



**TEXCHEM**

**TEXCHEM RESOURCES BHD**

COMPANY NO. 16318-K

## Enhancing efficiency with **SIMPLICITY**

ANNUAL REPORT 2016



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# CORPORATE STRUCTURE



## TEXCHEM RESOURCES BHD

COMPANY NO. 16318-K

### INDUSTRIAL DIVISION

#### Texchem Materials Sdn. Bhd.

- Texchem Malaysia Sdn. Berhad
- New Material (Malaysia) Sdn. Bhd.
- PT. Texchem Indonesia
- Texchem Materials (Thailand) Ltd.
- Texchem Materials (Vietnam) Co., Ltd.
- Texchem Singapore Private Limited
- Lifeon Asia Sdn. Bhd.

### POLYMER ENGINEERING DIVISION

#### Texchem Polymer Engineering Sdn. Bhd.

- Texchem-Pack (M) Bhd.
  - Texchem-Pack (Vietnam) Co., Ltd.
- Texchem-Pack (Johor) Sdn. Bhd.
- Texchem-Pack (PP) Sdn. Bhd.
  - Texchem Advanced Products Incorporated Sdn. Bhd.
- Texchem-Pack (Thailand) Co., Ltd.
- Texchem Life Sciences Sdn. Bhd.
- Eye Graphic Sdn. Bhd.

### FOOD DIVISION

#### Texchem Food Sdn. Bhd.

- Sea Master (Malaysia) Sdn. Bhd.
  - Ocean Pioneer Food Sdn. Bhd.
  - Sea Master Food Sdn. Bhd.
  - Sea Master Retail Sdn. Bhd.
- A.S.K Andaman Limited
- Texchem Food (Myanmar) Limited
- Texchem Marine Labutta Limited

### RESTAURANT DIVISION

#### Texchem Restaurant Systems Sdn. Bhd.

- Sushi Kin Sdn. Bhd.
  - Sushi Kin (East Malaysia) Sdn. Bhd.
  - Sushi King Company Limited
- Miraku Sdn. Bhd.
- Donburi House Sdn. Bhd.
- Kokubu Food Logistics Malaysia Sdn. Bhd.
- D&N Coffee and Restaurant Malaysia Sdn. Bhd.

#### Dim Sum Delight Sdn. Bhd.

### CORPORATE SERVICES DIVISION

#### Texchem Corporation Sdn. Bhd.

- Texchem Risk Management Sdn. Bhd.

### VENTURE BUSINESS & OTHERS

#### Texchem Japan, Inc.

#### Acumen Scientific Sdn. Bhd.

#### Texchem Polymers Sdn. Bhd.

### ASSOCIATES

#### Satu Hati Perikanan Sdn. Bhd.

#### Yoshinoya Hanamaru Malaysia Sdn. Bhd.

#### Otafuku Sauce Malaysia Sdn. Bhd.

#### Notes:

1) The above companies are operating subsidiaries and associated companies of Texchem Resources Bhd. Group.

2) The complete list of Texchem Resources Bhd. Group is disclosed in Note 5 to the Financial Statements of this Annual Report.

# PRESIDENT'S MANAGEMENT DISCUSSION AND ANALYSIS



## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Texchem Resources Bhd (TRB) Group began operations as a textile chemical trader in 1973 and has since undergone tremendous growth and diversification. Today, TRB Group (the Group) is a Malaysian multinational conglomerate that comprises four diverse business Divisions (Industrial, Polymer Engineering, Food and Restaurant) with operations that span across the ASEAN region and Japan. The Group's sustained expansion is founded on our strengths in identifying and capitalising on market opportunities to provide our customers and clients with the highest quality products and services.

In FY2016, we witnessed volatility in almost all major commodities including crude oil, base metals and agricultural products. The global economy was subdued in FY2016 with the slowing down of major economies such as China and the European Union. We saw even more uncertainty in the market when the United Kingdom voted to leave the European Union and the surprise win by Donald Trump in the tail end of 2016 US presidential election causing immediate reactions in the financial markets.

The depreciation of the Malaysian Ringgit coupled with market volatility weighed on business sentiment throughout the year, affecting domestic demand. Uncertainty has become the new normal and how we respond to this challenge will determine our ability to deliver value to our stakeholders.

For the financial year ended 31 December 2016, the Group delivered total revenue of RM1.035 billion and a pre-tax profit of RM13.60 million despite the challenging market conditions which prevailed throughout the year.

## FINANCIAL PERFORMANCE REVIEW

The Group saw a marginal 1.9% decrease in its revenue from RM1.055 billion in FY2015 to RM1.035 billion in FY2016. The pre-tax profit shrunk from RM23.41 million in FY2015 to RM13.60 million in FY2016, representing a decrease of 41.9%.

The lower pre-tax profit was primarily due to the weaker performances of all Divisions in the Group except for Industrial Division which posted an increase of 24.97% in pre-tax profit from RM7.29 million in FY2015 to RM9.11 million in FY2016.

The Group's gearing was improved from 0.28x as at 31 December 2015 to 0.14x as at 31 December 2016 mainly due to the repayment of borrowings after the disposal of 30% equity interest in Fumakilla Asia Sdn Bhd and 26.36% equity interest in PT Fumakilla Nomos completed on 9 December 2016.

# PRESIDENT'S MANAGEMENT **DISCUSSION AND ANALYSIS** (CONT'D)

## **FINANCIAL PERFORMANCE REVIEW (CONT'D)**

The Group's financial position strengthened with operating cash flow improving from RM18.17 million in FY2015 to RM41.98 million in FY2016, while cash and cash equivalents as at 31 December 2016 increased to RM106.25 million from RM72.00 million as at 31 December 2015.

## **BUSINESS REVIEW BY DIVISIONS**

### **(a) Industrial Division**

The Industrial Division recorded revenue of RM390.71 million in FY2016 compared to RM422.08 million in FY2015. A higher pre-tax profit of RM9.11 million was achieved against a pre-tax profit of RM7.29 million in FY2015 contributed by favorable sales mix of higher margin products.

FY2016 saw little improvements in manufacturing activities in Malaysia as well as in the ASEAN region due to softer global markets. The Industrial Division focused on operational improvements and sustained a disciplined approach towards working capital management and worked towards identifying new businesses and markets and aggressively strengthened our business overseas.

The Industrial Division's overseas operations continue to be the key contributor towards the Division's improved performance with pre-tax profits achieving a 39% increase from RM4.95 million in FY2015 to RM6.88 million in FY2016.

Prospects for the Industrial Division remain positive with its differentiation strategy to focus on key and market resilient industries, expansion and diversification of both chemical and non-chemical based products through customer and geographical base.

### **(b) Polymer Engineering Division**

Polymer Engineering Division recorded a 2.6% marginal decline in revenue from RM205.66 million in FY2015 to RM200.31 million in FY2016. The Division registered pre-tax loss of RM4.56 million in FY2016 compared to the pre-tax profit of RM2.35 million in FY2015 due to the costs incurred on cessation of operation, amounting to RM6.49 million, which includes severance costs of RM3.96 million, by a subsidiary in China. The Division would have registered a pre-tax profit of RM1.93 million in FY2016 had the cessation costs not been incurred.

Our key business segments for FY2016 consist of Data Storage (HDD), Consumer Electronic and Electrical (Consumer E&E) and medical/life sciences which are in chronological order in terms of revenue contribution.

HDD segment revenue saw a sharp decline from RM70.24 million in FY2015 to RM59.82 million. The 14.8% drop in the Division's HDD segment revenue was due to the drop in global personal computer sales which negatively affected demand for HDD. Revenue from Consumer E&E segment increased from RM48.9 million in FY2015 to RM55.95 million from new business while our medical/life science segment recorded revenue growth from RM31.8 million in FY2015 to RM34.2 million in FY2016.

The key growth drivers of the Polymer Engineering Division would still remain its medical/life sciences, HDD and Consumer E&E business segments. However, business diversification is still the key to maneuver challenging market conditions and the Division is also growing its automobile and aviation business segments in line with its growth strategy.

### **(c) Food Division**

Revenue for Food Division grew marginally at 3.2% from RM212.63 million in FY2015 to RM219.45 million in FY2016 from the increase in export due to favourable foreign exchange arising from weaker Ringgit.

However, the profitability of the Division was adversely affected due to unpredictable weather changes which caused poor raw material landing in our Myeik operations in Myanmar while there is a drop in global selling prices of key products due to the weak market in China.

# PRESIDENT'S MANAGEMENT **DISCUSSION AND ANALYSIS** (CONT'D)

## **BUSINESS REVIEW BY DIVISIONS (CONT'D)**

### **(c) Food Division (cont'd)**

In FY2016, the Food Division's investment into ensuring resource sustainability and over the long term, securing our supply chain for marine products came to fruition with the commencement of our soft shell crab aquaculture activity in Labutta, Myanmar, representing an achievement in our strategy of building sustainability in an industry that depends on the natural resource of the sea.

Prospects for export hopefully will continue to grow for Food Division's products through new capacity expansion, innovative new product range, new market, brand and price leadership as well as weak Ringgit.

On the domestic market, we will continue to grow our market share through continuous investment in modern processing technology, product research and development, quality of products as well as efficient cost of production.

We remain optimistic for Food Division's FY2017 outlook.

### **(d) Restaurant Division**

Our Restaurant Division recorded a marginal 4.98% increase in revenue from RM216.94 million in FY2015 to RM227.75 million in FY2016 amid a softer Malaysian economy and a slowdown in consumers' spending. Despite the increase in revenue, pre-tax profits, including share of loss of associates, declined from RM16.36 million in FY 2015 to RM5.30 million in FY2016 due to a sluggish economy which resulted in lower sales and higher operating costs.

Generally, the operating environment for Restaurant Division was challenging owing to the tight labour market, increasing operating costs, increasingly competitive market conditions and the weaker Ringgit which adversely impacted our imported raw material prices and our profit margin.

In line with our strategy to mitigate the effects of increasing competition, the Division has expanded its revenue base by bringing to Malaysia new restaurant brand such as Doutor Coffee, a "High quality café from Japan" which opened 3 outlets in FY2016. Meanwhile, we continued to expand Yoshinoya Hanamaru, a brand which was brought into Malaysia from 4 outlets in FY2015 to 9 outlets in FY2016.

In expanding domestic market share, our flagship brand, Sushi King, obtained its first Halal certification from JAKIM on 16 August 2016 for 9 outlets. As at 31 December 2016, Sushi King has a total of 96 outlets certified Halal by JAKIM. Sushi King opened 7 cost efficient outlets in FY2016 which are located in shoplots instead of shopping malls as part of our strategy to expand our market share to suburban areas within Malaysia. Sushi King Express was launched in FY2016 which sells all sushi items at RM3.

FY2016 saw the Division expanding its operations outside of Malaysia into Vietnam. As at 31 December 2016, the Division operated a total of 4 restaurants in Vietnam.

As at 31 December 2016, the Division operated a total of 131 restaurants including 109 Sushi King restaurants, 4 Sushi King Express, 1 Miraku, 3 Goku Raku Ramen restaurant, 2 Tim Ho Wan restaurants, 9 Yoshinoya Hanamaru restaurants and 3 Doutor Coffee restaurants.

We remain positive on the prospects for Restaurant Division for 2017 with expansion of our restaurant brands in the domestic and international markets and also diversification of our revenue base through joint ventures with major Japanese corporations to provide warehousing and logistics services in addition to manufacturing of sauces for use in our restaurants.

# PRESIDENT'S MANAGEMENT **DISCUSSION AND ANALYSIS** (CONT'D)

## **BUSINESS PROSPECTS MOVING FORWARD**

Bank Negara Malaysia made a statement on 16 February 2017 that going forward, the global economy is expected to improve but will remain on a moderate growth path. While there are indications of a more sustained growth in the major economies in 2017, downside risks to global growth continue to prevail, arising from the volatility in commodity prices, policy uncertainties and growth prospects of the major developed economies, heightened risk aversions in the global financial markets as well as geopolitical developments.

The new US administration is expected to diverge sharply from the policy path trod by its predecessor. Because developments in the US economy, the world's largest, have effects far beyond its shores, the changes in policies will likely have substantial global implications.

Another significant concern clouding the outlook is the substantial slowdown in investment growth in emerging markets and developing economies in recent years. The numbers tell a stark story : investment growth in these economies has tumbled from 10 percent, on average, in 2010 to about 3.5 percent in 2016.

While the external environment might continue to remain challenging, Bank Negara Malaysia made a statement on 16 February 2017 that the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced government measures to support disposable income of households.

The Group recognizes that the local and global economic conditions are challenging in 2017 and has in place sound business plans to provide for expansion, profits and sustainability.

Our Restaurant Division will continue to be the frontrunner for the Group as we focus on growing our brand equity to boost market share as well as expansion via new concept restaurants in Malaysia and ASEAN. Our business expansion strategy also encompasses new businesses in the value chain of the food services industry including food sauces manufacturing, logistics and warehouse operations.

Expansion in our Food Division will be further supported by upstream business for sustainable growth. Polymer Engineering Division will continue to grow its key business segments whilst adopting a strategy to further diversify its business segments in line with its growth strategy.

Industrial Division will focus on key and market resilient industries, expansion and diversification of products through customer and geographical base.

## **REWARDING OUR SHAREHOLDERS**

We are always grateful for the support of our shareholders, and we remain committed to paying steady dividends. The Company, in respect of FY2016, declared a first interim single tier dividend of RM0.10 per share on 14 December 2015 and was paid on 12 January 2016.

A first interim single tier dividend of RM0.10 per share amounting to approximately RM12.17 million in respect of FY2017 was declared on 9 December 2016 and paid on 10 January 2017.

## **APPRECIATION**

On behalf of the Executive Chairman and the Board, I would like to thank and express my sincere appreciation to our valued shareholders, bankers, customers, business partners and regulatory authorities for their continued support, guidance and assistance extended to the Group. The Board would like to express its appreciation to the management and employees of the Group for their hard work, passion and dedication enabling the success of FY2016 and the future years.



Brian Tan Guan Hooi  
President & Group CEO

## BOARD OF **DIRECTORS**



### **TAN SRI DATO' SERI (DR.) FUMIHIKO KONISHI**

*Japanese, Age 73, Male*

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is the founder of Texchem Group of Companies. He is the Executive Chairman of Texchem Resources Bhd. ("TRB") and has been appointed to the Board since 20 February 1974.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi obtained a Bachelor of Pharmacy Degree from Tokyo University of Pharmacy and Life Science and since 1968, has been living in Malaysia for more than 40 years.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's entrepreneurial quality has played an important role in the growth of Texchem Group from its small existence to a diversified manufacturing, services and trading group today. Besides being actively involved in the business, he is also instrumental in bringing in and promoting many other Japanese joint-venture groups to Penang and Malaysia.

In recognition of such efforts, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi was granted permanent residency status by the Malaysian Government in 1990. In 1991, he was bestowed the Darjah Johan Negeri (D.J.N.) by the Governor of Penang; the Darjah Setia Pangkuan Negeri (D.S.P.N.) in 1994, the Darjah Gemilang Pangkuan Negeri (D.G.P.N.) in 2000 and the Darjah Kebesaran Panglima Setia Mahkota (P.S.M.) by the Supreme Ruler in 2007. In 2001, he was bestowed an honorary fellowship by the Limkokwing University College of Creative Technology (formerly known as Limkokwing Institute of Creative Technology). On 19 September 2013, he was conferred the Honorary Degree of Doctor Of Science by the Universiti Sains Malaysia.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is the Chairman of the Executive Committee, a member of the Remuneration Committee and he also heads the Restaurant Division and the Industrial Division. Tan Sri Dato' Seri (Dr.) Fumihiko Konishi does not sit on the Board of any other public companies.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi does not have any family relationship with any Director and/or major shareholders of TRB save as disclosed in the Analysis of Shareholdings section of this Annual Report. He has personal interest via Texchem Holdings Sdn. Bhd. and Texchem Corporation Sdn. Bhd. Group of Companies (collectively "Related Companies") in the business arrangements involving the Related Companies with TRB and TRB's subsidiaries.

He has not been convicted of any offences within the past 5 years. Tan Sri Dato' Seri (Dr.) Fumihiko Konishi attended five (5) out of six (6) Board meetings held during the financial year ended 31 December 2016.

## BOARD OF DIRECTORS (CONT'D)



**MR BRIAN TAN GUAN HOOI**

*Malaysian, Age 48, Male*

Mr Brian Tan Guan Hooi is the President and Group Chief Executive Officer of Texchem Resources Bhd. ("TRB") Group of Companies. He was appointed to the Board on 1 January 2004. On 31 March 2013, Mr Brian Tan Guan Hooi was promoted to President and Chief Executive Officer of TRB. He holds a Bachelor of Accounting (First Class Honours) Degree from the University of Malaya in 1993. In 1998, he obtained a Masters in Business Administration (Distinction) from the Universiti Sains Malaysia. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and a Certified Practising Accountant registered with CPA Australia. In 2011, he was awarded the Lifetime Membership Award by the Asian Academy of Management, the Universiti Sains Malaysia, for his contribution to the Graduate Business School.

Prior to joining the Texchem Group, he was attached to KPMG. In 1993, he joined Texchem Corporation Sdn. Bhd. ("Texcorp") as a Group Accountant and he moved on to assume the position of Business Manager in Fumakilla Malaysia Berhad ("FMB") in 1995. He was transferred to the Presidential Department of Texcorp as the Assistant General Manager in 1999. From 2000 to 2012, Mr Brian Tan Guan Hooi assumed various key positions in FMB and he assumed the role of Deputy Chairman of FMB from 1 April 2013 to 9 December 2016. He is the President, Chief Executive Officer and Managing Director of Texchem Food Sdn. Bhd. ("TFSB") since 1 January 2007. On 1 January 2014, Mr Brian Tan Guan Hooi has been redesignated from Managing Director to Executive Chairman of TFSB. He is the President and Chief Executive Officer of the Food Division since 1 January 2007. Mr Brian Tan Guan Hooi was also appointed as the Executive Chairman of Texchem-Pack Holdings (S) Pte. Ltd. (formerly known as Texchem-Pack Holdings (S) Ltd.) on 1 October 2013. He is a member of the Executive Committee.

He also sits on the Board of Texchem-Pack (M) Bhd., a non-listed public company. Mr Brian Tan Guan Hooi is an Independent Non-Executive Director of PBA Holdings Bhd since 13 October 2015.

Mr Brian Tan Guan Hooi does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years. Mr Brian Tan Guan Hooi attended all Board meetings held during the financial year ended 31 December 2016.



**MR WONG KIN CHAI**

*Malaysian, Age 57, Male*

Mr Wong Kin Chai is an Executive Director of Texchem Resources Bhd. ("TRB"). He was appointed to the Board on 1 January 2005. He holds a Bachelor of Science (Honours) Degree in Chemistry from University of Malaya. In 1994, he obtained his Masters in Business Administration from University of Malaya.

Mr Wong Kin Chai joined TRB Group in 1984. Over the years, he was promoted to Deputy Managing Director, Managing Director, Chief Operating Officer, President and Chief Executive Officer of Texchem Materials Sdn. Bhd. ("Texmat"). On 1 January 2016, Mr Wong Kin Chai has been redesignated from President and Chief Executive Officer to Deputy Chairman of Texmat. Mr Wong Kin Chai has been appointed as the President and Chief Executive Officer of Texchem Corporation Sdn. Bhd. and Corporate Services Division with effect from 1 January 2016. He is also a member of the Executive Committee.

Mr Wong Kin Chai does not sit on the Board of any other public companies. He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years. Mr Wong Kin Chai attended all Board meetings held during the financial year ended 31 December 2016.

## BOARD OF DIRECTORS (CONT'D)



**MR YAP KEE KEONG**  
*Malaysian, Age 53, Male*

Mr Yap Kee Keong is an Executive Director of Texchem Resources Bhd. ("TRB"). He was appointed to the Board on 1 January 2006. He graduated with a Bachelor of Science (Honours) Degree in Physics from the University of Malaya in 1988 and holds a Masters of Business Administration from the University of Portsmouth, UK.

Mr Yap Kee Keong joined TRB in 1988. He was appointed as a Director of Texchem-Pack (M) Bhd. ("TXPM") in January 1999 and over the years was promoted to Executive Vice President, Chief Operating Officer and Chief Executive Officer of TXPM. He was appointed as the President of TXPM in January 2005, a position he held until 31 December 2015. On 1 January 2016, Mr Yap Kee Keong was appointed as the Deputy Chairman of Texchem Polymer Engineering Sdn. Bhd., a wholly-owned subsidiary of TRB. He has more than 28 years of experience in the sales, marketing and distribution of industrial raw materials and has also been actively involved in the polymer manufacturing industry specialising in the electronic and medical devices sectors. He was appointed as a Director of Texchem Materials Sdn. Bhd. ("Texmat"), a wholly-owned subsidiary of TRB, in November 1999 and was then redesignated as Executive Director in January 2003. He has since July 2004 resigned as Executive Director and remained as a Non-Executive Director of Texmat, a position he held until 1 January 2013. On 1 January 2016, Mr Yap Kee Keong was appointed as President and Chief Executive Officer of Texmat. Mr Yap Kee Keong is the President and Chief Executive Officer of Texchem-Pack Holdings (S) Pte. Ltd. (formerly known as Texchem-Pack Holdings (S) Ltd.) ("TXPHS"). He was appointed to the Board of TXPHS on 1 January 2005 and was redesignated from Chief Operating Officer to Chief Executive Officer on 1 July 2007. He is a member of the Executive Committee and is the President and Chief Executive Officer of the Industrial Division.

He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years. Mr Yap Kee Keong attended all Board meetings held during the financial year ended 31 December 2016.



**DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF**  
*Malaysian, Age 71, Male*

Dato' Seri Nazir Ariff Bin Mushir Ariff is an Independent Non-Executive Director of Texchem Resources Bhd. ("TRB").

He was appointed to the Board on 12 March 2003. He is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of TRB.

He is an Accountant by training, and is a Fellow of the British Institute of Management. He attended management development programmes in United Kingdom, United States of America and Manila and also received intensive training at the London Metals Exchange in London.

Dato' Seri Nazir Ariff Bin Mushir Ariff is the Chairman and Executive Director of Aspen Group of Companies and the Executive Director of Escoy Holdings Berhad. He is also a Director of Penang Institute and Thailand Smelting & Refining Co. Ltd. On 26 September 2013, he was appointed as a Director of PBA Holdings Bhd.

He was the Chairman of the Malaysian International Chamber of Commerce and Industry (Penang and the Northern Branch) from 1988 to 2013 and is involved with many voluntary organisations in the State of Penang. He is the past President of Majlis Dato' Dato' Pulau Pinang, past President and founder member of Penang Heritage Trust and is currently a member of the Advisory Board of WWF-Malaysia. He was President of the Football Association of Penang from August 2013 to February 2017. In 2016, he was appointed as a select committee member of the Penang Future Foundation and a board member of the Penang State Museum Board.

He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years. Dato' Seri Nazir Ariff Bin Mushir Ariff attended all Board meetings held during the financial year ended 31 December 2016.

## BOARD OF DIRECTORS (CONT'D)



**DATO' DANNY GOON SIEW CHEANG**  
*Malaysian, Age 66, Male*

Dato' Danny Goon Siew Cheang is an Independent Non-Executive Director of Texchem Resources Bhd. ("TRB").

He was appointed to the Board on 5 March 2001. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of TRB.

He is a Chartered Accountant and worked with Coopers & Lybrand's Penang and London offices from 1971 to 1979 before joining Kennedy Burkill & Company Berhad. He was its Managing Director from 1986 to 2007. Dato' Danny Goon Siew Cheang also sits on the Board of Sungei Ara Estates Berhad, which is a non-listed public company.

Dato' Danny Goon Siew Cheang was the Senior Independent Non-Executive Director of Eng Teknologi Holdings Bhd., and was the Chairman of its Audit Committee for 11 years before his retirement upon its privatisation in 2012.

Dato' Danny Goon Siew Cheang was the Founder Honorary Treasurer of the Penang Skills Development Centre (PSDC) and served in that capacity on its Management Council from its inception in 1989 until 2006. He was the Secretary and Treasurer of The Free Industrial Zone, Penang, Companies' Association (FREPENCA) from 1982 to 2005, and of the Majlis Dato' Dato' Negeri Pulau Pinang from 1990 to 2007. He was the Founder Honorary Secretary of the Squash Rackets Association of Penang (SRAP) and served on its Management Committee in various capacities, including as Vice-Chairman and Honorary Secretary, from its inception in 1980 until 2014. He was appointed to the Board of Governors of the St. Christopher's International School in 1990 and has been its Chairman since 1992. He is currently a Committee Member of the Penang and Northern Branch of the Malaysian International Chamber of Commerce and Industry (MICCI) and sits on the Boards of the Penang Philharmonic Orchestra and Penang Global Tourism Sdn. Bhd.

Dato' Danny Goon Siew Cheang does not have any family relationship with any Director and/or major shareholder of TRB nor any personal interest in any business arrangement involving TRB.

He has not been convicted of any offences within the past 5 years. Dato' Danny Goon Siew Cheang attended all Board meetings held during the financial year ended 31 December 2016.



**CIK ZARIZANA @ IZANA BINTI ABDUL AZIZ**  
*Malaysian, Age 51, Female*

Cik Zarizana @ Izana Binti Abdul Aziz is an Independent Non-Executive Director of Texchem Resources Bhd. ("TRB").

She was appointed to the Board on 18 April 2012. She is the Chairman of the Remuneration Committee and a member of the Audit Committee of TRB.

Cik Zarizana @ Izana Binti Abdul Aziz holds a Bachelor of Laws degree from the University of Sydney Law School, Sydney, Australia and a Master of Laws from Columbia University Law School, New York, United States of America. She was a partner with Messrs K. Ahmad & Yong from 1996 to 2016.

Cik Zarizana @ Izana Binti Abdul Aziz's areas of expertise include conveyancing and land matters, construction and development, manufacturing, employment, banking and finance (including Islamic banking and finance), company incorporation, mergers and acquisition, and intellectual property.

Cik Zarizana @ Izana Binti Abdul Aziz also served as an international consultant on legislative reform in Afghanistan, Indonesia (Aceh), Maldives, Myanmar and Timor Leste. Cik Zarizana @ Izana Binti Abdul Aziz was formerly a researcher and an adjunct professor of law at Northeastern University, Boston.

Cik Zarizana @ Izana Binti Abdul Aziz also served as a Bar Council member of the Malaysian Bar in 2009 as well as the Board of Governors of Methodist Girls Primary and Secondary Schools since 2004.

Cik Zarizana @ Izana Binti Abdul Aziz does not sit on the Board of any other public companies.

Cik Zarizana @ Izana Binti Abdul Aziz does not have any family relationship with any Director and/or major shareholder of TRB nor any personal interest in any business arrangement involving TRB.

