Explanation on application of the practice :	The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic 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 Audit Committee and Risk Management Committee 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. The key features of the Risk Management framework and function together with details of the Company's internal control system and framework are set out in the Statement of Risk Management and Internal Control of the Company of the Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	- The Company has established and implemented an effective Risk Management framework to understand, profile and manage risks to an acceptable level. - The Company shall endeavour to identify all risks associated with its business operations and also analyse in sufficient detail, report the risk timely and adopt appropriate measures to manage these risks effectively to acceptable levels. - Each Business Unit of the Company shall understand and implement the policy and procedures of Risk Management. - Group Chief Risk Officer undertaken by CEO to review the entire risk management framework, processes and procedures that are developed. They provide regular feedback and advice to the Risk Management Committee and Board of Directors. - The Management is responsible for the implementation of Board's policies on risk and control. In fulfilling its responsibilities the CEO and Management should, within the business and operating processes of all functions, identify and evaluate the risks faced by the Company for consideration by the Board and design, operate and monitor a suitable system of internal controls which implements the policies adopted by the Board. - Risk Management Reporting Structure : 

	The brief framework steps are taken as below in ensuring effective risk assessment. : **A. Preparation** Step 1: Define processes/activities/objectives Step 2: Determine financial parameters **B. Gross risk analysis** Step 3: Identify risks Step 4: Determine cause Step 5: Determine consequence Step 6: Determine likelihood Step 7: Determine gross risk rating **C. Control Assessment** Step 8: Identify controls Step 9: Determine control effectiveness **D. Conduct Workshops** Step 10: Challenge/ Revise ratings Step 11: Determine current residual risk rating Step 12: Risk profiling Internal Audit ("IA") is also in place and has: • 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 20 February 2018. • Reviewed whether there was any related party, recurrent related party or conflict of interest transactions.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<table>
<tr><td>Application</td><td>:</td><td>Adopted</td></tr>
<tr><td>Explanation on adoption of the practice</td><td>:</td><td>The Risk Management Committee ("RMC") comprises majority of Independent Non-Executive Directors ("NEDs"). This is provided in the Terms of Reference ("TOR") of RMC.

The Risk Management Committee comprises the following members:-

<table>
<tr><th>Position</th><th>Name</th><th>Designation</th></tr>
<tr><td>Chairman</td><td>Ms. Lee Chooi Keng</td><td>Executive Director</td></tr>
<tr><td>Member</td><td>Y.D.H Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Member</td><td>Mr. Yeoh Chin Hoe</td><td>Independent Non-Executive Director</td></tr>
</table></td></tr>
</table>

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1
The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application :	Applied	
Explanation on application of the practice :	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. The internal audit would plan their risk-based audit based on the risk assessment performed by them in the previous year. Upon completion of their scheduled review the AC would, at the operation site along with key management staff, review the adequacy and integrity of the internal control systems in place and ensure the implementation of such enhancement or recommendations put forth by the Internal Audit. Details on the framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	- The Internal Audit Function of the Group is outsourced to Governance Advisory.com Sdn Bhd. hereinafter referred to as "IA". The IA is engaged to monitor the internal control systems inherent in the Company and to report their findings directly to the AC. - The objectives of the review are as below: a. To assess the Company's corporate governance; internal controls and risk management over its business operations; b. To provide control improvement recommendations to the directors and management; and c. To assist management in reviewing internal control and risk management for annual report statement. - The IA plan is prepared based on issue or concerns as requested by Audit Committee ("AC") and Senior Management. - Scope of work determined and reviewed by the AC and Senior Management in 2017 as follow:-