She has not been convicted of any offences within the past 5 years. Cik Zarizana @ Izana Binti Abdul Aziz attended three (3) out of six (6) Board meetings held during the financial year ended 31 December 2016.

## KEY SENIOR MANAGEMENT

### **MR TAN PENG LAM**

*Malaysian, Age 58, Male*

Mr Tan Peng Lam is the Group Chief Financial Officer and Joint Company Secretary of Texchem Resources Bhd. ("TRB").

Mr Tan Peng Lam obtained a Master Degree in Business Administration from Massey University, New Zealand. He is a Fellow member of the Association of Chartered Certified Accountants. He is also a Chartered Accountant registered with the Malaysian Institute of Accountants.

He has more than 34 years of experience in the field of financial management, financial accounting, corporate affairs and auditing. Mr Tan Peng Lam first joined Texchem Corporation Sdn. Bhd. ("Texcorp"), a subsidiary of the Company, in 1993 as the Group Chief Accountant. He left Texchem Group in 1996 to pursue his career in other company in Kuala Lumpur. He became the Group Finance Director when he re-joined Texcorp in 2002. Mr Tan Peng Lam was appointed as the Group Chief Financial Officer and the Joint Company Secretary of TRB on 17 March 2011 and 18 February 2014 respectively.

Mr Tan Peng Lam does not sit on the Board of TRB or any other public companies. He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years.

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### **MR AKIHIKO HIJIOKA**

*Japanese, Age 49, Male*

Mr Akihiko Hijioka is the President and Chief Operating Officer of the Restaurant Division of Texchem Resources Bhd. ("TRB") Group of Companies since 1 January 2014. He is also a member of the Executive Committee.

Mr Akihiko Hijioka holds a Bachelor of Economics from Waseda University, Tokyo, Japan.

Prior to joining TRB Group, Mr Akihiko Hijioka was attached to Itochu Corporation as Chief of Business Development in Tokyo, Japan. He has more than 25 years of experience in sales and marketing related to textile and garment, seafood as well as food and beverages industries. Mr Akihiko Hijioka joined TRB Group on 1 April 2005 as a General Manager of New Business Development of Texchem Food Sdn. Bhd. ("TFSB"). He was appointed as a Director of TFSB on 13 May 2005 until 1 July 2012. On 1 January 2009, Mr Akihiko Hijioka was appointed as a Director and the Deputy Managing Director of Sushi Kin Sdn. Bhd. and was subsequently promoted to Managing Director on 1 January 2011. He sits on the Board of all companies within the Restaurant Division. He was also appointed as the General Director of Sushi King Company Limited, Vietnam in 2016. Mr Akihiko Hijioka is the President and Chief Operating Officer of Sushi Kin Sdn. Bhd. and Texchem Restaurant Systems Sdn. Bhd. since 1 January 2014 and 1 January 2016 respectively.

Mr Akihiko Hijioka does not sit on the Board of TRB or any other public companies. He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years.

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### **MR TAY PENG TECK**

*Malaysian, Age 57, Male*

Mr Tay Peng Teck heads the Polymer Engineering Division of Texchem Resources Bhd. ("TRB") Group of Companies since 1 January 2016. He is also a member of the Executive Committee.

He holds a Bachelor of Business Degree in Business Administration from RMIT University, Melbourne Australia and he is a member of Chartered Institute of Marketing.

Prior to joining TRB Group, Mr Tay Peng Teck was attached to Jepsen & Jessen Broadway (M) Sdn. Bhd. as General Manager. He has more than 27 years of experience in packaging industry involving printing, foam packaging, thermoforming and Injection Molding on electrical & electronics, automotive, fast moving consumer goods, communications, hard disk-drives business and etc. Mr Tay Peng Teck joined TRB Group on 16 November 2009 as Executive Director of Texchem-Pack (KL) Sdn. Bhd. In the same year, he was also appointed as the General Director overseeing Texchem-Pack (Vietnam) Co., Ltd.'s operations. Over the years, Mr Tay Peng Teck held various senior positions within Polymer Engineering Division. In May 2011, he was promoted to Deputy Managing Director of Texchem-Pack (Wuxi) Co., Ltd. and moved on to assume the position of Managing Director of Texchem-Pack (M) Bhd. on 7 October 2013. He was also in charge of the operations of Texchem-Pack (Thailand) Co., Ltd. in 2014. On 1 January 2016 he was appointed as the President and Chief Executive Officer of Texchem Polymer Engineering Sdn. Bhd. and the President and Chief Executive Officer of Polymer Engineering Division.

Mr Tay Peng Teck does not sit on the Board of TRB or any other public companies. He does not have any family relationship with any Director and/or major shareholder of TRB, nor any personal interest in any business arrangements involving TRB.

He has not been convicted of any offences within the past 5 years.

## GROUP FINANCIAL HIGHLIGHTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue <sup>^</sup>	1,133,666	953,615	1,022,663	1,055,425	1,035,299
Profit Before Tax <sup>^</sup>	56,208*	12,003 <sup>-</sup>	3,538	23,409	13,598
Net Profit Attributable to Owners of the Company	49,368*	8,499 <sup>-</sup>	1,184	10,039	3,213
Total Equity Attributable to Owners of the Company/Net Assets	185,657	197,036 <sup>@</sup>	208,782 <sup>@</sup>	300,163 <sup>@</sup>	297,971 <sup>@</sup>
Net Tangible Assets	151,281	141,154 <sup>@</sup>	151,242 <sup>@</sup>	242,842 <sup>@</sup>	237,941 <sup>@</sup>
No. of Ordinary Shares Issued ('000)	124,099	124,099	124,099	124,099	124,099
Dividends Paid	9,307	–	–	15,142	10,234
Dividends (%)	10	–	–	15	10
Earnings Per Share (sen) <sup>^</sup>	39.78	6.85	0.95	8.09	2.64
Net Assets Per Share (RM/Share) <sup>#</sup>	1.50	1.59 <sup>@</sup>	1.68 <sup>@</sup>	2.44 <sup>@</sup>	2.45 <sup>@</sup>
Net Tangible Assets Per Share (RM/Share) <sup>#</sup>	1.22	1.14 <sup>@</sup>	1.22 <sup>@</sup>	1.97 <sup>@</sup>	1.96 <sup>@</sup>

<sup>^</sup> Includes continuing and discontinuing operations

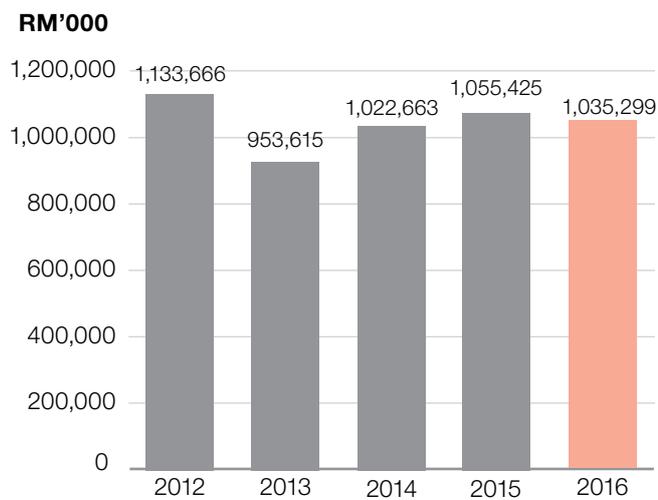
\* Includes gain on disposal of subsidiaries (discontinued operation) of RM70.3 million

<sup>-</sup> Includes fair value gain on re-measurement of an associate of RM11.2 million and bargain purchase gain on acquisition of a subsidiary of RM5.1 million

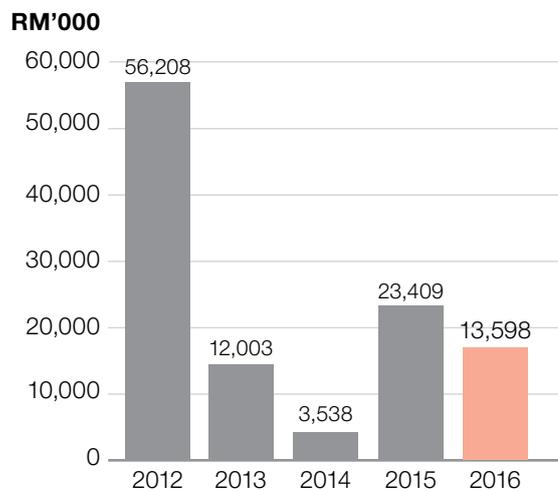
<sup>@</sup> Adjusted for the Company's shares held by a subsidiary of RM14.60 million in 2015 and 2016 (2013 and 2014: RM18.05 million) included in capital reserve

<sup>#</sup> Divided by number of ordinary shares issued less treasury shares in 2016 of 121,667,000 ordinary shares (2015: 123,134,000 ordinary shares and 2012-2014: 124,099,000 ordinary shares)

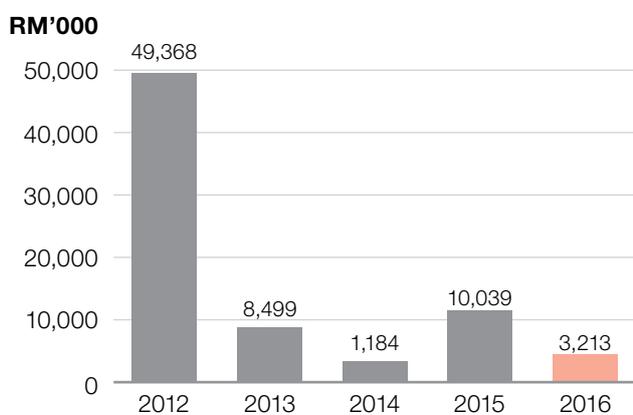
## GROUP FINANCIAL HIGHLIGHTS (CONT'D)



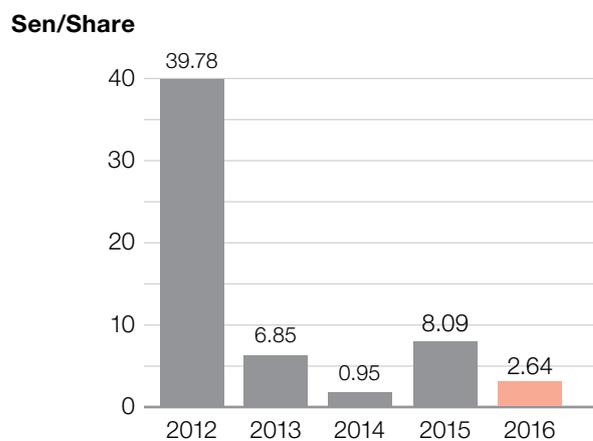
**Revenue**



**Profit Before Tax**



**Net Profit Attributable to Owners of the Company**



**Earnings Per Share (sen)**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Executive Chairman**

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi

### **President and Group Chief Executive Officer**

Brian Tan Guan Hooi

### **Executive Directors**

Wong Kin Chai

Yap Kee Keong

### **Independent Non-Executive Directors**

Dato' Seri Nazir Ariff Bin Mushir Ariff

Dato' Danny Goon Siew Cheang

Zarizana @ Izana Binti Abdul Aziz

## EXECUTIVE COMMITTEE

### **Chairman**

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi

### **Members**

Brian Tan Guan Hooi

Wong Kin Chai

Yap Kee Keong

Akihiko Hijioka

Tay Peng Teck

## AUDIT COMMITTEE

### **Chairman**

Dato' Danny Goon Siew Cheang

### **Members**

Dato' Seri Nazir Ariff Bin Mushir Ariff

Zarizana @ Izana Binti Abdul Aziz

## NOMINATION COMMITTEE

### **Chairman**

Dato' Seri Nazir Ariff Bin Mushir Ariff

### **Member**

Dato' Danny Goon Siew Cheang

## REMUNERATION COMMITTEE

### **Chairman**

Zarizana @ Izana Binti Abdul Aziz

### **Members**

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi

Dato' Seri Nazir Ariff Bin Mushir Ariff

Dato' Danny Goon Siew Cheang

## COMPANY SECRETARIES

Tan Peng Lam (MIA 37392)

Lee Puay Img @ Eng Puay Img (LS 0009427)

## REGISTERED OFFICE

Level 18, Menara Boustead Penang

39 Jalan Sultan Ahmad Shah

10050 Penang

Tel: 604-2296000

Fax: 604-2291430

## SHARE REGISTRAR

AGRITEUM Share Registration Services Sdn. Bhd.

2nd Floor, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

10050 Penang

Tel: 604-2282321

Fax: 604-2272391

## AUDITORS

KPMG PLT

Chartered Accountants

Penang

Tel: 604-2382288

Fax: 604-2382222

## PRINCIPAL BANKERS

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

Hong Leong Bank Berhad

RHB Bank Berhad

AmBank (M) Berhad

CIMB Bank Berhad

## SOLICITORS

Presgrave & Matthews

Zaid Ibrahim & Co.

## AUTHORISED CAPITAL

RM500,000,000

## PAID-UP CAPITAL

RM124,099,235

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock name: TEXCHEM

Stock code: 8702

Listing date: 17 May 1993

## SUBSIDIARIES

Please refer to the Corporate Structure section of this Annual Report for the list of subsidiaries of the Company.

## WEBSITE

[www.texchemgroup.com](http://www.texchemgroup.com)

## E-MAIL ADDRESS

[trb@texchemgroup.com](mailto:trb@texchemgroup.com)

# EXECUTIVE COMMITTEE

## TERMS OF REFERENCE

To assist the Board of Directors (“Board”) in decision-making by undertaking the necessary business deliberations and operational activities necessary for the day-to-day running of the organisation and to seek necessary Board approvals where applicable.

# AUDIT COMMITTEE

## TERMS OF REFERENCE

### Objective

1. The principal objective of the Audit Committee (AC) is to assist the Board in fulfilling its oversight responsibilities of the Group’s financial reporting process and internal control system.

### Membership

2. The AC shall be appointed by the Board from among their members and shall consist of no fewer than three (3) non-executive directors. All AC members should be non-executive directors, with a majority of them being independent directors.

All members of the AC shall be financially literate and at least one (1) member should be a member of an accountancy association or body.

3. The AC shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. In the absence of the Chairman, the remaining members present shall among themselves elect a Chairman who must be an independent director to chair the meeting.
4. In the event of any vacancy in the AC resulting in the non-compliance with 2 above, the Board of Directors shall fill the vacancy within three months.

### Authority

5. The AC is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
6. The AC is authorised by the Board to obtain external, legal or independent professional advice and to secure the attendance of such external advisors with relevant experience if considered necessary.
7. The AC is authorised to convene meetings with the external auditors, the internal auditors or both, without the presence of other directors and employees, whenever deemed necessary.
8. The AC is authorised to have direct communication channels with the external auditors and persons carrying out the Internal Audit function or activity.

### Duties

9. The duties of the AC shall be
  - (a) Oversight of financial reporting:
    - (i) Review the quarterly and annual financial statements and consolidated financial statements of the Company and of the Group with the Management and external auditors and recommend to the Board of Directors for consideration; and
    - (ii) Review any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

# AUDIT COMMITTEE (CONT'D)

## Duties (cont'd)

- (b) Oversight of external auditors:
  - (i) Review with them, their audit plan, scope and areas of audit;
  - (ii) Review with them, their evaluation of the system of internal controls and audit findings;
  - (iii) Review with them, their audit report;
  - (iv) Review with them, their management letters and management responses;
  - (v) Review with them, the adequacy of the co-operation given by the Company's officers in the course of audit; and
  - (vi) Review with Management, the performance, competency, independence and suitability of the external auditors for recommendation to the Board for reappointment, the audit fee and any matter of resignation or dismissal.
  
- (c) Oversight of internal auditors:
  - (i) Review the adequacy of the scope, functions, competency and resources of the Internal Audit function, and that it has the necessary authority to carry out its work;
  - (ii) Review the annual Internal Audit plan, programme and results of the Internal Audit process and, where necessary, ensure that appropriate actions are taken by Management on the recommendations of the Internal Audit function;
  - (iii) Evaluate annually the performance of the Internal Audit function;
  - (iv) Review the performance appraisal or assessment of the Internal Audit staff;
  - (v) Approve any appointment or termination of senior staff members of the Internal Audit function; and
  - (vi) Take cognizance of resignations of Internal Audit staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.
  
- (d) To consider any other functions as may be agreed between the AC and the Board of Directors.

## Attendance, Quorum and Frequency of Meeting

- 10. The Chairman of the AC should engage on a continuous basis with senior Management, such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive and the external auditors in order to be kept informed of matters affecting the Company and the Group.
- 11. The Chief Financial Officer, Chief Audit Executive, and representatives of the external auditors shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. However, the AC shall meet with the external auditors without the presence of Executive Board members at least twice a year and whenever necessary.
- 12. In order to form a quorum in the AC meeting, the majority of members present must be Independent Directors.
- 13. The Committee shall meet not less than 4 times a year. The external auditors may request for a meeting if they consider necessary.
- 14. 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

- 15. The Chief Audit Executive shall act as Secretary to the AC. The Minutes of each AC 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.
- 16. The minutes of the AC meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

# REMUNERATION COMMITTEE

## TERMS OF REFERENCE

### Objective

In accordance with the Malaysian Code on Corporate Governance, the Remuneration Committee is set up to provide recommendations to the Board of Directors ("Board") on the remuneration of the Executive Directors in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance.

Executive Directors should play no part in decisions on their own remuneration while the remuneration of the Non-Executive Directors should be a matter for the Board as a whole to determine. The individuals concerned should abstain from discussion of and voting on their own remuneration.

### Size and Composition

The Remuneration Committee shall consist wholly or mainly of Non-Executive Directors. The members of the Remuneration Committee shall elect a Chairman from amongst its members who shall be a Non-Executive Director.

### Meetings

The Remuneration Committee shall meet as and when is necessary. The quorum for any meetings shall be two (2) Non-Executive Directors subject to any laws, guidelines or rules that may be imposed by Bursa Malaysia Securities Berhad and/or any other relevant authority(ies).

### Secretaries

The Company Secretaries shall act as Secretaries of the Remuneration Committee and shall be responsible for keeping minutes of meetings of the Remuneration Committee and circulating them to the Remuneration Committee members.

### Duties and Responsibilities

- 1) To determine and recommend to the Board the framework or broad policy for the remuneration, in all forms, of the Executive Directors and/or any other persons as the Remuneration Committee is designated to consider by the Board, drawing from outside advice as necessary.
- 2) To determine and recommend to the Board any performance related pay schemes for the Executive Directors and/or any other persons as the Remuneration Committee is designated to consider by the Board.
- 3) To determine the policy for and scope of service agreements for the Executive and Non-Executive Directors, termination payment and compensation commitments.
- 4) To produce any required reports as may be required from time to time.
- 5) To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.
- 6) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

# NOMINATION COMMITTEE

## TERMS OF REFERENCE

### Objective

In accordance with the Malaysian Code on Corporate Governance, the Nomination Committee is set up to provide recommendations to the Board of Directors ("Board") on the candidates for all directorships of Texchem Resources Bhd. ("TRB") to be filled by the shareholders or the Board. Final decision on the appointment of any directors of TRB shall be made by the Board.

The Nomination Committee shall be responsible in ensuring the appropriate Board balance and size, and that the Board has a required mix of skills, experience, independence and diversity (diversity in gender, ethnicity and age). An annual review of the mix of skills, experience and other core competencies of the Board shall be made by the Nomination Committee.

### Size and Composition

The Nomination Committee shall comprise wholly of Non-Executive Directors, the majority of whom are independent. The members of the Nomination Committee shall elect a Chairman from amongst any of its members.

### Meetings

The Nomination Committee shall meet as and when is necessary. The quorum for any meetings shall be two (2) members subject to any laws, guidelines or rules that may be imposed by Bursa Malaysia Securities Berhad and/or any other relevant authority(ies).

### Secretaries

The Company Secretaries shall act as Secretaries to the Nomination Committee and shall be responsible for keeping minutes of meetings of the Nomination Committee and circulating them to the Nomination Committee members.

### Duties and Responsibilities

- 1) To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments thereof and/or the appointment of Directors as the Nomination Committee deems necessary.
- 2) To consider, in making its recommendations, candidates for directorships proposed by the President/Managing Director/Chief Executive Officer of TRB and within the bounds of practicability, by any other senior executive or any other Director or shareholder of TRB as well as make recommendations to put in place the plans for succession, in particular for the Chairman/President and the Managing Director/Chief Executive Officer.
- 3) To conduct a performance evaluation annually in order to assist the Board to review the required mix of skills, experience, independence, diversity (diversity in gender, ethnicity and age) and other qualities including core competencies which Directors should bring to the Board and to assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual Director of TRB, based on the process and procedures laid out by the Board.
- 4) To review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.
- 5) To review the induction and training needs of Directors under the continuing education programmes.
- 6) To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director.
- 7) To recommend Directors who are retiring by rotation to be put forward for re-election.
- 8) To recommend to the Board, the Directors to fill the seats on any committees of the Board.
- 9) To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill the Board's responsibilities.
- 10) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

## NOMINATION COMMITTEE (CONT'D)

### ACTIVITIES UNDERTAKEN BY THE NOMINATION COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Nomination Committee met once in 2016.

Activities undertaken in relation to the financial year ended 31 December 2016 were as follows:

1. Conducted the annual assessment and the performance evaluation of the individual Directors and the Board as a whole; summarised the results of the annual assessment and the performance evaluation and reported to the Board on the outcome of such assessment; reviewed the independence of the Directors.
2. Made recommendation to the Board for the re-election and re-appointment of the Directors who are subject to retirement at the forthcoming Annual General Meeting.
3. Made recommendation to the Board for the adoption of the following:
  - (a) the amended Terms of Reference of the Nomination Committee; and
  - (b) the Audit Committee Assessment Questionnaire

in conjunction with the amendment made to Paragraph 15.20 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in 2016 and conducted the first assessment on the Audit Committee and each of its members.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Third Annual General Meeting (“43<sup>rd</sup> AGM”) of the Company will be held at Pinang Ballroom, Level 3, Jen Hotel, Magazine Road, 10300 Penang on Monday, 24 April 2017 at 11.00 a.m. for transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.\*
2. To re-appoint Tan Sri Dato’ Seri (Dr.) Fumihiko Konishi who being eligible offers himself for re-appointment as a Director of the Company. **Resolution 1**
3. To re-elect the following Directors who retire by rotation in accordance with Article 123 of the Company’s Articles of Association and who being eligible offer themselves for re-election:
  - (i) Mr Yap Kee Keong **Resolution 2**
  - (ii) Dato’ Danny Goon Siew Cheang **Resolution 3**
4. To approve the Directors’ fees of RM1,040,000 for the financial year ended 31 December 2016 (2015: RM1,040,000). **Resolution 4**
5. To re-appoint Messrs KPMG PLT as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**
6. SPECIAL BUSINESS

To consider and if deemed fit to pass the following Ordinary Resolutions:

**(A) Continuing in office as Independent Non-Executive Directors**

- (i) “**THAT** authority be and is hereby given to Dato’ Seri Nazir Ariff Bin Mushir Ariff who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.” **Resolution 6**
- (ii) “**THAT** authority be and is hereby given to Dato’ Danny Goon Siew Cheang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.” **Resolution 7**

**(B) Power to Issue Shares pursuant to Section 75 of the Companies Act, 2016**

**Resolution 8**

“**THAT** subject always to the Companies Act, 2016 (“Act”), Articles of Association of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Section 75 of the Act, to allot and issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority as abovementioned shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

**(C) Proposed Renewal of Shareholders’ Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Mandate”)**

**Resolution 9**

“**THAT** subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), approval be and is hereby given to the Company and/or its subsidiaries, pursuant to paragraph 10.09 read with Practice Note 12 of the MMLR, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A [section 2.4 (A)] of the Circular to the Shareholders of the Company dated 31 March 2017 in relation to the Proposed Mandate, which are necessary for the Company and/or its subsidiaries’ day-to-day operations provided that the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and provided further that the disclosure for all such transactions is made in the annual report of the Company of the aggregate value of all such transactions conducted pursuant to the shareholders’ mandate during the financial year where:

- (a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
- (b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the higher.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**AND THAT** such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the Forty-Third AGM, at which time it will lapse unless such authority is renewed by a resolution passed at the next AGM of the Company;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act"), (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or its subsidiaries, whether solely or jointly, be and are hereby authorised to complete and do all such acts and things including executing such relevant documents as they may consider expedient or necessary to give effect to the Proposed Mandate."

### **(D) Proposed Renewal of Existing Share Buy-Back Authority**

### **Resolution 10**

"**THAT** subject to the Companies Act, 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares in the Company's issued and paid-up capital through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit subject to the following:

- (a) the aggregate number of shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("Texchem Shares");
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the Texchem Shares shall not exceed the total retained profits of RM274,452,015 of the Company as at 31 December 2016;
- (c) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:
  - (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the Forty-Third AGM in which the resolution for the Proposed Renewal of Existing Share Buy-Back Authority is passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever is the earlier, but so as not to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and in any event, in accordance with the Main Market Listing Requirements of the Bursa Securities or any other relevant authorities;
- (d) upon completion of the purchase(s) of the Texchem Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Texchem Shares in the following manner:
  - (i) to cancel the Texchem Shares so purchased; or
  - (ii) to retain the Texchem Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities and/or for cancellation subsequently; or
  - (iii) to retain part of the Texchem Shares so purchased as treasury shares and cancel the remainder; or
  - (iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

**AND THAT** authority be and is hereby given to the Directors of the Company to take all such steps as are necessary including to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities or as may be deemed necessary by the Directors and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 43<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 73 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 April 2017. Only a depositor whose name appears on the Record of Depositors as at 17 April 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

BY ORDER OF THE BOARD

TAN PENG LAM (MIA 37392)  
LEE PUAY IMG @ ENG PUAY IMG (LS 0009427)  
Company Secretaries

Penang  
Date: 31 March 2017

## NOTES:

- \* This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require approval of the shareholders and hence, is not put forward for voting.
- 1. A Member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies to attend and vote instead of him/her. If a Member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- 2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 3. To be effective:-
  - (a) the instrument appointing a proxy; and
  - (b) the authority (if any) under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors of the Company,must be deposited at the Registered Office of the Company at Level 18, Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia at least forty-eight (48) hours before the time for holding the meeting.
- 4. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he/she thinks fit.
- 5. If the Proxy Form is returned without the name of the proxy indicated, the Proxy Form shall be invalid.
- 6. Where the person appointing the proxy is a corporation, the form must be either under seal or under the hand of a duly authorised officer or attorney of the corporation.
- 7. Explanatory note on re-appointment of Director who is over 70 years of age:

### (i) Ordinary Resolution 1

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 at the 42<sup>nd</sup> AGM of the Company held on 25 April 2016 to hold office until the conclusion of the 43<sup>rd</sup> AGM. His term of office will end at the conclusion of the 43<sup>rd</sup> AGM and who being eligible offers himself for re-appointment as a Director of the Company.

With the coming into force of the Companies Act, 2016 on 31 January 2017, which repealed Section 129 of the Companies Act, 1965, there is no age limit for directors. This Ordinary Resolution 1, if passed, will approve and authorise the continuation of the Director in office from the date of this AGM onwards without limitation in tenure save for the Company's Memorandum and Articles of Association, the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

# NOTICE OF **ANNUAL GENERAL MEETING (CONT'D)**

## 8. Explanatory notes on Special Business:

### **(i) Ordinary Resolutions 6 and 7**

Pursuant to the Malaysian Code on Corporate Governance 2012, the Board is making a recommendation to shareholders that both Dato' Seri Nazir Ariff Bin Mushir Ariff and Dato' Danny Goon Siew Cheang remain as Independent Non-Executive Directors based on the following justifications:

The Board is of the view that Dato' Seri Nazir Ariff's expertise, broad international experience and vast experience in various industries provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board. The Board is confident that his length of service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

The Board believes that with Dato' Danny Goon's qualifications, expertise and extensive experience as a Chartered Accountant and his accumulative knowledge of the Group's business and operations, he has made and continues to make valuable contributions through his role as Chairman of the Audit Committee and his roles on the Remuneration and Nomination Committees. The Board is confident that Dato' Danny Goon is able to carry out his duties and responsibilities independently and objectively notwithstanding his tenure on the Board.

### **(ii) Ordinary Resolution 8**

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM of the Company held on 25 April 2016 and the said mandate will lapse at the conclusion of this 43<sup>rd</sup> AGM.

This Ordinary Resolution, if passed, will give the Directors of the Company from the date of this 43<sup>rd</sup> AGM, the authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate of not exceeding 10% of the total issued share capital of the Company for the time being pursuant to Section 75 of the Act ("Renewed Mandate"). This Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions without any delay and without incurring additional expenses in convening a general meeting to approve the issuance of such shares.

### **(iii) Ordinary Resolution 9**

This Ordinary Resolution, if passed, will empower the Company and/or each of its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Company and/or its subsidiaries' day-to-day operations provided that such transactions are being carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and are not to the detriment of the minority shareholders of the Company.

This authority, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company.

The details of this proposed Ordinary Resolution are set out in Part A [section 2.4 (A)] of the Circular to the Shareholders of the Company dated 31 March 2017 which is dispatched together with the Company's 2016 Annual Report.

### **(iv) Ordinary Resolution 10**

This Ordinary Resolution, if passed, will enable the Company to purchase its own shares up to 10% of the issued and paid-up share capital of Company (inclusive of shares that have been purchased and/or retained as treasury shares). This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM of the Company.

The details of this proposed Ordinary Resolution are set out in Part B of the Circular to the Shareholders of the Company dated 31 March 2017 which is dispatched together with the Company's 2016 Annual Report.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**  
**(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements)**

**Details of individuals who are standing for election as Directors**

No individual is seeking election as a Director (excluding Directors standing for re-appointment or re-election) at the Forty-Third Annual General Meeting of the Company.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) continues with its commitment to achieve and maintain the highest standards of corporate governance throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board is entirely committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“Code”) issued by the Securities Commission Malaysia in March 2012. In addition, the Board follows global developments of internationally recognised corporate governance practices and though the Board is in compliance with many respects already, it continually reviews the Group’s corporate governance processes and strives to make appropriate adjustments to reflect its position as a good corporate citizen. The key intent is to adopt the substance behind good governance and not merely the form, with the aim of ensuring Board effectiveness in enhancing shareholder value.

The Board is pleased to provide the following statements, which outline the main corporate governance principles that were in place throughout the financial year under review, unless otherwise stated.

## COMPLIANCE STATEMENT

The Group has complied throughout the year ended 31 December 2016 with all the principles and recommendations of corporate governance set out in the Code save as explained below:

- Given the current composition of the Board, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director to whom any matters of concern may be raised to the Board.
- In view of the check and balance mechanism in place in the Board’s decision making process, the Board is comfortable with the executive role held by its Executive Chairman and does not consider it necessary for the Board to comprise a majority of Independent Directors.
- The Board is confident that the Independent Non-Executive Directors who have served the Board for more than nine (9) years have retained independence of character and judgment and are able to express their views without any constraint.

## PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the principles and recommendations in the Code.

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### 1.1 Clear Functions of the Board and Management

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction and the Board oversees the establishment of goals for Management and monitors the achievement of these goals.

The Board has a formal schedule of matters reserved to itself for decision, which includes the acquisition and divestment policy, approval of major capital expenditure projects, consideration of significant financial matters, review and approval of the five (5) years’ corporate strategic plan for the Group and the review of the financial and operating performance of the Group against the annual budget and corporate strategic plan. The schedule ensures that the governance of the Group is in the Board’s hands.

The Board is led by the Executive Chairman and the Group Chief Executive Officer and is supported by other Board members. The Group Chief Executive Officer is involved in leadership roles and he oversees the Group’s operations and performance, the human resources development of the Group and ensuring overall adequacy of the Group’s system of internal control. He liaises with the Presidents, Chief Executive Officers, Chief Operating Officers, Managing Directors and Executive Directors of the operating companies on a regular basis on business strategies and opportunities to lead the Management to drive the Company and the Group forward.

The Board has assigned the day-to-day management of the Group’s businesses and operations to the Presidents, Chief Executive Officers, Chief Operating Officers, Managing Directors and Executive Directors of the operating companies, who are accountable for initiating ideas to create competitive edge in their respective industries or markets and the conduct and performance of their businesses within the agreed corporate objectives and business strategies.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.1 Clear Functions of the Board and Management (cont'd)

#### **Board Committees**

The Board delegates certain responsibilities to the Board Committees, as follows:

<b>Board Committees</b>	<b>Key Functions</b>
Executive Committee	Explained in the Executive Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Audit Committee	Explained in the Audit Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Remuneration Committee	Explained in the Remuneration Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Nomination Committee	Explained in the Nomination Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.

All Board Committees have written terms of reference. These Board Committees are formed in order to enhance business and operational effectiveness and efficiency. Prior to the establishment of the Board Committees, part of their function was assumed by the Board as a whole. The Board retains full responsibility for the direction and control of the Company and the Group.

During the financial year under review, all the Board Committees have held meetings on a regular basis or as and when required to discuss various issues that came within the Terms of Reference of each Board Committee. Their findings and/or recommendations, where necessary, are then tabled to the Board for its approval and/or attention.

### 1.2 Clear Roles and Responsibilities

The Board has wide responsibilities in discharging its fiduciary and leadership functions, amongst others:

- (a) ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs as well as encouraging effective participation at general meetings through its Chairman, being the key interface between the Company and its shareholders;
- (b) providing risk management oversight including the timely and correct identification and effective management of current and emerging key risks affecting the Company and the Group on a half yearly basis;
- (c) be responsible for the overall corporate governance of the Group, including its strategic direction; overseeing the establishment of goals and the corporate strategic plan for Management; reviewing and updating the strategic direction, goals, and the corporate strategic plan on an annual basis or at such intervals as may be required; and monitoring the achievement of these goals and plan;
- (d) providing input and final approval of corporate strategy, including the setting of performance objectives;
- (e) monitoring corporate performance and implementation of strategy and policy. The Board is kept informed of key strategic initiatives, significant operational issues and the Group's performances;
- (f) monitoring and reviewing Management processes and control to ensure the integrity of financial and other reporting with the guidance of the Audit Committee; and
- (g) ensuring that succession planning of the senior Management is in place. The Board is briefed on the performance of such senior Management based on the individual's contributions, achievements and deliverables.

Details of the Board's duties and responsibilities are set out in the documented and approved Board Charter. The Board Charter is available for reference on the Company's website at [www.texchemgroup.com](http://www.texchemgroup.com).

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.3 Formalise Ethical Standards through Code of Conduct

The approval and adoption of the Code of Conduct formalised the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct amongst the Company's directors and employees. The Code of Conduct includes mechanism amongst others, a whistleblower policy for the Company's directors and employees as well as external parties to report genuine suspicions of non-compliance without fear of retribution or retaliation. A copy of the Code of Conduct is available on the Company's website at [www.texchemgroup.com](http://www.texchemgroup.com).

### 1.4 Strategies Promoting Sustainability

The Group is committed towards sustainable development and believes that sustainable corporate success requires the highest standard of corporate behavior including measuring up to public expectations on its environmental, social and corporate governance responsibilities. As a socially responsible citizen, the Company shall approach the process of addressing higher expectations of environmental, social and corporate governance responsibilities as part of how the Company normally works and thinks. A copy of the Sustainability Policy is available on the Company's website at [www.texchemgroup.com](http://www.texchemgroup.com). Details of the Group's corporate responsibility activities in the financial year under review are disclosed in the Sustainability Statement section of this Annual Report.

### 1.5 Access to Information and Advice

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group.

The Chairman ensures that all Directors have full and timely access to information with agenda and Board papers generally distributed three (3) clear days before the meetings. This ensures that Directors have sufficient time to appreciate issues to be deliberated at the Board meeting and expedites the decision making process.

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Periodic briefings on industry outlook, the Group operations and site visits are conducted for the Directors to ensure that the Board is well informed of the Group's development.

The Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Board Committees partly function as a filter to ensure that only pertinent matters are tabled at the Board level. There is also a formal procedure sanctioned by the Board, whether as a full board or in their individual capacity, for Directors to obtain independent professional advice at the Company's expense.

### 1.6 Qualified and Competent Company Secretaries

Every Director has unhindered access to the advice and services of the Company Secretaries. One of the Company Secretaries is a member of the Malaysian Institute of Accountants and the other is a Licensed Secretary registered with the Companies Commission of Malaysia.

The Company Secretaries are accountable directly to the Board on all matters to do with the proper functioning of the Board which includes:

- (a) advising the Board and its Board Committees on governance matters;
- (b) coordinating the timely completion and dispatch of Board and Board Committees papers;
- (c) ensuring that the business at Board and Board Committee's meetings is accurately recorded in the minutes;

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

### 1.6 Qualified and Competent Company Secretaries (cont'd)

- (d) providing assistance in organising and facilitating the induction and professional development of Directors; and
- (e) updating the Board on the amendments to the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Companies Act and such relevant laws affecting the Group.

The Board believes that the current Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. In the event that either of the Company Secretaries fails to fulfil his/her functions effectively, the terms of appointment permit his/her removal and the appointment of a successor by the Board as a whole.

### 1.7 Board Charter

The Board had in 2012 formalised a Board Charter setting out the principles governing the Board of the Company and adopts the principles of good corporate governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter was revised on 28 March 2015.

The Board Charter was designed to achieve the following objectives:

- (a) To enable the Board to provide strategic guidance and effective oversight of the Management;
- (b) To clarify the roles and responsibilities of members of the Board and the Management to facilitate the Board and the Management's accountability to the Company and its shareholders; and
- (c) To ensure a balance of authority so that no single individual or group of Directors has unfettered powers.

The Board will review the Board Charter periodically or as and when required and make any changes it determines necessary or desirable. The Board Charter is available for reference on the Company's website at [www.texchemgroup.com](http://www.texchemgroup.com).

## 2. STRENGTHEN COMPOSITION

### 2.1 Nomination Committee

The Nomination Committee comprised the following members during the financial year under review:

Members	
Dato' Seri Nazir Ariff Bin Mushir Ariff	Chairman, Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director

During the financial year under review, the Nomination Committee met once on 9 December 2016. Tan Sri Dato' Seri (Dr.) Fumihiko Konishi and Cik Zarizana @ Izana Binti Abdul Aziz were invited by the Chairman of the Nomination Committee to attend the meeting wherein at such invitation Tan Sri Dato' Seri (Dr.) Fumihiko Konishi attended the said meeting.

The Board has identified Dato' Seri Nazir Ariff Bin Mushir Ariff as the Independent Non-Executive Director to chair the Nomination Committee.

The Nomination Committee consists entirely of Non-Executive Directors, all of whom are independent.

During the financial year under review, there was no new Director appointed.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 2. STRENGTHEN COMPOSITION (CONT'D)

### 2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors

The Nomination Committee is empowered by the Board and its Terms of Reference are to bring to the Board recommendations as to the appointment of new Directors and appointment of Directors to Board Committees. The Nomination Committee also keeps under review the Board structure, size and composition, the Board succession planning as well as training programmes.

The Nomination Committee systematically assesses the effectiveness of the Board, the Board Committees and the contribution of each individual Director on an annual basis. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are documented. Assessment forms have been developed to facilitate the assessment process. Assessment of the Board and Board Committees are performed on a Board review or self-assessment basis whilst assessment of individual Directors is performed on a peer review basis. Each Director is provided with the same set of assessment forms for their completion. The results of all assessments and comments by Directors are summarised and deliberated at the Nomination Committee meeting and thereafter the Nomination Committee's Chairman will report such result and deliberation to the Board.

The assessment of the Board and the Board Committees are based on:

- composition
- structure
- adequacy of information and processes
- accountability
- performance
- standard of conduct

The criteria used, amongst others, for individual Director includes:

- abilities, competencies and knowledge
- integrity and personality
- participation at Board and Board Committees meetings including the contribution to the business strategies and performance of the Group
- attendance of meetings

The Terms of Reference of the Nomination Committee is set out in the Nomination Committee: Terms of Reference section of this Annual Report and is also set out under the Corporate Governance section in the Company's website.

#### **Appointment Process and Induction Programme**

The Board through the Nomination Committee's annual appraisal believes that the current composition of the Board brings the required mix of skills, independence, diversity of gender and core competencies required for the Board to discharge its duties effectively.

New appointees will be considered and evaluated by the Nomination Committee in various aspects, *inter alia* skill, knowledge, expertise and experience, professionalism, sound judgement, diversity of gender, time commitment, caliber and integrity and credibility on a continuing basis. The Company practices a clear and transparent nomination process which involves the following stages:

- (a) identification of candidates.
- (b) evaluation of suitability of candidates.
- (c) meeting up with candidates.
- (d) final deliberation by the Nomination Committee.

The Nomination Committee will then recommend the candidates for approval and appointment by the Board. The Company Secretaries will ensure that all appointments are properly made and that legal and regulatory obligations are met.

An induction programme will be arranged for newly appointed Directors to familiarise themselves with the operations of the Group through briefings by the relevant management teams.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 2. STRENGTHEN COMPOSITION (CONT'D)

### 2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors (cont'd)

#### **Re - Election**

The Articles of Association provide that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information on each Director standing for election such as personal profile and the shareholdings in the Group are furnished in a separate statement accompanying the Notice of the AGM.

#### **Board Diversity Policies, Targets and the Measures**

The Board is supportive of diversity in the boardroom namely diversity in gender, ethnicity and age as such diversification would enlarge the pool of skills, talents, perspectives and ideas within the Board.

As an initial step taken by the Board towards achieving a more gender diversified Board, the Board has set the number of women on the Board at one (1) and the Board have achieved the target as currently there is one (1) female Independent Non-Executive Director on the Board. The Nomination Committee will continue to identify suitable women candidates in its recruitment process and shall from time to time review the number of women candidates on the Board. Further, in line with the policy on diversity in ethnicity and age, the Board members represent a range of ethnicities as shown in the Board line up and the age of the Directors ranged from 48 to 73.

### 2.3 Remuneration Policies and Procedures

#### **Remuneration Committee**

The Remuneration Committee comprised the following members during the financial year under review:

Members	
Zarizana @ Izana Binti Abdul Aziz	Chairman, Independent Non-Executive Director
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman of the Board

During the financial year under review, the Remuneration Committee met twice on 26 January 2016 and 29 February 2016. The meetings were attended by all the members of the Remuneration Committee.

The Remuneration Committee consists of a majority of Non-Executive Directors, all of whom are independent.

The Remuneration Committee is responsible for *inter alia* recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors. The Terms of Reference of the Remuneration Committee is set out in the Remuneration Committee: Terms of Reference section of this Annual Report and is also set out under the Corporate Governance section in the Company's website.

The Executive Directors did not participate directly in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The policy practised on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

Further details of Directors' remuneration are set out below and in the Notes to the Financial Statements.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 2. STRENGTHEN COMPOSITION (CONT'D)

### 2.3 Remuneration Policies and Procedures (cont'd)

#### *Details of the Directors' Remuneration*

Details of the nature and amount of each major element of the remuneration of each Director of the Company holding office during the financial year 2016 are as follows:

- Aggregate remuneration of Directors categorised into appropriate components:

In RM'000	Fees	Salaries, Bonus and Others	Benefits in Kind	Total
Company				
- Executive Directors	800 <sup>(1)</sup>	814	34	1,648
- Non-Executive Directors	240 <sup>(1)</sup>	69	-	309
Subtotal	1,040 <sup>(1)</sup>	883	34	1,957
Subsidiaries				
- Executive Directors	1,194	3,228	115	4,537
- Non-Executive Directors	-	-	-	-
Subtotal	1,194	3,228	115	4,537
Total	2,234	4,111	149	6,494

<sup>(1)</sup> Subject to shareholders' approval at this coming AGM.

- During the financial year under review, the number of Directors whose remuneration falls into the following bands are:

	Number of Directors	
	Executive	Non-Executive
RM50,000 and below	-	-
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	1	-

Executive Directors receive bonuses based on the achievement of specific goals related to the performance of the Group (including operational results). Independent Non-Executive Directors do not receive any performance related remuneration.

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

As at the date of this statement, the Board consists of seven (7) members; comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 3. REINFORCE INDEPENDENCE (CONT'D)

### 3.1 Annual Assessment of Independence (cont'd)

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in paragraph 1.01 of the Listing Requirements and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent Directors. The assessment of independence of the Independent Directors is carried out upon appointment, annually and at any other time where the circumstances of a Director change such as to warrant reconsideration. The Board has conducted an assessment of the independence of the Independent Directors and is confident that they maintained their independency.

### 3.2 Tenure of Independent Directors

Although the Board notes the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years, it is of the view that the independence of the Independent Non-Executive Directors should not be determined solely or arbitrarily by their tenure of service. The Board is confident that the Independent Non-Executive Directors who have served the Board for more than nine (9) years have retained independence of character and judgment and are able to express their views without any constraint.

### 3.3 Shareholders' Approval for the Re-appointment of Independent Non-Executive Directors who have served for more than nine (9) years

Independent Non-Executive Directors, Dato' Seri Nazir Ariff Bin Mushir Ariff and Dato' Danny Goon Siew Cheang have each served on the Board for more than nine (9) years. The Board took note of the recommendation of the Code on the tenure of an independent director for a cumulative term of not exceeding nine (9) years. The Board believes that although Dato' Seri Nazir Ariff and Dato' Danny Goon have each served more than nine (9) years on the Board, they have retained independence of character and judgement and have not formed association with Management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group. Accordingly, the Board is making a recommendation to shareholders that both Dato' Seri Nazir Ariff and Dato' Danny Goon remain as Independent Non-Executive Directors based on the following justifications:

The Board is of the view that Dato' Seri Nazir Ariff's expertise, broad international experience and vast experience in various industries provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board. The Board is confident that his length of service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

The Board believes that with Dato' Danny Goon's qualifications, expertise and extensive experience as a Chartered Accountant and his accumulative knowledge of the Group's business and operations, he has made and continues to make valuable contribution through his role as Chairman of the Audit Committee and his roles on the Remuneration and Nomination Committees. The Board is confident that Dato' Danny Goon is able to carry out his duties and responsibilities independently and objectively notwithstanding his tenure on the Board.

### 3.4 Separation of Positions of the Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whereas the Chief Executive Officer is responsible for the day to day management of the business as well as the implementation of Board policies and decisions.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 3. REINFORCE INDEPENDENCE (CONT'D)

### 3.5 Board Composition and Balance

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities and have a proper understanding of and competence to deal with the current and emerging business issues.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is currently the Executive Chairman of the Board. Given the scope and nature of business activities of the Group, the Board is of the view that with Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's extensive knowledge, experience, entrepreneurial quality and his being actively involved in the business, it is more effective for him to continue to guide the Board on discussions on issues and challenges faced by the Group. The Board also believes that the interests of shareholders are best served by the Executive Chairman who is sanctioned by shareholders and who will act in the best interests of shareholders as a whole. As the Executive Chairman has a significant relevant interest in the Company, he is well placed to act on behalf of shareholders and in their best interest.

The Board is mindful that the Board comprises less than a majority of independent Directors. However, the Board is able to exercise objective judgment on business and corporate affairs in the presence of the current Independent Directors on the Board who provide unbiased and independent view, advice and judgment. In respect of potential conflict of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Listing Requirements.

The Code recommends the appointment of a senior independent non-executive director to whom concerns may be conveyed. As explained in the Compliance Statement above, the Board has not appointed any Independent Non-Executive Director to fulfil the role. The Board is confident that the current Board composition fairly reflects the interests of minority shareholders in the Company.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

#### *Meetings*

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be made in between the scheduled meetings. During the financial year under review, the Board met six (6) times on 29 February 2016, 22 April 2016, 27 July 2016, 27 October 2016, 25 November 2016 and 9 December 2016; where it deliberated upon and considered various matters.

Details of each existing Director's meeting attendance during the financial year under review are as follows:

Meetings Attended (Out of 6)		
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman	5/6
Brian Tan Guan Hooi	President and Group Chief Executive Officer	6/6
Wong Kin Chai	Executive Director	6/6
Yap Kee Keong	Executive Director	6/6
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director	6/6
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director	6/6
Zarizana @ Izana Binti Abdul Aziz	Independent Non-Executive Director	3/6

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 4. FOSTER COMMITMENT (CONT'D)

### 4.1 Time Commitment (cont'd)

#### *Meetings (cont'd)*

The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company and the Board is confident with the level of time commitment which would *inter alia* comprise attendance at:

- Board meetings
- Board Committee meetings
- Annual General Meetings
- Site visits

In line with the Code, the protocol adopted by the Company in relation to the acceptance of new directorship is that each Director is required to notify the Chairman of the Board prior to accepting directorships in public and public listed companies incorporated in Malaysia as well as directorships in corporations with similar businesses operating in the same jurisdiction; and the notice of appointment is also circulated/tailed to the Board for information.

### 4.2 Directors' Training

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Under its Terms of Reference, the Nomination Committee will evaluate and determine the training needs of the Directors under the continuing education programmes.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted currently by Bursatra Sdn Bhd.

During the financial year under review, all Directors have attended various training programmes and seminars, details as set out below, to enhance their knowledge and expertise:

Director	Training/ Seminars/ Conferences
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	<ul style="list-style-type: none"><li>• Companies Act 2016: Impact on Directors</li></ul>
Brian Tan Guan Hooi	<ul style="list-style-type: none"><li>• Seminar on Proposed Malaysian Code on Corporate Governance 2016 - Implications to Listed Issuers and Board</li><li>• Governing Boards - Roles and Responsibilities Workshop</li></ul>
Wong Kin Chai	<ul style="list-style-type: none"><li>• Companies Act 2016: Impact on Directors</li><li>• Launch of the AGM Guide &amp; CG Breakfast Series: 'How To Leverage on AGMs for Better Engagement with Shareholders'</li></ul>
Yap Kee Keong	<ul style="list-style-type: none"><li>• Companies Act 2016: Impact on Directors</li></ul>
Dato' Seri Nazir Ariff Bin Mushir Ariff	<ul style="list-style-type: none"><li>• Seminar on Proposed Malaysian Code of Corporate Governance 2016 - Implications to Listed Issuers and Board</li></ul>
Dato' Danny Goon Siew Cheang	<ul style="list-style-type: none"><li>• Seminar on Proposed Malaysian Code of Corporate Governance 2016 - Implications to Listed Issuers and Board</li><li>• Companies Act 2016: Impact on Directors</li><li>• New Public Rulings in 2016</li><li>• Risk Management &amp; Internal Control: Workshop for Audit Committee Members - "An Integrated Assurance on Risk Management and Internal Control - Is Our Line of Defence Adequate and Effective?"</li></ul>
Zarizana @ Izana Binti Abdul Aziz	<ul style="list-style-type: none"><li>• Companies Act 2016: Impact on Directors</li></ul>

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

#### *Financial Reporting*

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual and quarterly financial statements to Bursa Securities as well as the Management Discussion and Analysis section in this Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting as set out in the Audit Committee Statement.

#### *Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements*

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### 5.2 Assessment of Suitability and Independence of External Auditors

The external auditors of the Company fulfil an essential role in giving assurance to the Company's shareholders on the reliability of the Group's financial statements.

The external auditors have an obligation to bring to the attention of the Board, the Audit Committee and Management any significant weaknesses in the Company's and the Group's system of reporting, internal control and compliance with the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and regulatory requirements.

The external auditors of the Company are invited to attend all Audit Committee meetings.

The Audit Committee also meets with the Group's external auditors at least twice a year without the presence of Management to discuss and review their audit findings and any other matters they wish to bring to the attention of the Audit Committee.

The Audit Committee has obtained annual written assurance of independence from external auditors after the audit. The external auditors have implemented a number of firm wide ethics and independence systems to maintain objectivity, to be free from conflict of interests when discharging their professional responsibilities and monitor compliance with their firm's policies in relation to independence and ethics. Moreover, the external auditors have an audit engagement partner rotation policy of five (5) years.

The Audit Committee has adopted Exhibit 14 of Bursa Malaysia's Corporate Governance Guide, 2nd edition, to review and assess with Management annually, the performance, suitability and independence of the external auditors and the level of non-audit services rendered by them.

Being satisfied with the external auditors' performance, technical competency and audit independence, the Audit Committee recommended to the Board for their re-appointment. The Board has approved the Audit Committee's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of the external auditors for the ensuing year.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

### 5.2 Assessment of Suitability and Independence of External Auditors (cont'd)

During the year, the audit and non-audit fees incurred by the Company and its subsidiaries for services rendered by external auditors of the Company and its affiliated firms are set out below:

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Audit fees	426	37
Non-audit fees	257	93

The non-audit fees consist mainly of tax compliance fees, corporate exercise fees on disposal of 30% equity interest in Fumakilla Asia Sdn. Bhd. and 26.36% equity interest in PT Fumakilla Nomos and etc. The non-audit fees is 60.3% and 251.4% of the Group's and Company's audit fees respectively for financial year ended 31 December 2016.

The key features underlying the relationship of the Audit Committee with the external auditors are as set out in the Audit Committee's Terms of Reference section in this Annual Report.

A summary of the activities of the Audit Committee during the financial year is set out in the Audit Committee Statement.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound Framework to Manage Risk

The Board has oversight and overall responsibility for the governance, risk management and internal control system of the Company and its subsidiaries, which provides reasonable assurance on its achievement of its objectives, effective and efficient operations, compliance with laws and regulations, and adherence with internal policies and procedures.

An enterprise risk management and internal control system has been established to ensure achievement of the Group's long-term strategic objectives, effective and efficient operations as well as safeguarding of assets and shareholders' interest of the Company and its subsidiaries.