Quarters in 2017	Risk Measurement		
	Analytical Components	**Findings**	**Mitigation Actions**
Q1 – Product Costing	1. Practicability of Cost Elements in Product Costing	1. Compromised profit margin due to foreign exchange	1. Re-formularised the costing measures to ensure the foreign exchange does not heavily impact the pricing
Q2 – Procurement	1. Supplier selection for Annual Supplier Performance Evaluation	1. Poor supplier selection for evaluation	1. Performed supplier selection analysis to evaluate the targeted supplier
Q3 – Credit Control	1. Formalisation of Standard Operating Polices & Procedures	1. Inconsistency practice of application credit control function.	1. Formalised One (1) Standard Operating Procedure (SOP), approved.
	2. Documentation for credit term / limit revision	2. Multiple unapproved revision of credit limit and terms	2. Formalised One (1) Level of Authority (LOA) standard across the companies.

<table>
<tr><td rowspan="3"></td><td rowspan="2">Q4 – Supply Chain Management</td><td>1. Completeness for weekly production schedule</td><td>1. Increase the inventory holding cost due to the over production on certain finished goods</td><td>1. Had incorporated new system; Enterprise Resource Planning (ERP) to better control the inventory production</td></tr>
<tr><td>2. Stale Inventories</td><td>2. Loss in inventory due to unsellable old stocks.</td><td>2. Monthly review of inventory ageing by the sales department to ensure sales to be made for the long ageing products in the inventories.</td></tr>
<tr><td colspan="4">- A follow-up on previous IA review is required to be performed following an audit review. This is to ensure that all management action plans are implemented according to the timeline provided by the management; and the AC is updated on the implementation status.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="4"></td></tr>
<tr><td colspan="4"></td></tr>
<tr><td colspan="5">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="4"></td></tr>
<tr><td>Timeframe :</td><td colspan="2"></td><td colspan="2"></td></tr>
</table>

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1
The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	The Board believes that a sound Investor Relation ("IR") program is helpful in sustaining investors' interest and perception of the Company and corporate department plans the IR activities for the Company with the investing community. Developing and implementing an investor relations programme or shareholder communications policy for the Company's website, http://www.halex-group.com/investor-relations, incorporates an Investor Relations section which provide all relevant information on the Company and accessible by the public. The information available in the website includes Financial Reports, Company's announcements as well the corporate and governance structure of the Company. In compliance with best practice in corporate governance, Mr Yeoh Chin Hoe was appointed as the Company's Senior Independent Director ("SID") on 20 November 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 Group can be sent to the SID's email address at sid@halex-group.com. For the financial year under review no shareholders has asked or communicated with the SID.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application :	Not Applicable	
Explanation on application of the practice :		
Explanation for departure :	This is only applicable to Large Companies.	
	For good corporate governance, the Company will ultimately consider the necessity of integrated reporting based on a globally recognised framework by stages sometime in the future.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Notice of the AGM, annual reports and circulars were sent out on 28 April 2017 to shareholders less than 28 days before the date of the meeting held on 22 May 2017. As the Code of Corporate Governance was issued and effective on the 26 April 2017, the Company did not have sufficient time to meet the 28 days' deadline.	
		However, for the AGM to be held in 2018, the Company has fulfilled the practice by giving notice at least 28 days before the date of the meeting.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application :	Applied	
Explanation on application of the practice :	At the 26th Annual General Meeting ("AGM"), all six (6) Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. Among all of the directors, three (3) Directors were the Chairmen of the Audit Committee, Nomination and Remuneration Committee ("NRC") and Risk Management Committee respectively and they have provided meaningful response to questions addressed to them.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	- The Company does not have a large number of shareholders and the location of the AGM was in Johor Bahru, the birthplace of Halex Group. - The Company had adopted poll voting for all resolutions proposed, where the votes were casted by way of voting slips in the last AGM. The company has yet to explore the technology leverage of the new voting system and will look into exercising this practice in future. - The voting at the 26th AGM held on 22 May 2017 was conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company appointed Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") as Poll Administrator to conduct the polling process, and Coopers Professional Scrutineers Sdn Bhd as Scrutineers to verify the poll results. - Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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