### 6.2 Internal Audit Function

The in-house Internal Audit function provides objective and independent assurance and consulting to ensure the adequacy and effectiveness of the Group's governance, risk management and control system and monitors compliance with the law, policies and procedures.

The Statement on Risk Management and Internal Control as set out in this Annual Report provides an overview on the state of risk management and internal control in the Company and its subsidiaries.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. As such, the Board observes the Corporate Disclosure Guide issued by Bursa Malaysia Berhad which can be viewed from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of legal and regulatory framework governing the release of material and price-sensitive information. Such material and price-sensitive information is not released unless it has been duly announced or made public through proper channels.

# CORPORATE GOVERNANCE **STATEMENT (CONT'D)**

## **7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)**

### **7.2 Leverage on Information Technology for Effective Dissemination of Information**

The Company's website, [www.texchemgroup.com](http://www.texchemgroup.com), provides a comprehensive avenue for latest information dissemination to the shareholders and public, such as dedicated sections on corporate information including financial information, Company news and corporate governance. Shareholders are able to put questions to the Company through its email published in the website and the Company will reply accordingly.

The Company also maintains a Facebook page "Texchem Group – Official" where corporate events and staff activities are posted as a way to engage with the employees and general public.

## **8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

### **8.1 Encourage Shareholder participation at General Meetings**

The Company fully recognises the rights of the shareholders and encourages them to exercise their rights at the Company's AGM. The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both individual and institutional shareholders on all issues relevant to the Company at the AGM. It is also a requirement for the Company to send the Notice of the AGM and related papers to shareholders at least twenty one (21) days before the meeting. The Notice of the AGM is also published in the Company's website, [www.texchemgroup.com](http://www.texchemgroup.com) from the date of notice up to AGM. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year under review and outlines the prospects of the Group for the subsequent financial year.

The Board also shares with shareholders at general meetings the questions, if any, submitted in advance by the Minority Shareholder Watchdog Group in respect of the agenda of the general meetings and the Company's responses thereto.

### **8.2 Poll Voting**

Pursuant to Paragraph 8.29(A) of the Listing Requirements, all resolutions tabled at general meetings will be put to vote by way of a poll and the voting results will be announced at the general meetings and through Bursa Securities.

The Board will ensure that all resolutions set out in the forthcoming and future general meetings will be voted on by way of a poll and verified by an independent scrutineer. The outcome of all resolutions proposed at the general meetings will be announced to Bursa Securities on the same day.

In line with the aforesaid amendments to the Listing Requirements, the resolution tabled at the Company's Extraordinary General Meeting held on 25 November 2016 was voted on by poll and the poll result was verified by an independent scrutineer and thereafter announced to Bursa Securities.

### **8.3 Effective Communication and Proactive Engagements with Shareholders**

As an ongoing effort for the Company to strengthen the Company's relationship with the shareholders, the Company continues to build shareholders' confidence by keeping shareholders informed of all major developments and performance of the Group through timely announcement on quarterly results and various disclosures and announcements made to the Bursa Securities via the Bursa Link, press releases, the Company's annual reports and circulars to shareholders and maintaining an active dialogue with shareholders with the intention of giving shareholders as much as possible, a clear and complete picture of the Company's performance and position.

Press conferences are also held to brief members of the media on key events of the Company. In addition, throughout the financial year under review, the Company had programmes for meetings or interviews with the investment community or press.

This statement is issued in accordance with a resolution of the Board dated 2 March 2017.

# AUDIT COMMITTEE STATEMENT

## MEMBERSHIP

The composition of the Audit Committee during the year was as follows:

Dato' Danny Goon Siew Cheang, *Chairman, Independent Non-Executive Director*,

Dato' Seri Nazir Ariff bin Mushir Ariff, *Independent Non-Executive Director*,

Cik Zarizana @ Izana binti Abdul Aziz, *Independent Non-Executive Director*.

## MEETINGS

During the year, the Audit Committee convened a total of seven (7) meetings, of which two (2) meetings were with the external auditors without the presence of management.

All meetings were held with sufficient notification and with agenda being distributed to the members. Except for Cik Zarizana @ Izana binti Abdul Aziz who attended 4 out of 7 meetings, the other AC members attended all the meetings.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Audit Committee discharged its duties in accordance with its terms of reference as follows:

### Oversight of Financial Reporting

- Reviewed with Management and external auditors before recommending to the Board for consideration, the quarterly and annual audited financial statements of the Company and the Group and ensured they were in compliance with Malaysian Financial Reporting Standards and Bursa Malaysia's Main Market Listing Requirements (MMLR)
- Reviewed with Management and external auditors before presenting to the Board for consideration, the Group's Statement on Risk Management and Internal Control for inclusion in the Annual Report

### Oversight of External Auditors

- Reviewed with them, their annual Audit Plan and strategy, scope of work and reporting requirements for the year
- Reviewed with them, their evaluation of the system of internal controls, recommendations for improvement, management letters and management responses thereon
- Reviewed with them, their audit report
- Confirmed with them, their audit independence
- Reviewed with them without the presence of Management, matters arising from the audit or any other issues, which they wish to bring to the attention of the Audit Committee
- Reviewed with them without the presence of Management, the adequacy of the cooperation given by the Company's officers during the audit
- Reviewed with Management their audit fees and annual evaluation of their performance, technical competency, audit independence and suitability before recommending to the Board their reappointment

### Oversight of Internal Auditors

- Reviewed and approved the annual risk based Internal Audit Plan on the audit frequency and timing, work scope, areas of audit focus and adequacy of resources
- Reviewed and approved the annual Internal Audit cost budget
- Reviewed the quarterly Internal Audit Departmental report and audit progress with Plan
- Reviewed the Internal Audit Reports, audit findings, recommendations for improvement and management's responses to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system
- Conducted an annual evaluation of the Internal Audit function
- Reviewed the annual performance appraisal and assessment of the Internal Audit staff

### Oversight of Recurrent Related Party Transactions

- Reviewed with Management to ensure the actual Recurrent Related Party Transactions were within the limits approved by the shareholders

## AUDIT COMMITTEE **STATEMENT** (CONT'D)

### **INTERNAL AUDIT FUNCTION**

The Audit Committee is assisted by an in-house Internal Audit function in discharging its duties and responsibilities independent of the Group's business activities, operating entities and divisions.

The Internal Audit function is established to add value and improve the Group's operations by conducting independent and objective assurance and consulting activities to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system. In its current structure, the Internal Audit is able to provide Directors and Management with pertinent information about weaknesses in the system of internal control allowing Management to take timely remedial action.

The Internal Audit's position, objective, independence, ethical conduct, authority, role, responsibilities and scope of work are articulated in the Internal Audit Charter approved by the Board.

The Internal Audit function reports administratively to the Group Chief Executive Officer and functionally to the Audit Committee who reviews and approves its annual risk based Audit Plan, cost budget and human resources requirements to ensure it is adequately resourced with competent and proficient internal auditors. The Audit Committee also conducts annual performance evaluation of the Internal Audit function.

A risk based approach is adopted in audit planning so that high and significant audit risk areas are audited annually. Audit risks are determined based on enterprise risks identified by Management, prior audit experience and Management input. They are then rated as high, significant, moderate and low audit risks based on the same criteria of likelihood of occurrence and consequence adopted in the Group's enterprise risk management system. The plan also sets out the audit frequency, scope of work, areas of audit focus and resources.

During the year, the Internal Audit conducted various assurance assignments in accordance with the risk based plan. The Internal Audit function had evaluated the adequacy and effectiveness of key controls in responding to risks within the Group's governance, operations and information systems regarding the:

- Reliability and integrity of financial and operating information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with relevant laws, regulations, internal policies and procedures

Significant audit findings and recommendations for improvement were reported in the Internal Audit Reports addressed to senior Management for prompt corrective action to be taken. The Audit Committee was provided with these Audit Reports with management's responses and their action plans for review and deliberation with Management at the Audit Committee meetings. Follow-up reviews were also conducted by the Internal Audit function to ensure that audit matters are adequately addressed by Management.

The Chief Audit Executive has presented his annual report to the Board highlighting any significant audit matters and issues, if any, during the year which the Internal Audit wished to bring to the Board's attention.

The Internal Audit has also confirmed with the Audit Committee and the Board that all assurance assignments undertaken during the year were conducted objectively and independently, free from any conflict of interest.

The Internal Audit activities were also conducted in a consistent manner and in conformity with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors, Malaysia.

In 2016, the total cost of the Internal Audit function comprising staff payroll, office rental, travelling and incidental costs amounted to approximately RM630,000 (2015: RM594,000).

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## BOARD'S RESPONSIBILITY

The Board of Directors ("Board") affirms its' responsibility for the integrity, adequacy and effectiveness of Texchem Resources Bhd Group's (the "Group") risk management and internal control system. This system covers governance, enterprise risk management, strategic, organisational, financial, operational, regulatory and compliance controls.

The Board recognises that the system is an ongoing process designed to manage, rather than eliminate the risk of not complying with the Group's policies and achieving its long-term strategic objectives. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement of information, loss or fraud.

Management assists the Board in implementing the Board's policies and procedures on risks and control by:

- Identifying and evaluating risks
- Designing, executing and monitoring of suitable controls to manage these risks effectively
- Identifying emerging risks or changes in risks, taking appropriate action and promptly highlighting for the Board's attention

## KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The key processes that have been established to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system include the following:

- The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority. A hierarchical reporting system is in place with appropriate authority limits, proper segregation of duties, annual budgeting, monthly reporting of variances between the actual and budgeted results for corrective action to be taken and human resource management policies. Policies and procedures to ensure compliance with risk management, internal controls and relevant laws and regulations are set out in the standard operating procedures of the individual companies.
- The Group has a 5 year strategic plan approved by the Board. This long-term plan is reviewed and updated every 5 years or earlier in tandem with market changes and the business environment. A review of the achievement of these plans is conducted annually for further management action.
- An Executive Committee ("EXCO") was established by the Board to manage the Group's risks and operations in accordance with the long-term strategic objectives, strategies and the annual budget as well as the policies and business directions as approved by the Board. The EXCO executes the strategies approved by the Board and addresses issues arising from changes in the external environment and internal operating conditions.
- The Group has an Enterprise Risk Management ("ERM") framework aligned with its long term strategic objectives and embedded in the daily operations of individual companies. This ERM system is an ongoing and systematic process to identify, assess, respond and monitor risks.
- Risks are classified into two categories namely those which are catastrophic in nature and top 5 key risks. Every 6 months, the Management of individual companies reviews the relevance of existing risks and assesses new ones. The respective company's own risk profile is updated after assessing the suitability and effectiveness of the risk controls. Risks are rated based on their likelihood of occurrence and severity of consequence and financial impact on the individual companies' cash flow and profit.
- The Divisional President/CEO then reviews the Divisional risks and their control effectiveness with individual companies' Management. New or emerging risks are reviewed and existing risk controls re-assessed and strengthened. The Risk Report by each Divisional President/CEO is then submitted to the Chief Risk Officer at the corporate headquarters for review.
- The Chief Risk Officer who is also the Group Chief Financial Officer reviews and presents the Group's Risk Report and updates the Board every 6 months on the status of the Group's enterprise risk management process, changes in risk profiles and their controls in place.
- The Group's in-house Internal Audit function conducts independent audits of individual companies on the adequacy and effectiveness of their governance, enterprise risk management and internal control systems, operational effectiveness, compliance with policies and procedures and highlights findings of non-compliance, control deficiencies and recommendation for improvement.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

- A risk based annual audit plan setting out the audit frequency, areas of audit focus and scope of work is approved by the Audit Committee every year. The Internal Audit function provides the Board, Audit Committee and Management with independent and objective reports on the audit findings, recommendations for improvement and management's responses and action plans. The Internal Audit also provides the Board and Audit Committee with updates on the subsequent execution of the management's action plans. Audit issues and action taken by Management were discussed and deliberated on during the Audit Committee meetings. Minutes of the Audit Committee meetings which recorded these deliberations were tabled to the Board. A summary of these issues, if material and other matters highlighted by the Internal Audit for the year are also tabled for the Board's attention at year end.
- At year end, the Internal Audit provides assurance to the Audit Committee and Board that all assurance assignments during the year were conducted objectively and independently, free from any conflict of interest and in conformity with the Group's Internal Audit Charter and International Standards for the Professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors, Malaysia.
- The Board has also received assurance from the President and Group Chief Executive Officer and Group Chief Financial Officer that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects based on the risk management and internal control system adopted.

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), 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 ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared 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 Issues, or
- (b) is factually inaccurate

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether 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.

This Statement was approved by the Board on 27 March 2017.

This Statement on Risk Management and Internal Control does not cover the associates as disclosed in Note 5 to the financial statements.

## CONCLUSION

The Board is of the view that the risk management and internal control system in place during the year under review and up to the date of approval of this statement is sound and adequate to safeguard shareholders' investment, the interests of customers, regulators, employees and other stakeholders of the Group.

# SUSTAINABILITY STATEMENT

Sustainability is at the core of Texchem Resources Bhd's vision (Texchem Resources Bhd is hereinafter referred to as "TRB" or "Texchem" or "Company"). TRB has always adhered to the three pillars of sustainable development, namely, economic, environmental and social considerations while committed to maintaining the high standard of corporate governance in its effort to build a strong and vibrant business community for long term.

## GOVERNANCE STRUCTURE

The operation of TRB Group as a whole is under the supervision of the President and Group Chief Executive Officer. TRB Group is made up of four main divisions, namely, the Industrial Division, Polymer Engineering Division, Food Division and Restaurant Division headed by the respective Divisional President and Chief Executive Officer. As for the individual company within TRB Group, each company is under the leadership of the respective Board of Directors.

Aside from the management team, the Group Internal Assurance and Consulting Department is formed to conduct assurance assignments to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system while monitoring compliance with policies and procedures.

In order to assist the management team in the execution of Company policies and business plans in pursuing the Group's vision and objective, Corporate Affairs Committee has also been formed to serve as a conduit between the management level and the employees.

Through a systematic governance structure, TRB is driven to enforce its sustainability strategy across the top management till the operational level from the economic, environmental and social perspectives.

## SCOPE OF SUSTAINABILITY STATEMENT AND BASIS FOR THE SCOPE

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, TRB's sustainability framework is premised upon the evaluation of the economic, environmental and social ("EES") risk and opportunities coexistent with the Company's corporate governance framework and corporate social responsibilities.

TRB believes that sustainable corporate success requires the highest standard of corporate behaviour including measuring up to the public expectations on economic, environmental and social responsibilities. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, it would enable TRB Group to achieve sustainable growth and enhance long-term value for its shareholders. In 2016, TRB continued with this commitment as a good and responsible corporate citizen.

## MATERIAL SUSTAINABILITY MATTERS

### 1. Economic

#### 1.1 Understanding the Expectation of Shareholders

Shareholders of any company are a company's lifeline since shareholders are stakeholders who believe in the company and have invested their hard-earned monies to support the company.

As TRB values its shareholders who have invested in TRB, TRB takes its duties and responsibilities to its shareholders seriously by maintaining active dialogues with the shareholders with the intention of giving shareholders as much as possible, a clear and complete picture of TRB Group's performance and position.

Apart from the Annual General Meetings where the shareholders are invited to raise questions to the management of TRB, in 2016, TRB revamped its corporate website into a more interactive and user-friendly website wherein a link on Investor Relations was incorporated. Under the Investor Relations chapter, information beneficial to shareholders such as circulars and notices to shareholders, financial results, listing announcements, change of corporate information, general meetings and other relevant information are uploaded regularly. Besides, there is also a contact channel in TRB's website for the shareholders to air their views and comments to TRB.

Further, in conjunction with the paperless technology, news related to TRB Group which had been published in the press and "Texview", an in-house magazine of Texchem are also uploaded on TRB website on a quarterly basis.

#### 1.2 Texchem's Integrity Pledge

In an effort to preserve shareholders' interest, TRB strives to maintain high standard of corporate ethics and strict compliance with the laws and regulations. This is because TRB believes that high standard of integrity, honesty and accountability are fundamental keys to sustainable business.

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 1. Economic (cont'd)

#### 1.2 Texchem's Integrity Pledge (cont'd)

In 2016, TRB Group expressed its commitment to abide by ethical business practices, good corporate governance and combat against all forms of corruptions by introducing the Integrity Pledge amongst its employees. Pursuant to the President and Group Chief Executive Officer's direction, Texchem's Integrity Pledge poster was launched in August 2016 and displayed in all Texchem's business premises. In order to instill this culture into our business dealings and organisations, TRB Group Human Resources Department had also requested all employees to sign the Texchem's Integrity Pledge.

#### 1.3 Integrating the Local Culture into Japanese Cuisine

A large majority of the population in Malaysia comprises Malay Muslims. With this in mind, it is important for Restaurant Division to work towards serving food that is in compliance with the Islamic principles – the Halal certified food. Besides, Halal products also receive worldwide recognition as a scale for food safety and quality assurance.

Being the largest sushi restaurant chain in Malaysia, Sushi Kin Sdn Bhd of TRB Group strives to ensure that the Muslim customers enjoy the Japanese cuisine served in Sushi King outlets with peace of mind. With this in mind, Sushi Kin Sdn Bhd has obtained Halal Certification from Jabatan Kemajuan Islam Malaysia ("JAKIM") wherein most of Sushi King outlets are officially certified as Halal restaurants by JAKIM. With the Halal certificate in place, it enhances the profitability of restaurant business and consequently brings the Restaurant Division towards sustainable business growth.

### 2. Environmental

#### 2.1 Environmental Conservation through Internal Control and Compliance

TRB Group recognises that several of its activities may have an impact on the environment.

Consequently, at all plants, TRB Group continues to ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and waste water.

As a result of such diligence, TRB Group's plants are certified with the international environmental management systems standard, ISO 14001:2004 Environmental Management System.

#### 2.2 Environmental Conservation through Technology and Innovation

Further to its development of the Malaysia's first thermoformable bioplastics, TRB continues its effort in the research and development in bioplastics products in 2016. This continuous effort is in line with the upward trend of "Going Green" as many companies are now looking into the advantages and the need of "Going Green" on two standpoints, namely, profitability and social consciousness.

In year 2016, TRB Group has validated TEXa for furniture and industrial goods using the injection molding grade Bio-Polypropylene (Bio-PP) compounds. TEXa's first bio-plastic chairs have been launched in the same year and are currently used at the restaurants within Restaurant Division as well as at offices and training rooms in external companies.

As a result of Texchem's consistent effort in the research and development of bioplastics, Texchem Polymers Sdn Bhd, a subsidiary of TRB has been granted patent with respect to its bioplastic inventions derived from agricultural waste in various countries such as the United States of America, Japan, Australia, Singapore and Taiwan.

#### 2.3 Environmental Conservation through Participation in Environmental Initiatives

TRB believes that sustainable business would not be achieved if the environment is compromised.

As a corporate citizen of Penang, TRB is sensitive about the issues concerning development and environment in the state. On 8th September 2016, senior management staff from the Polymer Engineering and Industrial Divisions participated in a Dialogue Session with the Chief Minister of Penang, Y.A.B Lim Guan Eng entitled "Penang: Development vs Environment – Can We Achieve a Balance?" organised by the Malaysian International Chamber of Commerce and Industry (MICCI) Penang and Northern Branch which aimed to tackle the citizens' concern in relation to the over-development issue in the state.

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 3. Social

#### 3.1 Utilising Technology for Social Betterment

##### 3.1.1 Medical and Life Sciences Technology

TRB sees the importance of upgrading the medical devices standard which in turn benefits mankind's health and welfare.

In conjunction with the evolution of Polymer Engineering Division from a conventional plastic products manufacturer to medical engineering solutions provider, TRB had invested substantially in the research and development work in relation to life sciences, medical and healthcare devices. In order to keep the employees abreast with the latest development of the technology while promoting Texchem's medical products, representatives from the Polymer Engineering Division participated in major medical conferences and trade fairs in 2016 such as MEDTEC Japan 2016 which is known as Asia's largest exhibition and conference dedicated to the medical device design and manufacturing industry held in Tokyo Big Sight, Japan.

##### 3.1.2 Thermoforming Technology

Being part of the polymer engineering business, TRB Group strives to stay relevant in the product development to contribute towards the global market by visiting and participating in major fairs and expositions such as the K Fair in Dusseldorf and SEMICON Southeast Asia 2016 at SPICE Arena Penang in which Texchem-Pack (M) Bhd and Texchem-Pack (PP) Sdn Bhd exhibited Texchem's Semiconductor Wafer Shipping Product and thermoforming technology including the newly introduced Heavy Gauge Thermoforming Products.

By participating in such significant events in the respective region, Texchem's representatives were introduced to the latest state of the art innovations in plastic and the most recent technology which advances the medical and life sciences industry as well as other industries served by Texchem which in turn benefits members of the community at large.

##### 3.1.3 Food Technology

TRB realises the impact of fishery activities to the ecology and the underlying challenges towards sustainable production. To cope with the growing gap between supply and demand in the seafood industry without compromising the environment, Food Division had embarked on various research and development projects in collaboration with distinguished academic institutions and research centres, namely, the Fisheries Research Agency of Japan and Universiti Sains Malaysia.

In year 2016, being the largest soft shell crab supplier in the world, Food Division continued its effort to produce crablets through hatchery technology development in collaboration with Can Tho University, Vietnam.

As part of the continuous thrust in market development, Food Division participated in various international seafood expositions in 2016 such as the following:-

- i. Seafood Expo North America 2016 also known as the International Boston Seafood Show;
- ii. Seafood Expo Global 2016 held at Brussels Expo in Belgium;
- iii. Seafood Processing Global 2016 held at Brussels Expo in Belgium; and
- iv. The 18th Japan International Seafood and Technology Expo held at Tokyo Big Sight.

#### 3.2 Preservation of Human Resources

At TRB Group, we value the contributions of each and every one of our employees, which is why we place utmost importance in offering a conducive work environment that is supportive of the employees' ambitions. We believe that by helping our employees realise their full potential, they in turn, can help us achieve TRB's corporate aspiration, making TRB Group an ideal place for talented individuals to build their careers.

##### 3.2.1 Encouraging Career Growth through Education Assistance Programmes and Trainings

For continuous employees' development, training is one of the most important facet in Texchem. In line with the Strategic Group Human Resources Plan, TRB establishes a system to continuously:

- Identify knowledge gap;
- Identify training programmes suitable to achieve company and Group objectives;
- Establish training support from both internal and external resources;
- Continuous assessment on the effectiveness of training programmes.

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 3. Social (Cont'd)

#### 3.2 Preservation of Human Resources (cont'd)

##### 3.2.1 Encouraging Career Growth through Education Assistance Programmes and Trainings (cont'd)

Over the years, TRB has been sponsoring its employees to pursue education programmes such as the accounting qualification by Association of Chartered Certified Accountants (ACCA), Diplomas and Degrees relevant to the individual work field and Master of Business Administration. From year 2010 to 2016, the total amount sponsored by TRB Group in Education Assistance Programme has exceeded RM200,000.00 and the figure continues to grow.

In consonance with one of TRB Group's motto to enhance personal and career development of the staff, a series of training programmes were organised in different companies within TRB Group in 2016 such as:-

- i. Texchem Continuous Improvement Programme by the Presidential Department and the Corporate Affairs Committee;
- ii. New Year and Second Half Town Hall Communication Conference at Texchem Life Sciences Sdn Bhd;
- iii. Acumen Town Hall Meeting;
- iv. Managers' Conference;
- v. Product Training by Trouw Nutrition at Wisma Texchem for employees from the Industrial Division;
- vi. Polymer Engineering Division's Medical Life Sciences Quality Management Representative (QMR) Workshop;
- vii. Product Training by Exxon Mobil in Texchem Materials Sdn Bhd;
- viii. Sales Training by the President and Chief Executive Officer of Industrial Division; and
- ix. Polymer Engineering Division's Medical Life Sciences Training.

##### 3.2.2 Texchem's Occupational Safety, Health and Environmental Policy

Establishing a positive safety and health culture is the key to good corporate governance and a requirement under the Occupational Safety and Health Act 1994. In the pursuit of its effort to establish a positive, safe and healthy working environment, TRB introduced the Occupational Safety, Health and Environmental Policy ("OSHE") Statement outlining the following principles:-

*"As a multinational conglomerate, Texchem Group is committed to conduct our business in a safe, healthy and environmentally responsible manner through the observance of the following principles:*

- *Prevention of injury, ill health and environmental degradation in all our activities;*
- *Adherence and compliance to applicable OSHE laws, regulations and other requirements;*
- *Setting and effectively communicating the OSHE policy to employees, contractors and interested parties;*
- *Systematically improve our operations and policies to create a safer, healthier and more environmentally sustainable workplace."*

In 2016, OSHE Statements were distributed to all the companies within TRB Group to be displayed so that the Company's commitment in providing a safe and conducive working environment is disseminated to all employees, visitors, contractors and related parties.

Being OSHE compliant, TRB Group is poised to garner international reputation by also being compliant with the guidelines set out by the International Labour Organisation ("ILO") as one of Texchem's corporate social responsibility initiatives to be a good corporate citizen both locally and internationally.

On 27th April 2016 and 24th May 2016 respectively, TRB Group's Security and OSHE Committee organised seminars on healthy working environment conducted by the representative from the Ministry of Home Affairs with total attendance of 69 employees.

##### 3.2.3 Reward Performance and Employees Appreciation

At Texchem, we have a performance-based reward system in place where reward is given based on the employees' performance. Besides the basic salary, allowances, bonuses, director's fees and benefits such as medical claim, mileage and toll claims and company car, Texchem Service Award Programme is one of the avenues to acknowledge and encourage employee loyalty. The award is presented to employees who have been in the company for five years, and at every increment of 5 years.

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 3. Social (Cont'd)

#### 3.2 Preservation of Human Resources (cont'd)

##### 3.2.3 Reward Performance and Employees Appreciation (cont'd)

Commencing from year 2014 with the aim of encouraging innovation, the Presidential Award is awarded at Division and Group levels to employees who introduce new methods, ideas or products which promote efficiency in the production and increase profitability. The representatives of each Division present their projects during the yearly Managers' Conference and the winner receives RM10,000 in cash and a winner's challenge trophy. On 15th January 2016, Texchem-Pack (M) Bhd's team, representing the Polymer Engineering Division, won the 2016 Presidential Award with their presentation entitled "Building Block Concept Production for Aerospace Interior Parts".

##### 3.2.4 Ladies in Leadership

In Texchem, female employees are given opportunities to progress and hold important positions in the corporate ladder. In addition, Texchem Ladies Club was established to provide additional platform for the female employees to gain exposure, relevant skills and knowledge in achieving personal and career growth.

##### 3.2.5 Work-Life Balance towards Sustainable Productivity

TRB recognises the importance of work-life balance and believes that healthy and happy employees are the keys to the Company's productivity. As such, TRB has continuously sponsored and organised various sport activities to promote healthy and active lifestyle among the employees.

TRB Group incorporated the Mount Kinabalu Club to build on the power of positive peer influence to help the employees adopt healthy behaviour so they may live longer and healthier lives. In 2016, Mount Kinabalu Club continued its tradition since the inception of Texchem's first company in 1973 to organise the Annual Texchem Hikathon by extending invitations to suppliers, customers and bankers who joined the employees and the management of TRB Group for a hike which trail began from the foothill at the Botanical Gardens, Penang right up to the peak of the Penang Hill. This Annual Texchem Hikathon also fosters recreational fellowship and sportsmanship amongst employees and the management of TRB Group. Besides, TRB Group has also subsidised active Texchemers who participated in boot camp sessions at the Botanical Gardens, beach boot camp at Pantai Kerachut, jungle trekking to Pantai Kerachut, Gunung Jerai Hike, Bukit Larut (Maxwell Hill) Hike, monthly hiking trail session in various hiking spots in Penang and Texchem Annual Sports Meet in year 2016.

Further, Texchem Ladies Club had organised Health Screening & Health Talk and Zumba session at Texchem Northern Region while Texchem Human Resource Department of the Central Region organised Yoga session for the employees stationed in the Central Region.

In addition to Texchem's internal sports events, TRB Group had extended its support to the external sport and recreational events organised by the Non-Governmental Organisations (NGOs), the State Government and the private sectors with the common objective to promote healthy lifestyle among the citizens by way of sponsorship or subsidy to Texchemers who participated in the events. The relevant sports and recreational events are as follows:-

- i. Garmin Half Marathon;
- ii. ASICS Penang Bridge International Marathon (PBIM) 2016;
- iii. Putrajaya Night Marathon 2016;
- iv. Standard Chartered Kuala Lumpur Marathon 2016;
- v. The Men's Health Women's Health Night Run 2017 Johor Bahru;
- vi. Eco Night Run; and
- vii. Earth Hour Night Walk Penang & Petaling Jaya.



Annual Texchem Hikathon



Earth Hour Night Walk Petaling Jaya

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 3. Social (Cont'd)

#### 3.2 Preservation of Human Resources (cont'd)

##### 3.2.6 Strengthening Spirit of Team Work towards Sustainable Corporate Growth

TRB believes that a strong teamwork among the employees is the foundation of a successful organisation, particularly in the trying time of economic turbulence. Pursuant to such belief, series of activities were organised in year 2016 to foster the relationship and strengthen the spirit of team work among Texchemers:-

- i. Intrapreneur Hunt by the President and Group Chief Executive Officer, Mr Brian Tan with the aim to break barriers of bureaucracy and establish an open channel of communication across the Group;
- ii. Corporate Induction for all the new employees organised by the Group Human Resource Department;
- iii. Gotong-Royong within the Polymer Engineering Division;
- iv. 25th anniversary celebration, company trip and teambuilding by Eye Graphic Sdn Bhd at Adeline Villa, Gopeng;
- v. Teambuilding by the Industrial Division at the ESCAPE and the Heritage Site of Georgetown, Penang;
- vi. Georgetown Heritage Hunt for all managers across TRB Group;
- vii. Teambuilding camp by the Food Division at Sunway Lost World of Tambun;
- viii. Texchem Vietnam Group Gala Annual Dinner 2016;
- ix. Trip to Pangkor Island by the Polymer Engineering Division;
- x. Man vs Wild Eco Adventure Project at Penang National Park to Mukah Head;
- xi. Vibrance and Vitality Photo Contest;
- xii. Employees' birthday celebrations;
- xiii. Mid-Autumn Potluck 2016;
- xiv. Deepavali celebration and Potluck;
- xv. Get-Together Tea Time Makan-Makan; and
- xvi. Year-end lunch party and lucky draw.

As a result, Texchem received the "Silver Award" under the category of "Employer of Choice" in the Malaysia HR Award, a prestigious award initiated by the Malaysian Institute of Human Resource Management (MIHRM) on 27th October 2016.



Malaysia HR Award

# SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

### 3. Social (Cont'd)

#### 3.3 Giving Back to the Society

Contribution to the community is important in TRB's view. It is a symbiosis between a company and the community in which without the community, a company cannot sustain its businesses.

In 2016, with the aim to promote social welfare among the less fortunate, TRB Group sponsored various charity activities and organisations as follows:-

- i. "Can-Lah" food donation campaign organised by Penang Hard Rock Hotel in which Texchem and its employees donated food for 140 homeless and underprivileged families;
- ii. On 11th June 2016, Texchem Ladies Club committee and 20 Penang Forward Sports Club members visited Bethesda Home and offered help to paint the under maintained home. The committee has also handed over cash donation and donation in kind from TRB, Texchemers and members of Penang Forward Sports Club to the elderly at the Home; and
- iii. Canteen Day 2016 at Sekolah Menengah Kebangsaan Convent Butterworth participated by Sushi Kin Sdn Bhd wherein the profit from the sale of sushi during the Canteen Day was donated to the school.

To promote sport and cultural activities within the community, Texchem had also sponsored the Dragon Boat Team of Penang Forward Sports Club and Bon Odori event organised by the Penang Japanese Society in line with Texchem's corporate and social responsibility principles.

In furtherance to the Blood Donation Campaign which received overwhelming response from the workforce over the years, the Group Human Resources Department continued this noble course in 2016 at Texchem's headquarter in Penang, Texchem-Pack (M) Bhd's premises in Prai, Wisma Texchem in Subang Jaya and Texchem-Pack (Johor) Sdn Bhd's premises. As human blood is a scarce and precious resource, this drive has successfully raised awareness on blood donation and encouraged the culture of voluntary blood donation as it is a safe, simple and speedy process that helps to save lives.



*"Can-Lah" food donation campaign*



*Blood Donation Campaign*

#### OUR COMMITMENT

As a socially responsible citizen of the business community, TRB Group shall continue to adopt and apply effective economic approach, environmentally responsible practices, sound social policies and good corporate governance framework with the objective of enhancing transparency in its corporate disclosure, strengthening its risk management framework and achieving long-term sustainable growth. A copy of TRB Group's Sustainability Policy is available on TRB Group's website at [www.texchemgroup.com](http://www.texchemgroup.com), under the Investor Relations column.

## OTHER **DISCLOSURES**

### **PARTICULARS OF MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS DURING THE FINANCIAL YEAR**

During the financial year, there were no material contracts entered into by the Company and/or its subsidiaries involving directors and major shareholders' interests (not being contracts entered into in the ordinary course of business).

### **RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE**

Save as disclosed in Note 25 of the Notes to the Financial Statements as set out in this Annual Report and the Circular to Shareholders (Recurrent Related Party Transactions) dated 31 March 2017, there was no other transaction conducted pursuant to the shareholders' mandate during the financial year ended 31 December 2016.

# ANALYSIS OF SHAREHOLDINGS

As at 10 March 2017

Authorised Capital	- RM500,000,000.00
Issued and Paid-up Capital	- RM124,099,235.00
Class of Shares	- Ordinary shares
Voting Rights	- One vote per ordinary share
No. of Treasury Shares Held	- 2,522,200
No. of Voting Shares	- 121,577,035

## SHAREHOLDINGS STATISTICS

Size of Holdings	No. of Shareholders	Total Holdings#	%#
Less than 100	206	8,633	0.01
100 - 1,000	350	205,404	0.17
1,001 - 10,000	1,690	6,840,614	5.63
10,001 - 100,000	431	11,777,335	9.69
100,001 to less than 5% of issued shares	60	33,171,968	27.28
5% and above of issued shares	2	69,573,081	57.22
<b>Total</b>	<b>2,739</b>	<b>121,577,035</b>	<b>100</b>

Note: # Excluding 2,522,200 Treasury Shares

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares Held in the Company			
		Direct	%	Indirect	%
1	Texchem Corporation Sdn. Bhd.	21,153,109 <sup>(a)</sup>	17.40 <sup>(a)</sup>	-	-
2	Texchem Holdings Sdn. Bhd.	48,419,972	39.83	21,153,109 <sup>(b)</sup>	17.40 <sup>(b)</sup>
3	Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	-	-	74,670,603 <sup>(c)</sup>	61.42 <sup>(c)</sup>

## DIRECTORS' INTERESTS IN SHARES

No.	Name	No. of Shares Held in the Company			
		Direct	%	Indirect	%
1	Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	-	-	74,670,603 <sup>(c)</sup>	61.42 <sup>(c)</sup>
2	Brian Tan Guan Hooi	6,039	0.01	-	-
3	Yap Kee Keong	8,250	0.01	-	-

### Notes:

- (a) Pursuant to Section 22 of the Companies Act, 2016 ("Act"), the 21,153,109 ordinary shares held by Texchem Corporation Sdn. Bhd. ("Texcorp") in the Company shall not carry any voting rights at any general meeting of the Company.
- (b) Deemed interest by virtue of Texchem Holdings Sdn. Bhd.'s direct interest in Texcorp pursuant to Section 8 of the Act.
- (c) Deemed interest by virtue of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's direct and/or indirect interest in Texchem Holdings Sdn. Bhd. and Texcorp [both are major shareholders of the Company] and via persons connected with him, ie. his wife, Puan Sri Datin Seri Atsuko Konishi and his daughters, Ms Mika Konishi and Ms Mari Konishi (all are shareholders of the Company) pursuant to Sections 8 and 197 of the Act respectively.

The details of the interests of the Directors who were or are Directors during the financial year ended 31 December 2016 and the period commencing from 1 January 2017 until 10 March 2017 (including the interests of the spouses and/or children of the Directors) in the Company's related corporations as at 10 March 2017 are the same as the details set out in the section on Directors' Interests in the Directors' Report of this Annual Report.

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 10 March 2017

## THIRTY LARGEST SHAREHOLDERS (Excluding 2,522,200 Treasury Shares)

NO.	NAME	NO. OF SHARES	%
1	TEXCHEM HOLDINGS SDN. BHD.	48,419,972	39.83
2	TEXCHEM CORPORATION SDN. BHD.	21,153,109	17.40
3	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR NOMURA SECURITIES CO. LTD. (CLIENT AC)	3,000,000	2.47
4	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. DEUTSCHE BANK AG SINGAPORE FOR IAM TRADITIONAL ASIAN GROWTH FUND	2,910,500	2.39
5	BLOOD PROTECTION (HOLDING) CO. LTD.	2,339,884	1.92
6	ATSUKO KONISHI	2,234,694	1.84
7	MAN BIN MAT	2,051,500	1.69
8	MARI KONISHI	1,431,414	1.18
9	MIKA KONISHI	1,431,414	1.18
10	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS-PB)	1,147,500	0.94
11	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSGROWTH FUND	1,008,200	0.83
12	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ETIQA INSURANCE BERHAD (GENERAL FUND)	945,300	0.78
13	EYE CORPORATE PLANNING CO. LTD.	943,000	0.78
14	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEGGED SECURITIES ACCOUNT FOR SUSY DING (471873)	880,800	0.72
15	AMSEC NOMINEES (TEMPATAN) SDN. BHD. MTRUSTEE BERHAD FOR GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	709,700	0.58
16	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ETIQA INSURANCE BERHAD (GROWTH FUND)	700,000	0.57
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSBALANCED FUND	616,900	0.51
18	LOH PHOY YEN HOLDINGS SDN. BHD.	550,000	0.45
19	SUSY DING	510,400	0.42
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ETIQA INSURANCE BERHAD (LIFE ANNUITY FD)	499,000	0.41
21	FUMAKILLA LIMITED JAPAN	436,194	0.36
22	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC RECOVERY FUND	425,600	0.35
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. ETIQA INSURANCE BERHAD (PREM EQUITY FD)	403,700	0.33
24	OOI KOK SOON	375,000	0.31
25	UNITED FORMULA SDN. BHD.	369,300	0.30
26	YUTAKA YAMANAKA	359,893	0.30
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSDYNAMIC FUND	351,600	0.29
28	TAN NG TEE @ TAN CHENG YEW	339,350	0.28
29	LIM HUCK BOON	335,200	0.27
30	GET HOLDINGS SDN. BHD.	300,000	0.25
<b>TOTAL:</b>		<b>97,179,124</b>	<b>79.93</b>

# PARTICULARS OF PROPERTIES

Held as at 31 December 2016

Location	Tenure	Area	Description	Approximate Age of Building	Expiry Date	Date of Acquisition/ *Revaluation	Net Book Value (RM'000)
<b>Texchem Materials Sdn. Bhd.</b>							
No. 6 & 6A, Jalan Tampoi 7/4, Kawasan Perusahaan Tampoi, 81200 Johor Bahru, Johor Darul Takzim.	Freehold	2.54 acres	Office & Warehouse	28 years	N/A	2 September 1999	5,410
<b>Texchem-Pack (M) Bhd.</b>							
No. 1465, Mukim 11, Lorong Perusahaan Maju 6, Fasa 4, Kawasan Perindustrian Perai, 13600 Perai, Penang.	Leasehold 60 years	3.96 acres	Office & Factory	Between 15 to 24 years	29 June 2052	*1 December 1994	5,767
<b>Texchem-Pack (PP) Sdn. Bhd.</b>							
Part of Lot 1241, Phase III, Bayan Lepas Free Industrial Zone, 11900 Penang.	Leasehold 60 years	3.78 acres	Office & Factory	Between 17 to 37 years	27 August 2041	*26 April 1983	5,720
<b>Texchem-Pack (Johor) Sdn. Bhd.</b>							
No. 3, Jalan Mutiara 7, Taman Perindustrian Plentong, 81750 Masai, Johor Darul Takzim.	Freehold	0.97 acre	Office & Factory	Between 20 to 21 years	N/A	21 October 1998	4,325
<b>Eye Graphic Sdn. Bhd.</b>							
No. 5, Lorong Perusahaan Maju 11, Taman Perusahaan Pelangi, 13600 Perai, Penang.	Freehold	0.27 acre	Office & Factory	20 years	N/A	16 April 1996	925
<b>Texchem Life Sciences Sdn. Bhd.</b>							
Lot 3, Jalan P/6, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	Leasehold 99 years	2.01 acres	Office, Factory & Store	25 years	29 September 2086	*7 September 2004	10,101
<b>Texchem-Pack (Thailand) Co., Ltd.</b>							
234, Moo 2, Bangpa-in Industrial Estate, Udomsoryut Road, Tambol Klong-jig, Amphur Bangpa-in, Phranakorn Sri Ayutthaya Province, 13160 Thailand.	Freehold	8.56 acres	Office & Factory	23 years	N/A	3 May 2007	16,832
<b>Sea Master (Malaysia) Sdn. Bhd.</b>							
No. 2446, Mk 1, Solok Perusahaan Satu, Kawasan Perindustrian Perai, 13600 Perai, Penang.	Leasehold 60 years	1 acre	Office & Factory	34 years	25 July 2042	15 July 1983	839
Plot 78(a), Perai Industrial Park, Daerah Seberang Perai Tengah, Penang.	Leasehold 60 years	0.19 acre	Factory	34 years	20 September 2070	7 May 2008	88

## PARTICULARS OF **PROPERTIES** (CONT'D)

Held as at 31 December 2016

Location	Tenure	Area	Description	Approximate Age of Building	Expiry Date	Date of Acquisition/ *Revaluation	Net Book Value (RM'000)
<b>Ocean Pioneer Food Sdn. Bhd.</b>							
No. 31-P, Jalan Pelantar, Pantai Remis, 34900 Perak Darul Ridzuan.	Leasehold 60 years	1.23 acres	Office & Factory	39 years	28 November 2054	29 November 1994	439
<b>Texchem Corporation Sdn Bhd</b>							
Lot Nos. 808 & 809, Jalan Subang 5, Taman Perindustrian Subang, 47610 Subang Jaya, Selangor Darul Ehsan.	Freehold	5.01 acres	Office & Warehouse	23 years	N/A	28 October 2015	20,683

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

## for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2016.

### Principal activities

The principal activity of the Company is investment holding whilst the principal activities and details of the subsidiaries are disclosed in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM'000	Company RM'000
Profit for the year attributable to :		
Owners of the Company	3,213	216,972
Non-controlling interests	1,730	-
	4,943	216,972

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

### Dividends

Since the end of the previous financial year, the Company paid a first interim single tier dividend of 10 sen per share amounting to RM12,349,564 for the financial year ended 31 December 2016 on 12 January 2016.

The Directors do not propose any final dividend to be paid for the financial year under review.

An interim single tier dividend of 10 sen per share amounting to RM12,170,634 in respect of the financial year ending 31 December 2017 was declared on 9 December 2016 and paid on 10 January 2017.

### Directors of the Company

Directors who served during the financial year until the date of this report are :

- Tan Sri Dato' Seri (Dr.) Fumihiko Konishi, PSM, DGPN, DSPN, DJN
- Brian Tan Guan Hooi
- Wong Kin Chai
- Yap Kee Keong
- Dato' Seri Nazir Ariff Bin Mushir Ariff, DGPN, DMPN, DSPN, PKT, PJM, JP
- Dato' Danny Goon Siew Cheang, DSPN, DJN, PJK, PJM
- Zarizana @ Izana Binti Abdul Aziz

In accordance with Article 123 of the Company's Articles of Association, Mr Yap Kee Keong and Dato' Danny Goon Siew Cheang will retire by rotation from the Board of Directors at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi will retire from the Board of Directors at the forthcoming Annual General Meeting pursuant to the Ordinary Resolution 1 passed at the Forty-Second Annual General Meeting held on 25 April 2016, and being eligible, offers himself for re-appointment as a Director of the Company.

# DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2016

## Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Balance at 1.1.2016	Bought	(Sold)	Balance at 31.12.2016
	Number of ordinary shares			
<b><u>The Company</u></b>				
<b>- Direct interest</b>				
Brian Tan Guan Hooi	6,039	–	–	6,039
Yap Kee Keong	8,250	–	–	8,250
<b>- Deemed interest</b>				
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	74,670,603 <sup>(a)</sup>	–	–	74,670,603 <sup>(a)</sup>
<b><u>Related corporations</u></b>				
<i>Tan Sri Dato' Seri (Dr.) Fumihiko Konishi</i>				
<b>- Direct interest</b>				
Ocean Pioneer Food Sdn. Bhd.	1,000 <sup>(a)</sup>	–	–	1,000 <sup>(a)</sup>
<i>Brian Tan Guan Hooi</i>				
<b>- Direct interest</b>				
Dim Sum Delight Sdn. Bhd.	1,000 <sup>(a)</sup>	–	–	1,000 <sup>(a)</sup>
Sea Master Retail Sdn. Bhd.	1,000 <sup>(a)</sup>	–	–	1,000 <sup>(a)</sup>
<b>Number of ordinary shares of Kyats1,000 each</b>				
<i>Tan Sri Dato' Seri (Dr.) Fumihiko Konishi</i>				
<b>- Direct interest</b>				
Myanmar Texchem Limited	1 <sup>(b)</sup>	–	–	1 <sup>(b)</sup>
<b>Number of ordinary shares of USD1 each</b>				
<i>Tan Sri Dato' Seri (Dr.) Fumihiko Konishi</i>				
<b>- Direct interest</b>				
PT. Texchem Indonesia	1,000 <sup>(b)</sup>	–	–	1,000 <sup>(b)</sup>
<b>Number of ordinary shares of Thai Baht 100 each</b>				
<i>Tan Sri Dato' Seri (Dr.) Fumihiko Konishi</i>				
<b>- Direct interest</b>				
Texchem Materials (Thailand) Ltd.	1 <sup>(b)</sup>	–	–	1 <sup>(b)</sup>
Texchem-Pack (Thailand) Co., Ltd.	1 <sup>(c)</sup>	–	–	1 <sup>(f)</sup>
Sushi King (Thailand) Ltd.	1 <sup>(d)</sup>	–	–	1 <sup>(d)</sup>
<i>Yap Kee Keong</i>				
<b>- Direct interest</b>				
Texchem-Pack (Thailand) Co., Ltd.	1 <sup>(c)</sup>	–	–	1 <sup>(f)</sup>
<i>Wong Kin Chai</i>				
<b>- Direct interest</b>				
Texchem Materials (Thailand) Ltd.	1 <sup>(b)</sup>	–	–	1 <sup>(b)</sup>

# DIRECTORS' REPORT (CONT'D)

## for the year ended 31 December 2016

### Notes

- (a) Shares held in trust for Sea Master (Malaysia) Sdn. Bhd.
- (b) Share(s) held in trust for Texchem Materials Sdn. Bhd.
- (c) Share held in trust for Texchem-Pack (M) Bhd.
- (d) Share held in trust for Texchem Corporation Sdn. Bhd.
- (e) Shares held in trust for the Company.
- (f) Shares held in trust for Texchem Polymer Engineering Sdn. Bhd.
- (g) Deemed interest by virtue of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's direct and/or indirect interest in Texchem Holdings Sdn. Bhd. and Texchem Corporation Sdn. Bhd. ("Texcorp") (both are major shareholders of the Company) and via persons connected with him, i.e. his wife, Puan Sri Datin Seri Atsuko Konishi and his daughters, Ms Mika Konishi and Ms Mari Konishi (all are shareholders of the Company), pursuant to Sections 6A and 122A of the Companies Act, 1965 ("Act") (now under Sections 8 and 197 of the Companies Act, 2016) respectively. Pursuant to Section 17 of the Act (now under Section 22 of the Companies Act, 2016), the 21,153,109 ordinary shares held by Texcorp in the Company shall not carry any voting rights at any general meeting of the Company. Further details are set out in Note 31 paragraph 8 to the financial statements.

By virtue of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's interests in the shares in the Company, he is also deemed to be interested in the shares in the Company's related corporations to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2016 had any interest in the shares of the Company and of its related corporations during the financial year.

### **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those transactions entered in the ordinary course of business between the Company and its related corporations with a company in which a Director is deemed to have a substantial financial interest as disclosed in Note 25 to the financial statements.

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

### **Issue of shares and debentures**

There were no changes in the authorised capital and issued and paid-up capital of the Company and no debentures were in issue during the financial year.

### **Options granted over unissued shares**

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

### **Indemnity and insurance costs**

During the financial year, the total amount of insurance effected for Directors and Officers of the Company is RM67,000.

### **Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

# DIRECTORS' REPORT (CONT'D)

for the year ended 31 December 2016

## Other statutory information (cont'd)

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than the gain on disposal of associates, severance costs, impairment of goodwill as well as the gain on disposal of subsidiaries and impairment loss on investments in subsidiaries as disclosed in Note 19 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Significant events during the financial year

The details of such events are disclosed in Note 31 to the financial statements.

## Subsequent event

The details of such event is disclosed in Note 32 to the financial statements.

## Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

.....  
**Tan Sri Dato' Seri (Dr.) Fumihiko Konishi,**  
**PSM, DGPN, DSPN, DJN**  
Director

.....  
**Brian Tan Guan Hooi**  
Director

Penang,

Date : 27 March 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
Property, plant and equipment	3	<b>178,726</b>	172,609	<b>1,280</b>	1,614
Investment properties	4	-	-	-	-
Investments in subsidiaries	5	-	-	<b>398,177</b>	179,767
Investments in associates	5	<b>4,364</b>	64,800	-	31,187
Intangible assets	6	<b>60,030</b>	57,321	-	-
Deferred tax assets	7	<b>901</b>	400	-	-
<b>Total non-current assets</b>		<b>244,021</b>	295,130	<b>399,457</b>	212,568
Inventories	8	<b>81,365</b>	96,313	-	-
Trade and other receivables	9	<b>188,608</b>	182,889	<b>34,030</b>	18,819
Current tax assets		<b>2,095</b>	1,297	<b>70</b>	-
Cash and cash equivalents	10	<b>120,791</b>	89,526	<b>51,898</b>	27,510
<b>Total current assets</b>		<b>392,859</b>	370,025	<b>85,998</b>	46,329
<b>Total assets</b>		<b>636,880</b>	665,155	<b>485,455</b>	258,897
<b>Equity</b>					
Share capital	11	<b>124,099</b>	124,099	<b>124,099</b>	124,099
Reserves	12	<b>159,276</b>	161,468	<b>298,853</b>	96,542
<b>Total equity attributable to owners of the Company</b>		<b>283,375</b>	285,567	<b>422,952</b>	220,641
<b>Non-controlling interests</b>		<b>22,176</b>	43,010	-	-
<b>Total equity</b>		<b>305,551</b>	328,577	<b>422,952</b>	220,641
<b>Liabilities</b>					
Loans and borrowings	13	<b>27,100</b>	27,952	<b>7,223</b>	11,214
Deferred liabilities	14	<b>2,780</b>	1,939	<b>373</b>	249
Deferred tax liabilities	7	<b>3,658</b>	2,916	-	-
Provision	16	<b>5,560</b>	4,850	-	-
<b>Total non-current liabilities</b>		<b>39,098</b>	37,657	<b>7,596</b>	11,463
Loans and borrowings	13	<b>140,112</b>	158,128	<b>7,734</b>	12,101
Deferred liabilities	14	<b>146</b>	1,120	-	180
Trade and other payables	15	<b>140,716</b>	127,128	<b>35,002</b>	2,142
Provision	16	<b>171</b>	107	-	-
Current tax liabilities		<b>1,025</b>	2,200	-	20
Derivative liabilities	17	<b>6</b>	4	-	-
Dividend payable		<b>10,055</b>	10,234	<b>12,171</b>	12,350
<b>Total current liabilities</b>		<b>292,231</b>	298,921	<b>54,907</b>	26,793
<b>Total liabilities</b>		<b>331,329</b>	336,578	<b>62,503</b>	38,256
<b>Total equity and liabilities</b>		<b>636,880</b>	665,155	<b>485,455</b>	258,897

The notes on pages 69 to 134 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	18	<b>1,035,299</b>	1,055,425	<b>18,586</b>	1,678
<b>Operating profit</b>	18	<b>22,193</b>	29,730	<b>218,735</b>	77,471
Finance costs	21	<b>(10,051)</b>	(9,910)	<b>(1,730)</b>	(1,635)
Share of profit of equity-accounted associates, net of tax		<b>1,456</b>	3,589	-	-
<b>Profit before tax</b>		<b>13,598</b>	23,409	<b>217,005</b>	75,836
Tax expense	22	<b>(8,655)</b>	(11,399)	<b>(33)</b>	(80)
<b>Profit for the year</b>	19	<b>4,943</b>	12,010	<b>216,972</b>	75,756
<b>Other comprehensive (expense)/income, net of tax</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		<b>3,246</b>	14,447	-	-
Foreign currency translation differences reversed on disposal of associates		<b>(2,541)</b>	-	-	-
Foreign currency translation differences reversed on liquidation of a subsidiary		-	165	-	-
Share of foreign currency translation differences of equity-accounted associates		<b>(800)</b>	2,350	-	-
<b>Total other comprehensive (expenses)/income for the year</b>		<b>(95)</b>	16,962	-	-
<b>Total comprehensive income for the year</b>		<b>4,848</b>	28,972	<b>216,972</b>	75,756
<b>Profit attributable to :</b>					
Owners of the Company		<b>3,213</b>	10,039	<b>216,972</b>	75,756
Non-controlling interests		<b>1,730</b>	1,971	-	-
<b>Profit for the year</b>		<b>4,943</b>	12,010	<b>216,972</b>	75,756
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		<b>2,863</b>	25,749	<b>216,972</b>	75,756
Non-controlling interests		<b>1,985</b>	3,223	-	-
<b>Total comprehensive income for the year</b>		<b>4,848</b>	28,972	<b>216,972</b>	75,756
<b>Basic earnings per ordinary share (sen)</b>	23	<b>2.64</b>	8.09	-	-

The notes on pages 69 to 134 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Attributable to owners of the Company					Distributable	Non-controlling interests		Total equity	
	Share capital	Share premium	Translation reserve	Merger reserve	Capital reserve		Treasury shares	Retained earnings		Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2015</b>	124,099	25,568	5,517	1,092	(14,404)	–	48,864	190,736	25,451	216,187
Other comprehensive income for the year	–	–	13,195	–	–	–	–	13,195	1,252	14,447
- Foreign currency translation differences for foreign operations	–	–	–	–	–	–	–	–	–	–
- Foreign currency translation differences reversed on liquidation of a subsidiary	–	–	165	–	–	–	–	165	–	165
- Share of foreign currency translation differences of equity-accounted associates	–	–	2,350	–	–	–	–	2,350	–	2,350
Total other comprehensive income for the year	–	–	15,710	–	–	–	–	15,710	1,252	16,962
Profit for the year	–	–	–	–	–	–	10,039	10,039	1,971	12,010
<b>Total comprehensive income for the year</b>	–	–	15,710	–	–	–	10,039	25,749	3,223	28,972
Disposal of Company's shares held by a subsidiary	–	–	–	–	3,450	–	3,679	7,129	1,305	8,434
Dilution of interest in an existing subsidiary	–	–	–	–	–	–	90,470	90,470	11,730	102,200
Accretion of interest in an existing subsidiary	–	–	–	–	–	–	–	–	(163)	(163)
Purchase of treasury shares	–	–	–	–	–	(1,670)	–	(1,670)	–	(1,670)
Transaction costs of treasury shares	–	–	–	–	–	(7)	–	(7)	–	(7)
Dividends (Note 24)	–	–	–	–	–	–	(25,376)	(25,376)	–	(25,376)
Dividends of the Company shared by non-controlling interests of a subsidiary (Note 24)	–	–	–	–	–	–	(1,464)	(1,464)	1,464	–
<b>Total transactions with owners of the Company</b>	–	–	–	–	3,450	(1,677)	67,309	69,082	14,336	83,418
<b>At 31 December 2015</b>	124,099	25,568	21,227	1,092	(10,954)	(1,677)	126,212	285,567	43,010	328,577
	Note 11	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 December 2016

	Attributable to owners of the Company				Distributable		Non-			
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Merger reserve RM'000	Capital reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total controlling interests RM'000	Total equity RM'000	
<b>Group</b>										
<b>At 1 January 2016</b>	124,099	25,568	21,227	1,092	(10,954)	(1,677)	126,212	285,567	43,010	328,577
Other comprehensive income/(expense) for the year										
- Foreign currency translation differences for foreign operations	-	-	2,991	-	-	-	-	2,991	255	3,246
- Foreign currency translation differences reversed on disposal of associates	-	-	(2,541)	-	-	-	-	(2,541)	-	(2,541)
- Share of foreign currency translation differences of equity-accounted associates	-	-	(800)	-	-	-	-	(800)	-	(800)
Total other comprehensive (expense)/income for the year	-	-	(350)	-	-	-	-	(350)	255	(95)
Profit for the year	-	-	-	-	-	-	3,213	3,213	1,730	4,943
<b>Total comprehensive (expense)/income for the year</b>	-	-	(350)	-	-	-	3,213	2,863	1,985	4,848
Accretion of interest in existing subsidiaries	-	-	3,315	-	-	-	4,704	8,019	(20,857)	(12,838)
Dilution of interest in an existing subsidiary	-	-	-	-	-	-	25	25	(25)	-
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	797	797
Accretion of interest in an existing associate	-	-	-	-	-	-	-	-	1,310	1,310
Purchase of treasury shares	-	-	-	-	-	(2,475)	-	(2,475)	-	(2,475)
Transaction costs of treasury shares	-	-	-	-	-	(15)	-	(15)	-	(15)
Dividends (Note 24)	-	-	-	-	-	-	(10,055)	(10,055)	-	(10,055)
Dividends of the Company shared by non-controlling interests of a subsidiary (Note 24)	-	-	-	-	-	-	(554)	(554)	554	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(4,598)	(4,598)
<b>Total transactions with owners of the Company</b>	-	-	3,315	-	-	(2,490)	(5,880)	(5,055)	(22,819)	(27,874)
Transfer of capital reserve	-	-	-	-	(83)	-	83	-	-	-
<b>At 31 December 2016</b>	124,099	25,568	24,192	1,092	(11,037)	(4,167)	123,628	283,375	22,176	305,551
	Note 11	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12

The notes on pages 69 to 134 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	Share capital RM'000	Non-distributable Treasury shares RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>Company</b>						
<b>At 1 January 2015</b>		124,099	-	25,568	27,860	177,527
Profit for the year representing total comprehensive income for the year		-	-	-	75,756	75,756
Purchase of treasury shares		-	(1,670)	-	-	(1,670)
Transaction costs of treasury shares		-	(7)	-	-	(7)
Dividends	24	-	-	-	(30,965)	(30,965)
<b>Total transactions with owners of the Company</b>		-	(1,677)	-	(30,965)	(32,642)
<b>At 31 December 2015/1 January 2016</b>		124,099	(1,677)	25,568	72,651	220,641
Profit for the year representing total comprehensive income for the year		-	-	-	216,972	216,972
Purchase of treasury shares		-	(2,475)	-	-	(2,475)
Transaction costs of treasury shares		-	(15)	-	-	(15)
Dividends	24	-	-	-	(12,171)	(12,171)
<b>Total transactions with owners of the Company</b>		-	(2,490)	-	(12,171)	(14,661)
<b>At 31 December 2016</b>		<b>124,099</b>	<b>(4,167)</b>	<b>25,568</b>	<b>277,452</b>	<b>422,952</b>
		Note 11	Note 12	Note 12	Note 12	

The notes on pages 69 to 134 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		<b>13,598</b>	23,409	<b>217,005</b>	75,836
Adjustments for :					
Depreciation of property, plant and equipment	3	<b>29,864</b>	27,649	<b>439</b>	428
Amortisation of franchise fee	6	<b>218</b>	219	-	-
Provision for Directors' retirement/resignation benefits	14	<b>685</b>	660	<b>124</b>	198
Property, plant and equipment written off	19	<b>766</b>	672	-	-
Gain on disposal of property, plant and equipment	19	<b>(836)</b>	(1,665)	-	(97)
Impairment loss on property, plant and equipment	3	<b>104</b>	177	-	-
Loss on disposal of investment properties	19	-	1,267	-	-
(Gain)/Loss on disposal of subsidiaries	19	-	-	<b>(240,548)</b>	9,500
Loss/(Gain) on liquidation of subsidiaries	A	-	377	-	(99)
Gain on dilution of interest in a subsidiary	19	-	-	-	(97,610)
Interest income	19	<b>(740)</b>	(646)	<b>(1,167)</b>	(1,282)
Impairment loss on investment in subsidiaries	19	-	-	<b>84,838</b>	-
Gain on disposal of associates	19	<b>(18,702)</b>	-	<b>(49,313)</b>	-
Impairment loss on goodwill	19	<b>2,500</b>	-	-	-
Dividend income from money market funds	19	<b>(461)</b>	(1,181)	<b>(450)</b>	(1,119)
Dividend income	19	-	-	<b>(18,136)</b>	(559)
Finance costs	21	<b>10,051</b>	9,910	<b>1,730</b>	1,635
Share of profit of equity-accounted associates		<b>(1,456)</b>	(3,589)	-	-
Operating profit/(loss) before changes in working capital		<b>35,591</b>	57,259	<b>(5,478)</b>	(13,169)
Changes in working capital :					
Inventories		<b>15,570</b>	(17,964)	-	-
Trade and other receivables		<b>(2,415)</b>	(16,710)	<b>(49,999)</b>	(19,507)
Trade and other payables		<b>3,023</b>	6,086	<b>32,860</b>	(8,277)
<b>Cash generated from/(used in) operations</b>		<b>51,769</b>	28,671	<b>(22,617)</b>	(40,953)
Dividends received		<b>1,434</b>	559	<b>10,607</b>	1,121
Income tax paid		<b>(10,410)</b>	(10,330)	<b>(123)</b>	(60)
Directors' retirement/ resignation benefits paid	14	<b>(816)</b>	(733)	<b>(180)</b>	(180)
<b>Net cash from/(used in) operating activities</b>		<b>41,977</b>	18,167	<b>(12,313)</b>	(40,072)

# STATEMENTS OF CASH FLOWS (CONT'D)

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from investing activities</b>					
Accretion of interest in an existing subsidiary		(12,838)	(163)	–	–
Subscription of shares in associates		(5,080)	(3,400)	–	–
Subscription of shares in subsidiaries	B(ii)	–	–	(20,383)	(3,400)
Proceeds from disposal of property, plant and equipment		2,219	2,641	–	218
Purchase of property, plant and equipment	C	(28,519)	(44,639)	(50)	(475)
Proceeds from disposal of investment properties		–	10,000	–	–
Interest received		740	646	1,167	1,282
Dividends received from money market funds		461	1,181	450	1,119
Proceeds from disposal of Company's shares held by a subsidiary		–	8,434	–	–
Proceeds from dilution of interest in a subsidiary		–	102,200	–	102,200
Proceeds from disposal of associates		80,500	–	80,500	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	D	460	–	–	–
<b>Net cash from investing activities</b>		<b>37,943</b>	<b>76,900</b>	<b>61,684</b>	<b>100,944</b>
<b>Cash flows from financing activities</b>					
Drawdown of term loans		21,330	15,000	10,000	–
Repayment of term loans		(10,506)	(22,842)	(4,693)	(3,721)
Repayment of finance lease liabilities		(2,865)	(2,539)	(220)	(202)
Interest paid		(10,051)	(9,910)	(1,730)	(1,635)
Repayment of borrowings (net)		(28,466)	(20,580)	(13,500)	(6,350)
Proceeds from issuance of shares to non-controlling interests		797	–	–	–
Purchase of treasury shares		(2,490)	(1,677)	(2,490)	(1,677)
Dividends paid		(10,234)	(15,142)	(12,350)	(18,615)
Dividends paid to non-controlling interests, net		(4,044)	–	–	–
<b>Net cash used in financing activities</b>		<b>(46,529)</b>	<b>(57,690)</b>	<b>(24,983)</b>	<b>(32,200)</b>
Net increase in cash and cash equivalents		33,391	37,377	24,388	28,672
Cash and cash equivalents at 1 January		71,996	31,858	27,510	(1,162)
Effects of exchange differences on cash and cash equivalents		863	2,761	–	–
<b>Cash and cash equivalents at 31 December</b>	E	<b>106,250</b>	<b>71,996</b>	<b>51,898</b>	<b>27,510</b>

# STATEMENTS OF **CASH FLOWS** (CONT'D)

for the year ended 31 December 2016

Notes :

## A. Liquidation of subsidiaries

During financial year ended 31 December 2015, the Company completed the liquidation of PT. Technopia Nomos and Sushi Ku Sdn. Bhd..

The liquidations had the following effect on the Group's and Company's assets and liabilities on liquidation date.

	<b>2015</b>
	<b>RM'000</b>
<b>Company</b>	
Cost of investment	24,754
Less : Impairment loss	(22,378)
	<u>2,376</u>
Net off with amount due to subsidiaries	(2,475)
Gain on liquidation	<u>(99)</u>
<b>Group</b>	
Other receivables	240
Other payables	(28)
Net assets	<u>212</u>
Reversal of foreign currency translation reserve	165
Loss on liquidation	<u>377</u>

## B. Subscription of shares in subsidiaries - Company

(i) During the current financial year, the Company subscribed for additional interests in the following subsidiaries by way of capitalisation of amount due from the subsidiaries :

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Texchem Polymer Engineering Sdn. Bhd.	<b>24,200</b>	-
Texchem Polymers Sdn. Bhd.	<b>18,117</b>	-
Miraku Sdn. Bhd.	-	3,500
Donburi House Sdn. Bhd.	-	1,500
Sushi Family Sdn. Bhd.	-	4,700
Texchem Japan, Inc.	-	1,705
	<u><b>42,317</b></u>	<u>11,405</u>

(ii) The Company subscribed for additional interests in the following subsidiaries by way of cash:

	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Texchem Restaurant Systems Sdn. Bhd.	<b>7,545</b>	3,400
Texchem-Pack Holdings (S) Pte Ltd	<b>12,838</b>	-
	<u><b>20,383</b></u>	<u>3,400</u>

## STATEMENTS OF CASH FLOWS (CONT'D)

for the year ended 31 December 2016

### B. Subscription of shares in subsidiaries - Company (cont'd)

#### (iii) Disposal of subsidiaries - Company

During the year, the Company disposed of Sushi Kin Sdn. Bhd. and Sushi Kin (East Malaysia) Sdn. Bhd. (formerly known as Sushi Family Sdn. Bhd.) to Texchem Restaurant Systems Sdn. Bhd. ("TRSSB") for a total consideration of RM256,780,000 satisfied by way of issuance of shares by TRSSB and cash consideration of RM1 respectively.

Gain on disposal of subsidiaries:

	2016 RM'000
Sale consideration	256,780
Less: Cost of investment disposed	(16,232)
Gain on disposal	<u>240,548</u>

### C. Purchase of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM33,743,000 and RM105,000 (2015 : RM48,133,000 and RM1,338,000) of which RM3,741,000 and RM55,000 (2015 : RM3,539,000 and RM863,000) were acquired by means of finance lease respectively and RM1,097,000 and RM Nil (2015 : RM492,000 and RM Nil) respectively remained unpaid at the end of the reporting period. Included in additions of property, plant and equipment of the Group is also RM878,000 (2015: RM831,000) comprising provision for site restoration costs.

### D. Acquisition of subsidiaries

On 12 April 2016, Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of TRSSB, a subsidiary of the Company, acquired 100% equity interest in Sushi King Company Limited for a total purchase consideration of RM1.15 million.

On 1 September 2016, TRSSB, a wholly-owned subsidiary of the Company, acquired an additional 11% equity interest in D&N Coffee and Restaurant Malaysia Sdn. Bhd. ("D&N") for a total purchase consideration of RM673,500. Prior to the acquisition, D&N was an equity-accounted associate with 40% equity interest held by TRSSB. Consequent to this acquisition, D&N became a 51% owned subsidiary of TRSSB.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2016 RM'000
<b>Fair value of consideration transferred</b>	
Cash consideration paid	1,823
Carrying amount of investment in an associate	<u>800</u>
Total consideration transferred	2,623
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment (Note 3)	2,476
Inventories	90
Trade and other receivables	1,024
Cash and cash equivalents	2,283
Trade and other payables	(7,367)
Non-controlling interest	(1,310)
Net liabilities assumed	<u>(2,804)</u>

# STATEMENTS OF **CASH FLOWS** (CONT'D)

for the year ended 31 December 2016

## D. Acquisition of subsidiaries (cont'd)

	<b>2016</b> <b>RM'000</b>
<b>Net cash inflow arising from acquisition of subsidiaries</b>	
Purchase consideration settled in cash and cash equivalents	<b>(1,823)</b>
Cash and cash equivalents acquired	<b>2,283</b>
	<b>460</b>
<b>Goodwill</b>	
Total consideration transferred	<b>2,623</b>
Fair value of net liabilities assumed	<b>2,804</b>
	<b>5,427</b>

## E. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term deposit with a licensed bank	10	-	2,500	-	2,500
Money market funds	10	<b>47,570</b>	24,823	<b>47,570</b>	23,673
Cash and bank balances	10	<b>73,221</b>	62,203	<b>4,328</b>	1,337
Bank overdrafts	13	<b>(14,541)</b>	(17,530)	-	-
		<b>106,250</b>	71,996	<b>51,898</b>	27,510

The notes on pages 69 to 134 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Texchem Resources Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 18, Menara Boustead Penang  
39 Jalan Sultan Ahmad Shah  
10050 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as “the Group” and individually referred to as “Group entities”) and the Group’s interests in associates.

The principal activity of the Company is investment holding whilst the principal activities of the other Group entities are stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 March 2017.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company :

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)\**
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions\**
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts\**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. Basis of preparation (cont'd)

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations :

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for those indicated with “\*\*” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standards that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below :

#### **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### **MFRS 9, Financial Instruments**

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. Basis of preparation (cont'd)

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 3.2 - Impairment of property, plant and equipment; and
- Note 6 - Intangible assets (measurement of the recoverable amounts of cash generating units)

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

#### (ii) Business combinations

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

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

#### **(iii) Acquisitions of non-controlling interests**

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

#### **(iv) Acquisitions from entities under common controls**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

#### **(v) Loss of control**

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

#### **(vi) Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

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

#### (vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows :

A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (viii) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (ix) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (b) Foreign currency (cont'd)

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations 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 FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to 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 that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (c) Financial instruments (cont'd)

#### (ii) Financial instrument categories and subsequent measurement (cont'd)

##### **Financial assets (cont'd)**

##### **(b) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment (see Note 2(g)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows :

	%
Buildings, office renovation and land improvements	2 - 20
Plant and machinery and other equipment	10 - 33 1/3
Furniture, fittings and equipment	10 - 33 1/3
Motor vehicles	16 - 20

Leasehold land are depreciated over the lease periods, ranging from 60 years to 99 years. Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period, and adjusted as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (e) Leased assets

#### (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 leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements 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.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

#### (ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group comprise of trademark which has indefinite useful life and franchise fee which has a finite useful life, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Franchise fee is amortised from the date it is available for use based on its cost less residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 8 years. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (g) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and joint venture) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### **Site restoration**

A provision for site restoration is recognised when the Group has an obligation to return its rented premises to its original state upon expiry of the lease term.

### (k) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

### (l) Revenue and other income

#### **(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### **(ii) Services**

Revenue from services (including management services) rendered is recognised in profit or loss when the services are performed.

Service income of Restaurant Division is recognised in profit or loss net of staff incentives given to the employees when the services are performed.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (l) Revenue and other income (cont'd)

#### *(iii) Rental income*

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### *(iv) Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### *(v) Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss.

#### *(vi) Commission*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

### (m) 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.

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### (n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (n) Income tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### (o) Employee benefits

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

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (iii) Directors' retirement/resignation benefits

The Group operates an unfunded defined benefit scheme for its Directors. Provision is made based on the length of service and fixed sum approved by the Board of Directors.

### (p) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

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

### (q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (r) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. Significant accounting policies (cont'd)

### (r) Equity instruments (cont'd)

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (s) Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, office renovation and land improvements RM'000	Plant and machinery and other equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Capital expenditure -in-progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2015	13,523	7,322	103,940	204,930	49,888	20,143	827	400,573
Additions	16,675	-	11,110	8,660	5,934	5,419	335	48,133
Disposals	-	-	(34)	(3,029)	(86)	(4,758)	-	(7,907)
Written off	-	-	(2,444)	(1,042)	(1,396)	-	(23)	(4,905)
Reclassifications	-	-	275	679	5	-	(959)	-
Effect of movements in exchange rates	989	-	5,307	10,388	864	715	78	18,341
At 31 December 2015/1 January 2016	<b>31,187</b>	<b>7,322</b>	<b>118,154</b>	<b>220,586</b>	<b>55,209</b>	<b>21,519</b>	<b>258</b>	<b>454,235</b>
Additions	-	-	9,345	13,061	6,536	4,091	710	33,743
Disposals	-	-	(3,557)	(5,963)	(2,189)	(4,122)	(182)	(16,013)
Written off	-	-	(2,079)	(2,804)	(725)	-	-	(5,608)
Acquisition of subsidiaries	-	-	740	433	1,216	87	-	2,476
Effect of movements in exchange rates	437	-	1,308	2,169	294	145	41	4,394
At 31 December 2016	<b>31,624</b>	<b>7,322</b>	<b>123,911</b>	<b>227,482</b>	<b>60,341</b>	<b>21,720</b>	<b>827</b>	<b>473,227</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, office renovation and land improvements RM'000	Plant and machinery and other equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Capital expenditure -in-progress RM'000	Total RM'000
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2015	-	2,053	49,264	143,501	36,391	14,366	-	245,575
Accumulated depreciation	-	-	1,352	5,910	293	-	21	7,576
Accumulated impairment losses	-	-	-	-	-	-	-	-
At 31 December 2015	-	2,053	50,616	149,411	36,684	14,366	21	253,151
Depreciation for the year	-	108	7,647	12,509	4,726	2,659	-	27,649
Impairment loss during the year	-	-	-	177	-	-	-	177
Disposals	-	-	(34)	(2,701)	(51)	(4,145)	-	(6,931)
Written off	-	-	(2,125)	(786)	(1,299)	-	(23)	(4,233)
Effect of movements in exchange rates	-	-	2,874	7,705	726	506	2	11,813
At 31 December 2015	-	2,161	58,921	161,778	40,744	13,386	-	276,990
Accumulated depreciation	-	-	57	4,537	42	-	-	4,636
Accumulated impairment losses	-	-	-	-	-	-	-	-
At 31 December 2015	-	2,161	58,978	166,315	40,786	13,386	-	281,626

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, office renovation and land improvements RM'000	Plant and machinery and other equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Capital expenditure- in-progress RM'000	Total RM'000
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2016	-	2,161	58,921	161,778	40,744	13,386	-	276,990
Accumulated depreciation	-	-	57	4,537	42	-	-	4,636
Accumulated impairment losses	-	2,161	58,978	166,315	40,786	13,386	-	281,626
Depreciation for the year	-	100	9,031	12,059	5,707	2,967	-	29,864
Impairment loss during the year	-	-	-	44	-	-	60	104
Disposals	-	-	(3,556)	(5,370)	(2,043)	(3,661)	-	(14,630)
Written off	-	-	(1,534)	(2,666)	(642)	-	-	(4,842)
Effect of movements in exchange rates	-	-	688	1,428	163	95	5	2,379
At 31 December 2016	-	2,261	63,607	171,810	43,971	12,787	65	290,201
Accumulated depreciation	-	2,261	63,565	167,625	43,963	12,787	-	290,201
Accumulated impairment losses	-	-	42	4,185	8	-	65	4,300
Carrying amounts	-	2,261	63,607	171,810	43,971	12,787	65	294,501
At 1 January 2015	13,523	5,269	53,324	55,519	13,204	5,777	806	147,422
At 31 December 2015/1 January 2016	31,187	5,161	59,176	54,271	14,423	8,133	258	172,609
At 31 December 2016	<b>31,624</b>	<b>5,061</b>	<b>60,304</b>	<b>55,672</b>	<b>16,370</b>	<b>8,933</b>	<b>762</b>	<b>178,726</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, plant and equipment (cont'd)

Company	Office renovation RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2015	3,637	388	991	5,016
Additions	–	29	1,309	1,338
Disposals	–	(2)	(335)	(337)
At 31 December 2015/1 January 2016	<b>3,637</b>	<b>415</b>	<b>1,965</b>	<b>6,017</b>
Additions	<b>10</b>	<b>34</b>	<b>61</b>	<b>105</b>
Disposals	<b>(1)</b>	<b>(7)</b>	<b>–</b>	<b>(8)</b>
At 31 December 2016	<b>3,646</b>	<b>442</b>	<b>2,026</b>	<b>6,114</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	3,534	337	320	4,191
Depreciation for the year	14	20	394	428
Disposals	–	(2)	(214)	(216)
At 31 December 2015/1 January 2016	<b>3,548</b>	<b>355</b>	<b>500</b>	<b>4,403</b>
Depreciation for the year	<b>15</b>	<b>26</b>	<b>398</b>	<b>439</b>
Disposals	<b>(1)</b>	<b>(7)</b>	<b>–</b>	<b>(8)</b>
At 31 December 2016	<b>3,562</b>	<b>374</b>	<b>898</b>	<b>4,834</b>
<b>Carrying amounts</b>				
At 1 January 2015	103	51	671	825
At 31 December 2015/1 January 2016	89	60	1,465	1,614
At 31 December 2016	<b>84</b>	<b>68</b>	<b>1,128</b>	<b>1,280</b>

#### 3.1 Assets under finance lease

Included in the carrying amounts of property, plant and equipment are the following assets acquired under finance leases :

Group	2016 RM'000	2015 RM'000
Plant and machinery and other equipment	4,896	3,097
Motor vehicles	4,443	5,318
<b>Company</b>		
Motor vehicles	986	1,282

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3. Property, plant and equipment (cont'd)

#### 3.2 Impairment of property, plant and equipment - Group

In assessing the recoverable amount of the Group's property, plant and equipment, the Directors and management considered assumptions such as sales growth, gross margins, the availability of supplies and discount rate.

During the current financial year, the carrying amount of property, plant and equipment of certain subsidiaries amounting to RM0.10 million (2015 : RM0.18 million) was impaired mainly due to certain plant and equipment was not in use by the subsidiaries.

#### 3.3 Included in the carrying amount of leasehold land are :

	Group	
	2016 RM'000	2015 RM'000
Long term leasehold land	2,605	2,634
Short term leasehold land	2,456	2,527
	5,061	5,161

### 4. Investment properties - Group

	2016 RM'000	2015 RM'000
At 1 January	-	11,267
Disposal	-	(11,267)
At 31 December	-	-

#### Fair value information

Fair value of investment properties were categorised as follows :

	2015			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Leasehold land	-	6,000	-	6,000
Factory building	-	-	5,267	5,267
	-	6,000	5,267	11,267

#### Level 2 fair value

Level 2 fair value of leasehold land was derived using the sales comparison approach. Sales price of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square foot of comparable properties. The estimated fair value would increase/(decrease) if the price per square foot was higher/(lower).

#### Level 3 fair value

Level 3 fair value of the factory building was determined using the depreciated replacement cost method. This valuation technique considers the following unobservable inputs such as the cost to replace a similar building giving equivalent utilities at current construction costs, including finance charges, professional fees, builder's profits and other incidental expenses. The depreciated value of the factory building was determined after making allowance for physical deterioration and functional obsolescence affecting the building, when compared to a new and similar building.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 4. Investment properties - Group (cont'd)

#### *Valuation process applied by the Group for Level 3 fair value*

The fair value of the investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. The valuers provide the fair value of the Group's investment properties annually. Changes in Level 3 fair values, if any, were analysed by the management annually after obtaining the valuation report from the valuation company.

### 5. Investments

	2016 RM'000	2015 RM'000
<b>Group</b>		
Associates		
Unquoted shares, at cost	7,280	59,115
Share of post acquisition reserves	(2,916)	5,685
	<b>4,364</b>	64,800
Joint venture		
Unquoted shares, at cost	-	950
Share of post acquisition reserves	-	(646)
Less : Impairment loss	-	(304)
	-	-
	<b>4,364</b>	64,800
<b>Company</b>		
Subsidiaries		
Quoted shares, at cost	-	32,920
Unquoted shares, at cost	526,126	189,958
Less : Impairment loss	(127,949)	(43,111)
	<b>398,177</b>	179,767
Associates		
Unquoted shares, at cost	-	31,187
	<b>398,177</b>	210,954
Market value of quoted shares	-	*

\* The market value as at 31 December 2015 has not been disclosed in view of the Exit Offer and impending de-listing of Texchem-Pack Holdings (S) Ltd. ("TXPHS") as disclosed in Note 31(2). TXPHS was delisted on 14 April 2016.

During the year, the Company recorded an impairment loss of RM84,838,000 (2015: RM Nil) in relation to the delisting of a subsidiary and after having assessed the recoverable amount of certain subsidiaries in conjunction with the internal restructuring exercise of certain Divisions in the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. Investments (cont'd)

### (a) Subsidiaries

Details of the subsidiaries are as follows :

Name of subsidiary	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
<u>Direct subsidiaries of the Company</u>				
Texchem Materials Sdn. Bhd. <sup>(8)</sup>	Malaysia	Trading of dyestuffs, textile auxiliaries and chemicals used in the electronics, plastics and other manufacturing industries, renting of properties and investment holding	<b>100.00</b>	100.00
Texchem Food Sdn. Bhd.	Malaysia	Investment holding and sale and marketing of marine products	<b>100.00</b>	100.00
Texchem-Pack Holdings (S) Pte. Ltd. ("TXPHS") <sup>(1) and (13)</sup>	Singapore	Dormant	<b>100.00</b>	70.48
Acumen Scientific Sdn. Bhd.	Malaysia	Provision of chemical, microbiological and environment related analytical testing and consultancy services	<b>100.00</b>	100.00
Texchem Japan, Inc. <sup>(8)</sup>	Japan	Provision of services, trading, sales, marketing, research and development, designing and product development	<b>100.00</b>	100.00
Texchem Corporation Sdn. Bhd.	Malaysia	Investment holding and provision of management services	<b>73.81</b>	73.81
Dim Sum Delight Sdn. Bhd. <sup>(1)</sup>	Malaysia	Sales of food and beverages	<b>51.00</b>	51.00
Texchem Restaurant Systems Sdn. Bhd. <sup>(1)</sup>	Malaysia	Investment holding and in the operation of all kinds of food and beverage establishments	<b>100.00</b>	100.00
Texchem Polymers Sdn. Bhd.	Malaysia	Manufacture and sale of extruded plastics sheets and polymer compounds and provide consultation services	<b>100.00<sup>(15)</sup></b>	70.48
Texchem Polymer Engineering Sdn. Bhd.	Malaysia	Investment holding	<b>100.00<sup>(15)</sup></b>	70.48
<u>Subsidiaries of Texchem Restaurant Systems Sdn. Bhd. ("TRSSB")</u>				
Donburi House Sdn. Bhd. ("Donburi") <sup>(1) and (6)</sup>	Malaysia	Operation of a ramen outlet	<b>100.00</b>	100.00
Miraku Sdn. Bhd. ("Miraku") <sup>(1) and (6)</sup>	Malaysia	Operation of a Japanese restaurant	<b>100.00</b>	100.00
Sushi Kin Sdn. Bhd. <sup>(8) and (9)</sup>	Malaysia	Operation of a chain of retail sushi outlets	<b>70.35</b>	70.35

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (a) Subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd) :

Name of subsidiary	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
<u>Subsidiaries of Texchem Restaurant Systems Sdn. Bhd. ("TRSSB") (cont'd)</u>				
Kokubu Food Logistics Malaysia Sdn. Bhd. <sup>(1) and (10)</sup>	Malaysia	Operation of food logistics, inventory management, handling of sales orders and warehouse operations services	<b>51.00</b>	–
D&N Coffee and Restaurant Malaysia Sdn. Bhd. ("D&N") <sup>(1) and (11)</sup>	Malaysia	Operation of a chain of cafes, coffee shops, restaurants and all kinds of food and beverages outlets	<b>51.00</b>	40.00
<u>Subsidiaries of Sushi Kin Sdn. Bhd.</u>				
Sushi King Company Limited <sup>(1) and (12)</sup>	Vietnam	Operation of a chain of retail sushi outlets	<b>100.00</b>	–
Sushi Kin (East Malaysia) Sdn. Bhd. [formerly known as Sushi Family Sdn. Bhd.] ("SKEM") <sup>(8) and (9)</sup>	Malaysia	Operation of a chain of retail sushi outlets	<b>100.00</b>	100.00
<u>Subsidiaries of Texchem Materials Sdn. Bhd. ("Texmat")</u>				
Texchem Singapore Private Limited <sup>(1)</sup>	Singapore	Trading of chemicals, plastic resins and other products	<b>100.00</b>	100.00
Myanmar Texchem Limited <sup>(1)</sup>	Myanmar	Dormant	<b>100.00</b>	100.00
Texchem Materials (Thailand) Ltd. <sup>(1)</sup>	Thailand	Trading of chemicals, plastic resins and other products	<b>100.00</b>	100.00
Texchem Materials (Vietnam) Co., Ltd. <sup>(2)</sup>	Vietnam	Trading of chemicals, plastic resins and other products	<b>100.00</b>	100.00
Texchem Malaysia Sdn. Berhad <sup>(1)</sup>	Malaysia	Manufacture and sale of textile auxiliaries, chemicals and finishing resins	<b>100.00</b>	100.00
PT. Texchem Indonesia <sup>(1)</sup>	Indonesia	Trading of chemicals, plastic resins and other products	<b>100.00</b>	100.00
New Material (Malaysia) Sdn. Bhd. <sup>(1)</sup>	Malaysia	Trading and acting as agent of foreign and local electronic component parts and general merchandise	<b>100.00</b>	100.00
Lifeon Asia Sdn. Bhd.	Malaysia	Trading of medical devices and equipment and ornamental fish	<b>100.00<sup>(19)</sup></b>	70.48

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (a) Subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd) :

Name of subsidiary	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
<u>Subsidiaries of Texchem Food Sdn. Bhd. ("TFSB")</u>				
A.S.K Andaman Limited <sup>(1)</sup>	Myanmar	Manufacture and marketing of surimi, fishmeal and other marine products	<b>91.00</b>	90.00
Sea Master (Malaysia) Sdn. Bhd.	Malaysia	Manufacture, wholesale and export of seafood products and acting as sales commission agent in sale of food products	<b>100.00</b>	100.00
ASKA Marine Products Sdn. Bhd. <sup>(1)</sup>	Malaysia	Dormant	<b>100.00</b>	100.00
Texchem Food (Myanmar) Limited <sup>(1)</sup>	Myanmar	Manufacture and marketing of surimi, fishmeal and other marine products	<b>91.00</b>	90.00
Texchem Marine Labutta Limited <sup>(1) and (20)</sup>	Myanmar	Processing and marketing of marine products such as soft shell crab, prawns and hamaguri	<b>65.00</b>	–
<u>Subsidiaries of Sea Master (Malaysia) Sdn. Bhd.</u>				
Ocean Pioneer Food Sdn. Bhd.	Malaysia	Manufacture, wholesale and export of seafood products	<b>94.87</b>	94.02
Sea Master Food Sdn. Bhd.	Malaysia	Sales and marketing of processed surimi and crab flavoured seafood products and frozen seafood products	<b>100.00</b>	100.00
Sea Master Retail Sdn. Bhd.	Malaysia	Trading of seafood products	<b>60.00</b>	60.00
<u>Subsidiaries of Texchem Polymer Engineering Sdn. Bhd. ("TXPE")</u>				
Texchem-Pack (M) Bhd.	Malaysia	Investment holding and manufacture of thermoformed packaging products and embossed carrier tapes	<b>100.00<sup>(16)</sup></b>	70.48
Texchem Life Sciences Sdn. Bhd. <sup>(1)</sup>	Malaysia	Manufacture of plastic engineering precision parts for medical devices	<b>100.00<sup>(17)</sup></b>	70.48
Eye Graphic Sdn. Bhd.	Malaysia	Trading, design and manufacture of flexo photopolymer printing plates	<b>100.00<sup>(18)</sup></b>	70.48

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (a) Subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd) :

Name of subsidiary	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
<u>Subsidiaries of Texchem Polymer Engineering Sdn. Bhd. ("TXPE") (cont'd)</u>				
Texchem-Pack (Thailand) Co., Ltd. <sup>(1)</sup>	Thailand	Manufacture of thermoformed packaging products, precision injection moulded trays/parts and mould and tooling	<b>100.00<sup>(18)</sup></b>	70.48
Texchem-Pack (Johor) Sdn. Bhd.	Malaysia	Manufacture of thermoformed packaging products	<b>100.00<sup>(17)</sup></b>	70.48
Texchem-Pack (PP) Sdn. Bhd.	Malaysia	Manufacture of precision injection moulded trays/parts	<b>100.00<sup>(17)</sup></b>	70.48
<u>Subsidiaries of Texchem-Pack (M) Bhd. ("TXPM")</u>				
Texchem-Pack (Wuxi) Co., Ltd. <sup>(1)</sup>	People's Republic of China	Manufacture of thermoformed packaging products	<b>100.00<sup>(21)</sup></b>	70.48
Texchem-Pack (KL) Sdn. Bhd. <sup>(1) and (4)</sup>	Malaysia	Dormant	-	70.48
Texchem-Pack (Vietnam) Co., Ltd. ("TXPV") <sup>(2)</sup>	Vietnam	Manufacture of thermoformed parts/products and plastic injection moulded parts/products	<b>100.00<sup>(21)</sup></b>	70.48
<u>Subsidiary of Eye Graphic Sdn. Bhd.</u>				
Alaya Asia Sdn. Bhd. <sup>(1) and (14)</sup>	Malaysia	Dormant	<b>100.00<sup>(21)</sup></b>	70.48
<u>Subsidiary of Texchem-Pack (PP) Sdn. Bhd.</u>				
Texchem Advanced Products Incorporated Sdn. Bhd.	Malaysia	Development of technology for high precision/ultra clean injection moulded products for silicon wafer handling and transportation and market development of related products	<b>51.00<sup>(21)</sup></b>	35.94
<u>Subsidiaries of Texchem Corporation Sdn. Bhd.</u>				
Texchem Risk Management Sdn. Bhd. <sup>(1)</sup>	Malaysia	Insurance agents and managers in relation to insurance schemes	<b>73.81</b>	73.81
Guardman Security Services Sdn. Bhd. <sup>(1)</sup>	Malaysia	Provision of internal security guard services	<b>73.81</b>	73.81

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. Investments (cont'd)

### (a) Subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd) :

Name of subsidiary	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016	2015
			%	%
<u>Subsidiaries of Texchem Corporation Sdn. Bhd. (cont'd)</u>				
Texchem Management Services Sdn. Bhd. <sup>(1) and (7)</sup>	Malaysia	Dormant	<b>73.81</b>	73.81
Technopia Singapore Pte. Ltd. <sup>(5)</sup>	Singapore	Dormant	–	73.81
Sushi King (Thailand) Ltd <sup>(1)</sup>	Thailand	Dormant	<b>73.81</b>	73.81

#### Notes:

- (1) Not audited by KPMG
- (2) Audited by other member firm of KPMG International
- (3) The unaudited management financial statements were consolidated in the Group financial statements as this subsidiary was not required by the local legislation to have its financial statements audited
- (4) Dissolved on 28 October 2016
- (5) Dissolved on 4 April 2016
- (6) The Company disposed of its entire interest in Donburi and Miraku on 1 December 2015 to TRSSB in conjunction with the internal restructuring exercise of Restaurant Division.
- (7) Commenced voluntary winding up on 23 December 2016
- (8) Not audited by KPMG in financial year 2015
- (9) On 1 March 2016 and 31 March 2016, the Company disposed of its interest in Sushi Kin Sdn. Bhd. and SKEM to TRSSB and Sushi Kin Sdn. Bhd. respectively in conjunction with the internal restructuring exercise of Restaurant Division
- (10) Incorporated on 21 June 2016
- (11) Became a subsidiary of TRSSB on 1 September 2016
- (12) Became a wholly-owned subsidiary of Sushi Kin Sdn. Bhd. on 12 August 2016
- (13) Became a wholly-owned subsidiary of the Company with effect from 13 April 2016
- (14) Commenced voluntary winding up on 31 August 2016
- (15) Became a wholly-owned subsidiary of the Company with effect from 8 June 2016 after the internal restructuring exercise of Polymer Engineering Division
- (16) Became a wholly-owned subsidiary of TXPE with effect from 23 December 2016 after the internal restructuring exercise of Polymer Engineering Division
- (17) Became a wholly-owned subsidiary of TXPE with effect from 25 November 2016 after the internal restructuring exercise of Polymer Engineering Division
- (18) Became a wholly-owned subsidiary of TXPE with effect from 30 June 2016 after the internal restructuring exercise of Polymer Engineering Division
- (19) Became a wholly-owned subsidiary of Texmat with effect from 8 June 2016 after the internal restructuring exercise of Polymer Engineering Division
- (20) Became a 65% owned subsidiary of TFSB on 18 February 2016
- (21) The increase in the effective ownership interest and voting interest was due to the internal restructuring exercise of Polymer Engineering Division

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. Investments (cont'd)

### (a) Subsidiaries (cont'd)

#### Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

	Sushi Kin Group RM'000	Texcorp Group RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
<b>2016</b>				
<b>NCI percentage of ownership interest and voting interest</b>	<b>29.65%</b>	<b>26.19%</b>		
Carrying amount of NCI	<u>16,642</u>	<u>10,024</u>	<u>(4,490)</u>	<u>22,176</u>
Profit/(Loss) allocated to NCI	<u>2,897</u>	<u>320</u>	<u>(1,487)</u>	<u>1,730</u>
<b>Summarised financial information before intra-group elimination</b>				
As at 31 December				
Non-current assets	49,316	43,798		
Current assets	43,146	14,877		
Non-current liabilities	(9,078)	(9,776)		
Current liabilities	(29,755)	(10,624)		
Net assets	<u>53,629</u>	<u>38,275</u>		
<b>Year ended 31 December</b>				
Revenue	213,304	14,973		
Profit for the year	7,079	3,497		
Total comprehensive income/(expense)	<u>8,195</u>	<u>(4,404)</u>		
Cash flows from operating activities	31,408	10,170		
Cash flows (used in)/from investing activities	(21,990)	1,541		
Cash flows used in financing activities	(2,024)	(14,181)		
Net change in cash and cash equivalents	<u>7,394</u>	<u>(2,470)</u>		
Dividends paid to NCI	<u>1,927</u>	<u>2,117</u>		

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (a) Subsidiaries (cont'd)

##### Non-controlling interests in subsidiaries (cont'd)

	TXPHS Group RM'000	Sushi Kin RM'000	Texcorp Group RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
<b>2015</b>					
<b>NCI percentage of ownership interest and voting interest</b>	29.52%	29.65%	26.19%		
Carrying amount of NCI	14,925	15,366	11,897	822	43,010
(Loss)/Profit allocated to NCI	(851)	2,994	189	(361)	1,971
<b>Summarised financial information before intra-group elimination</b>					
<b>As at 31 December</b>					
Non-current assets	83,001	41,753	43,715		
Current assets	85,512	38,904	25,472		
Non-current liabilities	(5,533)	(5,133)	(12,578)		
Current liabilities	(112,739)	(23,700)	(11,184)		
Net assets	50,241	51,824	45,425		
<b>Year ended 31 December</b>					
Revenue	197,204	198,625	19,344		
(Loss)/Profit for the year	(3,116)	12,947	6,309		
Total comprehensive income	3,410	12,947	21,850		
Cash flows from/(used in) operating activities	16,619	31,833	(769)		
Cash flows (used in)/from investing activities	(3,453)	(11,462)	916		
Cash flows (used in)/from financing activities	(13,100)	(15,202)	1,779		
Net change in cash and cash equivalents	66	5,169	1,926		
Dividends paid to NCI	–	–	–		

##### Restrictions imposed by bank covenants

The borrowings undertaken by certain subsidiaries contain covenants which restrict the said subsidiaries from providing advances to other companies within the Group and declaring or distributing dividend payments up to the profit after tax of the subsidiaries. Any additional dividends thereafter will need the prior consent of the banks.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (b) Associates

Details of the associates are as follows :

Name of associate	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
Fumakilla Asia Sdn. Bhd. ("FASB") <sup>(1)</sup>	Malaysia	Investment holding	–	30.00
PT. Fumakilla Nomos ("PTFN") <sup>(1)</sup>	Indonesia	Produce and sell mosquito coils for local and export markets	–	26.36
<u>Associates of Texchem Restaurant Systems Sdn. Bhd. ("TRSSB")</u>				
Yoshinoya Hanamaru Malaysia Sdn. Bhd. ("YHM")	Malaysia	Sale of food and beverages	<b>40.00</b>	40.00
Otafuku Sauce Malaysia Sdn. Bhd. ("OSM") <sup>(2)</sup>	Malaysia	Manufacture, distribution and trading of all kinds of sauces	<b>49.00</b>	–
<u>Associate of Sea Master (Malaysia) Sdn. Bhd.</u>				
Satu Hati Perikanan Sdn. Bhd ("SHP")	Malaysia	Dormant	<b>50.00</b>	–

#### Notes:

- (1) On 9 December 2016, the Company disposed of its entire interest in FASB and PTFN to Fumakilla Limited (see Note 31(12)).
- (2) Incorporated on 6 April 2016.
- (3) Became a subsidiary of TRSSB on 1 September 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5. Investments (cont'd)

#### (b) Associates (cont'd)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	FASB	PTFN	YHM	D&N	OSM	SHP	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>							
<b>Group</b>							
<b>Summarised financial information</b>							
<b>As at 31 December</b>							
Non-current assets	-	-	12,231	-	1,763	48	14,042
Current assets	-	-	8,169	-	185	228	8,582
Non-current liabilities	-	-	(5,000)	-	-	-	(5,000)
Current liabilities	-	-	(6,910)	-	(251)	(4)	(7,165)
Net assets	-	-	8,490	-	1,697	272	10,459
<b>Year ended 31 December</b>							
Profit/(Loss) from continuing operations	5,559	9,171	(4,968)	(824)	(303)	(328)	8,307
Other comprehensive expense	(2,666)	-	-	-	-	-	(2,666)
Total comprehensive income/(expense)	2,893	9,171	(4,968)	(824)	(303)	(328)	5,641
<b>Included in the total comprehensive income/(expense) is :</b>							
Revenue	201,203	112,457	17,841	-	5	-	331,506
<b>Reconciliation of net assets to carrying amount</b>							
<b>As at 31 December</b>							
Group's share of net assets	-	-	3,396	-	832	136	4,364
Carrying amount in the consolidated statement of financial position	-	-	3,396	-	832	136	4,364
<b>Group's share of results</b>							
<b>Year ended 31 December</b>							
Group's share of profit/(loss) from continuing operations	1,668	2,417	(1,987)	(330)	(148)	(164)	1,456
Group's share of other comprehensive expense	(800)	-	-	-	-	-	(800)
Group's share of total comprehensive income/(expense)	868	2,417	(1,987)	(330)	(148)	(164)	656
<b>Other information</b>							
Dividend received	1,434	-	-	-	-	-	1,434

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. Investments (cont'd)

### (b) Associates (cont'd)

	FASB RM'000	PTFN RM'000	YHM RM'000	D&N RM'000	Total RM'000
<b>2015</b>					
<b>Group</b>					
<b>Summarised financial information</b>					
<b>As at 31 December</b>					
Non-current assets	49,297	13,570	6,735	105	69,707
Current assets	99,891	26,458	2,816	236	129,401
Non-current liabilities	(1,301)	–	–	–	(1,301)
Current liabilities	(35,995)	(31,438)	(3,094)	(18)	(70,545)
Non-controlling interests	(9,859)	–	–	–	(9,859)
Net assets	102,033	8,590	6,457	323	117,403
<b>Year ended 31 December</b>					
Profit/(Loss) from continuing operations	9,038	5,936	(1,542)	(176)	13,256
Other comprehensive income	7,835	–	–	–	7,835
Total comprehensive income/(expense)	16,873	5,936	(1,542)	(176)	21,091
<b>Included in the total comprehensive income/ (expense) is :</b>					
Revenue	179,075	91,988	6,096	–	277,159
<b>Reconciliation of net assets to carrying amount</b>					
<b>As at 31 December</b>					
Group's share of net assets	30,610	2,264	2,583	130	35,587
Dilution of interest	–	(1,016)	–	–	(1,016)
Goodwill	180	1,764	–	–	1,944
Gain on re-measurement of retained interest in associates	23,552	4,733	–	–	28,285
Carrying amount in the consolidated statement of financial position	54,342	7,745	2,583	130	64,800
<b>Group's share of results</b>					
<b>Year ended 31 December</b>					
Group's share of profit/(loss) from continuing operations	2,711	1,565	(617)	(70)	3,589
Group's share of other comprehensive income	2,350	–	–	–	2,350
Group's share of total comprehensive income/(expense)	5,061	1,565	(617)	(70)	5,939
<b>Other information</b>					
Dividend received	559	–	–	–	559

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. Intangible assets - Group

	Goodwill RM'000	Trademark RM'000	Franchise fee RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2015/31 December 2015/1 January 2016	34,382	21,500	1,749	57,631
Addition	5,427	-	-	5,427
At 31 December 2016	<b>39,809</b>	<b>21,500</b>	<b>1,749</b>	<b>63,058</b>
<b>Amortisation and impairment loss</b>				
Accumulated amortisation				
At 1 January 2015	-	-	91	91
Amortisation for the year	-	-	219	219
At 31 December 2015/1 January 2016	-	-	<b>310</b>	<b>310</b>
Amortisation for the year	-	-	<b>218</b>	<b>218</b>
Impairment loss	<b>2,500</b>	-	-	<b>2,500</b>
At 31 December 2016	-	-	<b>528</b>	<b>528</b>
Accumulated amortisation	<b>2,500</b>	-	-	<b>2,500</b>
Accumulated impairment loss	<b>2,500</b>	-	<b>528</b>	<b>3,028</b>
<b>Carrying amounts</b>				
At 1 January 2015	34,382	21,500	1,658	57,540
At 31 December 2015/1 January 2016	34,382	21,500	1,439	57,321
At 31 December 2016	<b>37,309</b>	<b>21,500</b>	<b>1,221</b>	<b>60,030</b>

The franchise fee related to a business venture entered into by the Restaurant Division in 2014 and is amortised over a period of 8 years based on the franchising agreement.

The trademark which related to the Sushi King chain of restaurant outlets is assessed to have indefinite useful life as there is no foreseeable limit as to the period over which the asset is expected to generate cash inflows to the Group.

### **Impairment testing for cash generating units ("CGU") containing goodwill and trademark**

For the purpose of impairment testing, goodwill is allocated to the Group's operating Divisions or business which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amount of goodwill is allocated to each unit as follows :

	2016 RM'000	2015 RM'000
Polymer Engineering Division		
- Thermoformed packaging business	<b>7,265</b>	7,265
- Flexo photopolymer printing plates business	<b>2,710</b>	2,710
	<b>9,975</b>	9,975
Industrial Division	<b>13,377</b>	13,377
Food Division	<b>4,314</b>	4,314
Restaurant Division	<b>9,643</b>	6,716
	<b>37,309</b>	34,382

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 6. Intangible assets - Group (cont'd)

#### *Impairment testing for cash generating units ("CGU") containing goodwill and trademark (cont'd)*

Management has assessed the recoverable amount of goodwill and trademark based on value in use calculations determined by discounting future cash flows covering a period of 5 years and having considered the terminal value of the CGUs.

Pre-tax discount rates ranging from 10% to 18% (2015 : 10%) were applied to the calculations in determining the recoverable amount of the CGUs.

The values assigned to the key assumptions (e.g. estimated selling price, sales growth, gross margins and the availability of supplies) represent the Directors' and management's assessment of future trends of the various businesses or divisions and are based on both external and internal sources (historical data).

During the financial year, the Group recorded an impairment of RM2.5 million (2015 : RM Nil) relating to its restaurant business in Vietnam, and is included in other operating expenses.

The estimated recoverable amounts for the remaining CGUs exceeded their carrying amounts and Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess; except for the goodwill of RM4.31 million relating to the Group's Food Division. The recoverable amount for this CGU is particularly sensitive towards changes in the following key assumptions and any adverse change in the following areas may result in additional impairment loss to be recognised.

- A 5% decrease in future planned revenues would result in the Group recognising an additional impairment loss of RM1.14 million.
- An increase of one (1) percentage point in the discount rate would result in the Group recognising an additional impairment loss of RM2.16 million.

### 7. Deferred tax assets/(liabilities) - Group

#### *Recognised deferred tax assets/(liabilities)*

Deferred tax assets/(liabilities) are attributable to the following :

Group	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	626	–	–	–	626	–
Property, plant and equipment						
- capital allowances	241	–	(2,456)	(1,708)	(2,215)	(1,708)
- revaluation	–	–	(1,202)	(1,208)	(1,202)	(1,208)
Other temporary differences	34	400	–	–	34	400
Net tax assets/(liabilities)	<b>901</b>	400	<b>(3,658)</b>	(2,916)	<b>(2,757)</b>	(2,516)

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 taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7. Deferred tax assets/(liabilities) - Group (cont'd)

#### Recognised deferred tax assets/(liabilities) (cont'd)

Movements in temporary differences during the year

Group	At	Recognised	Effect of	At	Recognised	Effect of	At
	1.1.2015	in profit or	movement	31.12.2015/ 1.1.2016	in profit or	movement	31.12.2016
	RM'000	loss (Note 22)	in exchange rate	RM'000	loss (Note 22)	in exchange rate	RM'000
Unutilised tax losses	–	–	–	–	(626)	–	(626)
Property, plant and equipment							
- capital allowances	1,414	286	8	1,708	506	1	2,215
- revaluation	1,215	(7)	–	1,208	(6)	–	1,202
Other temporary differences	(20)	(380)	–	(400)	366	–	(34)
	2,609	(101)	8	2,516	240	1	2,757

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	2016 RM'000	2015 RM'000
Unutilised reinvestment allowance	12,356	12,356
Tax loss carry-forwards	90,238	79,488
Capital allowance carry-forwards	17,752	21,955
	120,346	113,799

The unutilised reinvestment allowance, tax loss carry-forwards and capital allowance carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

### 8. Inventories - Group

	2016 RM'000	2015 RM'000
Raw materials	13,753	16,284
Work-in-progress	1,034	912
Manufactured inventories	27,423	35,528
Trading inventories	25,608	30,800
Food and beverages	13,547	12,789
	81,365	96,313

Recognised in profit or loss :

Inventories recognised as cost of sales	716,416	742,884
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The amount of inventories written down during the current financial year amounted to RM924,000 (2015 : RM1,146,000). The write down is included in cost of sales.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 9. Trade and other receivables

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>					
Trade receivables		<b>139,749</b>	127,010	-	-
Associates	9.1	<b>33</b>	455	-	-
		<b>139,782</b>	127,465	-	-
<b>Non-trade</b>					
Subsidiaries	9.2	-	-	<b>32,032</b>	16,713
Associates	9.1	<b>467</b>	61	<b>3</b>	7
Deposits		<b>10,155</b>	8,196	<b>223</b>	224
Prepayments		<b>7,299</b>	9,243	<b>1,402</b>	1,582
Other receivables		<b>30,905</b>	37,924	<b>370</b>	293
		<b>48,826</b>	55,424	<b>34,030</b>	18,819
		<b>188,608</b>	182,889	<b>34,030</b>	18,819
Trade and other receivables (excluding prepayments)		<b>181,309</b>	173,646	<b>32,628</b>	17,237
Add : Cash and cash equivalents	10	<b>120,791</b>	89,526	<b>51,898</b>	27,510
Total loans and receivables		<b>302,100</b>	263,172	<b>84,526</b>	44,747

#### 9.1 Amounts due from associates

The trade amount due from associates is subject to normal trade terms.

The non-trade amount due from associates is unsecured, interest-free and repayable on demand.

#### 9.2 Amount due from subsidiaries

Included in amount due from subsidiaries is RM13,840,000 (2015 : RM14,678,000) which earns interest at 4.00% to 7.00% (2015 : 5.50% to 8.10%) per annum. Other than as disclosed, the non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

### 10. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Money market funds	<b>47,570</b>	24,823	<b>47,570</b>	23,673
Short term deposit with a licensed bank	-	2,500	-	2,500
Cash and bank balances	<b>73,221</b>	62,203	<b>4,328</b>	1,337
	<b>120,791</b>	89,526	<b>51,898</b>	27,510
Market value				
- Money market funds	<b>47,650</b>	24,887	<b>47,650</b>	23,741

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. Share capital - Group/Company

	2016		2015	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each :				
Authorised	<b>500,000</b>	<b>500,000</b>	500,000	500,000
Issued and fully paid	<b>124,099</b>	<b>124,099</b>	124,099	124,099

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

## 12. Reserves

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<i>Non-distributable :</i>					
Share premium	12.1	<b>25,568</b>	25,568	<b>25,568</b>	25,568
Translation reserve	12.2	<b>24,192</b>	21,227	-	-
Merger reserve		<b>1,092</b>	1,092	-	-
Capital reserve	12.3	<b>(11,037)</b>	(10,954)	-	-
Treasury shares	12.4	<b>(4,167)</b>	(1,677)	<b>(4,167)</b>	(1,677)
		<b>35,648</b>	35,256	<b>21,401</b>	23,891
<i>Distributable :</i>					
Retained earnings	12.5	<b>123,628</b>	126,212	<b>277,452</b>	72,651
		<b>159,276</b>	161,468	<b>298,853</b>	96,542

The movements in the reserves are disclosed in the statements of changes in equity.

### 12.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

### 12.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 12.3 Capital reserve

Included in capital reserve of the Group is a debit balance of RM14,596,000 (2015 : RM14,596,000) representing shares of the Company owned by Texchem Corporation Sdn. Bhd. ("Texcorp"), which became a subsidiary of the Company during the financial year ended 31 December 2013. Pursuant to Section 17 of the Companies Act, 1965, Texcorp is required to dispose of all the shares held within twelve months or such longer period as the High Court of Malaya may allow from the date Texcorp became a subsidiary of the Company. An extension was obtained for Texcorp to dispose of the Company's shares by 16 May 2017 (see Note 31(8)).

The remaining capital reserve of RM3,559,000 (2015 : RM3,642,000) represents the statutory reserve of foreign subsidiaries as required by the respective foreign legislations.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. Reserves (cont'd)

### 12.4 Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 30 April 2015, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased its issued ordinary shares of RM1.00 each from the open market as follows :

	No. of shares '000	Purchase price*			Average RM
		Cost RM'000	Highest RM	Lowest RM	
<b>2015</b>					
At beginning of financial year	—	—	—	—	—
Purchased during the financial year :					
November 2015	26	39	1.51	1.47	1.49
December 2015	939	1,638	1.84	1.50	1.74
At end of financial year	965	1,677	1.84	1.47	1.74
<b>2016</b>					
Purchased during the financial year :					
January 2016	557	973	1.81	1.68	1.75
February 2016	365	622	1.78	1.63	1.70
March 2016	228	384	1.74	1.65	1.69
April 2016	58	99	1.75	1.71	1.72
May 2016	86	142	1.94	1.65	1.65
June 2016	84	133	1.89	1.57	1.59
July 2016	20	32	1.92	1.57	1.59
August 2016	14	22	1.96	1.55	1.58
September 2016	6	9	1.91	1.59	1.67
December 2016	49	74	1.78	1.46	1.50
At end of financial year	<b>2,432</b>	<b>4,167</b>	<b>1.96</b>	<b>1.47</b>	<b>1.71</b>

\* Purchase price includes stamp duties, brokerage, clearing fee and Goods and Services Tax.

The repurchased transactions were financed by internally generated funds. The repurchased ordinary shares of the Company were held as treasury shares.

### 12.5 Retained earnings

The entire retained earnings of the Company is eligible to be paid out as dividends under the single-tier Company income tax system in accordance with the Finance Act, 2007.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 13. Loans and borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Unsecured</b>				
<b>Current :</b>				
Bank overdrafts	14,541	17,530	-	-
Bankers' acceptances	45,309	53,312	-	-
Revolving credits	51,670	54,354	5,500	8,000
Term loans				
- Variable rate	10,124	6,248	2,000	1,220
Trust receipts	8,696	9,367	-	-
Other borrowings	7,231	15,165	-	2,666
	<b>137,571</b>	<b>155,976</b>	<b>7,500</b>	<b>11,886</b>
Finance lease liabilities	2,541	2,152	234	215
	<b>140,112</b>	<b>158,128</b>	<b>7,734</b>	<b>12,101</b>
<b>Unsecured</b>				
<b>Non-current :</b>				
Term loans				
- Variable rate	21,677	14,689	6,333	1,806
Other borrowings	-	8,334	-	8,334
	<b>21,677</b>	<b>23,023</b>	<b>6,333</b>	<b>10,140</b>
Finance lease liabilities	5,423	4,929	890	1,074
	<b>27,100</b>	<b>27,952</b>	<b>7,223</b>	<b>11,214</b>
Total loans and borrowings	<b>167,212</b>	<b>186,080</b>	<b>14,957</b>	<b>23,315</b>

#### 13.1 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2016			2015		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
<b>Group</b>						
Less than 1 year	2,922	381	2,541	2,502	350	2,152
Between 1 and 5 years	5,764	457	5,307	5,097	456	4,641
More than 5 years	118	2	116	301	13	288
	<b>8,804</b>	<b>840</b>	<b>7,964</b>	<b>7,900</b>	<b>819</b>	<b>7,081</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 13. Loans and borrowings (cont'd)

#### 13.1 Finance lease liabilities (cont'd)

Company	← 2016 →			← 2015 →		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
	Less than 1 year	281	47	234	270	55
Between 1 and 5 years	879	92	787	928	123	805
More than 5 years	105	2	103	280	11	269
	<b>1,265</b>	<b>141</b>	<b>1,124</b>	1,478	189	1,289

The finance lease liabilities are secured as the rights to the assets under the finance leases that revert to the lessor in the event of default.

### 14. Deferred liabilities

Directors' retirement/resignation benefits

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,059	3,035	429	411
Provision made during the year (Note 19)	685	660	124	198
Amount paid during the year	(816)	(733)	(180)	(180)
Effect of movements in exchange rates	(2)	97	-	-
At 31 December	<b>2,926</b>	3,059	<b>373</b>	429
As at 31 December	<b>2,926</b>	3,059	<b>373</b>	429
Less : Amount payable within next 12 months	<b>(146)</b>	(1,120)	-	(180)
	<b>2,780</b>	1,939	<b>373</b>	249

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 15. Trade and other payables

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Group</b>					
<b>Trade</b>					
Trade payables		77,364	70,455	-	-
<b>Non-trade</b>					
Subsidiaries	15.1	-	-	32,930	-
Associates		-	90	-	-
Other payables	15.2	28,619	21,783	527	665
Accrued expenses		34,733	34,800	1,545	1,477
		<b>63,352</b>	56,673	<b>35,002</b>	2,142
		<b>140,716</b>	127,128	<b>35,002</b>	2,142
Trade and other payables		<b>140,716</b>	127,128	<b>35,002</b>	2,142
Add : Loans and borrowings	13	167,212	186,080	14,957	23,315
Deferred liabilities	14	2,926	3,059	373	429
Provision	16	5,731	4,957	-	-
Total financial liabilities measured at amortised cost		<b>316,585</b>	321,224	<b>50,332</b>	25,886

#### 15.1 Amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, interest-free and payable on demand.

#### 15.2 Other payables

Included in other payables of the Group is RM2,000,000 (2015 : RM2,000,000) which is subject to interest at 6.00% (2015 : 7.00%) per annum.

### 16. Provision - Group

	2016 RM'000	2015 RM'000
<i>Provision for site restoration</i>		
At 1 January	4,957	4,329
Provision made during the year	878	831
Provision used during the year	(104)	(203)
	774	628
At 31 December	5,731	4,957
Non-current	5,560	4,850
Current	171	107
	5,731	4,957

The site restoration cost for certain subsidiaries' rented premises is provided based on the experience of historical expenses incurred. The Group expects to incur the liability when the leases expire or are terminated.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 16. Provision - Group (cont'd)

The estimated restoration costs are reviewed and updated annually based on the latest cost of restoring a premise.

Provision for restoration costs is classified as current liabilities unless the tenancy agreement, for which the restoration is required, expires at least 12 months after the reporting date.

### 17. Derivative financial liabilities - Group

	← 2016 →		← 2015 →	
	Nominal value RM'000	Liabilities RM'000	Nominal value RM'000	Liabilities RM'000
Derivative held for trading at fair value through profit or loss				
- Forward exchange contracts	<b>1,230</b>	<b>6</b>	2,027	4

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of Group entities. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

### 18. Revenue/Operating profit

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue				
- Invoiced value of goods sold less discounts and returns	<b>1,019,303</b>	1,038,504	-	-
- Commission income	<b>4,983</b>	5,145	-	-
- Service income	<b>9,717</b>	9,809	-	-
- Dividend income from unquoted subsidiaries and an associate	-	-	<b>18,136</b>	559
- Dividend income from money market funds	<b>461</b>	1,181	<b>450</b>	1,119
- Rental income	<b>729</b>	702	-	-
- Management fee	<b>106</b>	84	-	-
	<b>1,035,299</b>	1,055,425	<b>18,586</b>	1,678
Cost of sales	<b>(785,056)</b>	(806,232)	-	-
Gross profit	<b>250,243</b>	249,193	<b>18,586</b>	1,678
Distribution costs	<b>(159,656)</b>	(138,783)	-	-
Administrative expenses	<b>(113,442)</b>	(117,534)	<b>(7,139)</b>	(10,489)
Other expenses	<b>(2,734)</b>	(2,049)	<b>(87,838)</b>	(14,812)
Other income	<b>47,782</b>	38,903	<b>295,126</b>	101,094
Operating profit	<b>22,193</b>	29,730	<b>218,735</b>	77,471

Commission income relates to the sale of products where the Group acts as an agent in the transaction rather than as the principal.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 19. Profit for the year

Profit for the year is arrived at :

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After charging :				
Auditors' remuneration				
- Audit fees				
KPMG in Malaysia				
- current year	298	247	37	33
- prior year	-	-	-	5
- Overseas affiliates of KPMG Malaysia	128	52	-	-
- Other auditors	240	463	-	-
Non-audit fees				
KPMG in Malaysia	97	64	86	18
- Local affiliates of KPMG in Malaysia	160	132	7	7
Amortisation of franchise fee (Note 6)	218	219	-	-
Directors' emoluments				
Directors of the Company				
- fees	2,234	2,721	1,040	1,040
- others	4,111	3,902	883	853
Other Directors				
- fees	1,794	2,024	-	-
- others	13,954	13,114	-	-
Directors' retirement/resignation benefits (Note 14)	685	660	124	198
Impairment loss on				
- trade receivables	122	538	-	-
- investments in subsidiaries	-	-	84,838	-
- non-trade amount due from a subsidiary	-	-	-	5,312
- goodwill (Note 6)	2,500	-	-	-
Inventories written down (Note 8)	924	1,146	-	-
Inventories written off	-	7,395	-	-
Property, plant and equipment				
- Depreciation (Note 3)	29,864	27,649	439	428
- Impairment loss (Note 3)	104	177	-	-
- Written off	766	672	-	-
Rental of equipment and premises	38,395	37,567	922	1,759
Loss on liquidation of subsidiaries	-	377	-	-
Loss on disposal of				
- subsidiaries	-	-	-	9,500
- investment properties	-	1,267	-	-
Severance costs	3,961	-	-	-
And crediting :				
Dividends (gross) income from				
- subsidiaries (unquoted)	-	-	16,702	-
- an associate (unquoted)	-	-	1,434	559
Gain on liquidation of subsidiaries	-	-	-	99
Gain on dilution of interest in a subsidiary	-	-	-	97,610
Gain on disposal of property, plant and equipment	836	1,665	-	97

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 19. Profit for the year (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After charging (cont'd):				
Gain on foreign exchange, net	511	783	-	9
Insurance claim	405	9,625	-	-
Interest income	740	646	1,167	1,282
Dividend income from money market funds	461	1,181	450	1,119
Rental income from properties	1,139	1,043	744	1,597
Bad debts recovered	-	6	-	-
Gain on disposal of				
- subsidiaries	-	-	240,548	-
- associates	18,702	-	49,313	-
Reversal of impairment loss on non-trade amount due from a subsidiary	-	-	2,568	-

### 20. Employee information

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Staff costs (including key management personnel)	169,855	154,626	2,200	2,432

Staff costs and Directors' emoluments of the Group and of the Company include contributions to the Employees' Provident Fund of RM12,597,000 (2015 : RM11,860,000) and RM250,000 (2015 : RM256,000) respectively.

The estimated value of benefits received by the Directors otherwise than in cash are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company	149	143	34	34
Other Directors	302	232	-	-
	451	375	34	34

### 21. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense :				
Bank overdrafts	1,274	1,091	1	16
Bankers' acceptances	2,161	2,394	-	-
Revolving credits	3,219	3,959	1,115	1,210
Term loans	1,701	1,135	558	255
Trust receipts	622	266	-	-
Finance lease liabilities	443	360	56	47
Others	631	705	-	107
	10,051	9,910	1,730	1,635

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 22. Tax expense

Major components of tax expense include :

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Income tax expense</b>				
Malaysian tax				
– current year	6,173	8,583	112	80
– prior years	(1,190)	316	(79)	–
	4,983	8,899	33	80
Foreign tax				
– current year	3,426	2,610	–	–
– prior years	6	(9)	–	–
	3,432	2,601	–	–
Total income tax	8,415	11,500	33	80
<b>Deferred tax expense</b>				
– (reversal)/originating of temporary differences	(1,285)	123	–	–
– prior years	1,525	(224)	–	–
Total deferred tax	240	(101)	–	–
Total tax expense	8,655	11,399	33	80

### Reconciliation of tax expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	4,943	12,010	216,972	75,756
Total tax expense	8,655	11,399	33	80
Profit excluding tax	13,598	23,409	217,005	75,836
Tax calculated using Malaysian tax rate at 24% (2015 : 25%)	3,264	5,852	52,081	18,959
Effect of different tax rate in foreign jurisdictions	2,756	1,047	–	–
Non-deductible expenses	6,299	7,022	23,903	5,932
Share of tax of equity-accounted associates	(349)	(897)	–	–
Non-taxable income	(5,221)	(1,140)	(75,844)	(24,890)
Tax incentives	(28)	(27)	–	–
Utilisation of deferred tax assets not recognised in prior year	–	(660)	–	–
Current year losses for which no deferred tax asset was recognised	1,571	–	–	–
Other items	22	119	(28)	79
Under/(Over) provision in prior years	341	83	(79)	–
Total tax expense	8,655	11,399	33	80

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 23. Basic earnings per ordinary share – Group

The calculation of basic earnings per ordinary share at 31 December 2016 and 2015 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows :

	<b>Continuing operations</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year attributable to owners	<u>3,213</u>	10,039
Weighted average number of ordinary shares at 31 December ('000)	<u>121,928</u>	124,069
Basic earnings per ordinary share (sen)	<u>2.64</u>	8.09
<b>Weighted average number of ordinary shares :</b>		
	<b>2016</b>	<b>2015</b>
<b>In thousands of shares</b>		
Issued ordinary shares at 1 January	<b>124,099</b>	124,099
Effect of treasury shares held	<b>(2,171)</b>	(30)
Weighted average number of ordinary shares at 31 December	<u>121,928</u>	124,069

### 24. Dividends

The Company declared and paid/payable the following dividends :

	<b>Sen per share (Single tier)</b>	<b>2016 Amount RM'000</b>	<b>Date of entitlement</b>	<b>Date of payment</b>
Dividend payable :				
First interim 2017	10.0	<b>12,171</b>	28 December 2016	10 January 2017
Less: Dividends received/ receivable by Texcorp				
– 2017 interim		<b>(2,116)</b>		
		<b>(2,116)</b>		
		<u>10,055</u>		

As Texcorp is a 73.81% owned subsidiary of the Company, the dividend shared by the non-controlling interests of Texcorp are as follows :

	<b>RM'000</b>
First interim 2017	<u>554</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24. Dividends (cont'd)

	Sen per share (Single tier)	2015 Amount RM'000	Date of entitlement	Date of payment
Dividends paid :				
First interim 2015	10.0	12,410	17 March 2015	1 April 2015
Second interim 2015	5.0	<u>6,205</u>	19 August 2015	10 September 2015
		18,615		
Dividend payable :				
First interim 2016	10.0	<u>12,350</u>	30 December 2015	12 January 2016
		30,965		
Less: Dividends received/ receivable by Texcorp				
– 2015 interim		(3,473)		
– 2016 interim		(2,116)		
		<u>(5,589)</u>		
		<u>25,376</u>		

As Texcorp is a 73.81% owned subsidiary of the Company, the dividends shared by the non-controlling interests of Texcorp are as follows :

	RM'000
First interim 2015	633
Second interim 2015	277
First interim 2016	554
	<u>1,464</u>

### 25. Related parties

#### Identity of 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 jointly 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 include certain Directors of the Group and of the Company. The Group has related party relationship with its significant investor, Texchem Holdings Sdn. Bhd., subsidiaries and associates as disclosed in the financial statements, non-controlling interest shareholders of subsidiaries and key management personnel as defined above.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. Related parties (cont'd)

### Significant related party transactions

The significant related party transactions of the Group and of the Company are shown below.

#### A. Transactions with subsidiaries

	2016 RM'000	2015 RM'000
<b>Company</b>		
– Advances from subsidiaries	–	3,900
– Advances to subsidiaries	20,179	39,374
– Rental income (premises)	744	1,597
– Rental expense (premises)	19	18
– Interest expense	–	107
– Interest income	912	1,038
– Dividend income	16,702	–
– Dividends paid and payable		
– in respect of financial year ended 2015	–	3,473
– in respect of financial year ended 2016	–	2,116
– in respect of financial year ending 2017	2,116	–
– Management fee expense	1,500	1,500
– Subscription of shares in subsidiaries	319,480	14,805
– Proceeds from disposal of subsidiaries	256,780	–

#### B. Company in which Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is deemed to have a substantial financial interest – Texchem Holdings Sdn. Bhd.

	2016 RM'000	2015 RM'000
<b>Company</b>		
– Dividends paid and payable		
– in respect of financial year ended 2015	–	6,488
– in respect of financial year ended 2016	–	4,842
– in respect of financial year ending 2017	4,842	–
– Rental expense (premises)	144	144
<b>Group</b>		
– Dividend paid and payable		
– in respect of financial year ended 2015	–	6,488
– in respect of financial year ended 2016	2,033	4,842
– in respect of financial year ending 2017	4,842	–
– Rental expense (premises)	840	840
– Security service income	40	133
– Insurance premium income	130	160
– Disposal of Company's shares	–	2,614

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 25. Related parties (cont'd)

#### Significant related party transactions (cont'd)

##### C. Associates

	2016 RM'000	2015 RM'000
<b>Company</b>		
– Dividends received	<u>1,434</u>	<u>559</u>
<b>Group</b>		
– Subscription of shares in associates	5,080	3,400
– Management fee income	82	60
– Sales	1,939	911
– Service income	546	680
– Security service income	59	219
– Rental expense (premises)	370	404
– Insurance premium income	116	62
– Rental income	168	100
– Storage and logistics income	<u>290</u>	<u>159</u>

##### D. Other related parties

	2016 RM'000	2015 RM'000
<b>Group</b>		
– Interest expense	120	140
– Royalty fee	–	1,010
– Purchase of plant and equipment	41	258
– Purchases	<u>–</u>	<u>30</u>

##### E. Key management personnel

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
– Fees	3,764	4,139	800	800
– Remuneration	17,961	16,887	779	779
– Estimated value of benefits-in-kind	451	375	34	34
	<u>22,176</u>	<u>21,401</u>	<u>1,613</u>	<u>1,613</u>

There were no transactions with the key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed above and the provision of Directors' retirement benefits as disclosed in Note 14 to the financial statements.

The balances related to the above transactions are shown in Notes 9, 14 and 15 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash. There was no impairment provided in respect of related party balances at the end of the reporting period other than the reversal of impairment loss made by the Company on non-trade balance of RM2,568,000 (2015 : impairment loss of RM5,312,000) owing from a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Industrial
- Polymer Engineering
- Food
- Restaurant
- Venture

There are varying levels of integration between the segments such as the transfers of raw materials and shared distribution and administrative services. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Other non-reportable segments comprise of investment holding activities and the provision of intra-group management services. None of these segments met the quantitative thresholds for reporting segments in 2016 and 2015.

### Segment assets

The total of segment asset is measured on all assets (including goodwill) of a segment as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets are used to measure the return of assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Officer. Hence, no disclosure is made on segment liabilities.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 26. Operating segments (cont'd)

	Industrial RM'000	Polymer Engineering RM'000	Food RM'000	Restaurant RM'000	Venture RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>2016</b>								
Revenue from external customers	389,790	200,109	212,991	227,752	1,141	3,516	-	1,035,299
Inter-segment revenue	924	198	6,463	-	6,048	10,102	(23,735)	-
<b>Total revenue</b>	<b>390,714</b>	<b>200,307</b>	<b>219,454</b>	<b>227,752</b>	<b>7,189</b>	<b>13,618</b>	<b>(23,735)</b>	<b>1,035,299</b>
Profit/(Loss) before share of after tax results of equity-accounted associates	9,114	(4,559)	(7,693)	7,763	(4,831)	12,348	-	12,142
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	(164)	(2,465)	-	4,085	-	1,456
<b>Profit/(Loss) before tax (Segment profit/(loss))</b>	<b>9,114</b>	<b>(4,559)</b>	<b>(7,857)</b>	<b>5,298</b>	<b>(4,831)</b>	<b>16,433</b>	<b>-</b>	<b>13,598</b>
Included in the measure of segment profit/(loss) are :								
- Inventories (written back)/written down	(3)	620	(247)	-	554	-	-	924
- Impairment loss/(Reversal of impairment loss) on trade and other receivables	88	(1)	35	-	-	-	-	122
- Impairment loss on property, plant and equipment	-	104	-	-	-	-	-	104
- Impairment loss on goodwill	-	-	-	2,500	-	-	-	2,500
- Property, plant and equipment written off	4	45	3	700	14	-	-	766
- Depreciation	1,898	9,832	2,886	13,851	313	1,084	-	29,864
- Severance costs	-	3,961	-	-	-	-	-	3,961
- Gain on disposal of associates	-	-	-	-	-	(18,702)	-	(18,702)
<b>Segment assets</b>	<b>143,157</b>	<b>179,517</b>	<b>98,371</b>	<b>132,628</b>	<b>3,752</b>	<b>79,455</b>	<b>-</b>	<b>636,880</b>
Included in the measure of segment assets are:								
- Investments in associates	-	-	136	4,228	-	-	-	4,364
- Additions to property, plant and equipment	1,888	8,240	3,606	18,755	414	840	-	33,743

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 26. Operating segments (cont'd)

	Industrial RM'000	Polymer Engineering RM'000	Food RM'000	Restaurant RM'000	Venture RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>2015</b>								
Revenue from external customers	421,550	205,349	203,735	216,940	1,202	6,649	-	1,055,425
Inter-segment revenue	530	309	8,894	-	7,562	10,491	(27,786)	-
<b>Total revenue</b>	<b>422,080</b>	<b>205,658</b>	<b>212,629</b>	<b>216,940</b>	<b>8,764</b>	<b>17,140</b>	<b>(27,786)</b>	<b>1,055,425</b>
Profit/(Loss) before share of after tax results of equity-accounted associates	7,288	2,350	4,672	17,049	(4,368)	(7,171)	-	19,820
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	-	(687)	-	4,276	-	3,589
<b>Profit/(Loss) before tax (Segment profit/(loss))</b>	<b>7,288</b>	<b>2,350</b>	<b>4,672</b>	<b>16,362</b>	<b>(4,368)</b>	<b>(2,895)</b>	<b>-</b>	<b>23,409</b>
Included in the measure of segment profit/(loss) are :								
- Inventories (written back)/written down	(10)	617	580	-	(41)	-	-	1,146
- Inventories written off	-	-	7,395	-	-	-	-	7,395
- Impairment loss on trade and other receivables	38	10	488	-	-	2	-	538
- Impairment loss on property, plant and equipment	-	177	-	-	-	-	-	177
- Loss on disposal of investment properties	-	-	-	-	-	1,267	-	1,267
- Property, plant and equipment written off	-	142	6	524	-	-	-	672
- Depreciation	1,571	10,408	3,427	11,159	288	796	-	27,649
<b>Segment assets</b>	<b>145,769</b>	<b>173,849</b>	<b>107,354</b>	<b>113,754</b>	<b>4,306</b>	<b>120,123</b>	<b>-</b>	<b>665,155</b>
Included in the measure of segment assets are:								
- Investments in associates	-	-	-	2,713	-	62,087	-	64,800
- Additions to property, plant and equipment	2,510	4,656	1,759	15,745	231	23,232	-	48,133

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 26. Operating segments (cont'd)

#### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint venture) and deferred tax assets.

<b>Geographical information</b>	<b>Revenue RM'000</b>	<b>Non-current assets RM'000</b>
<b>2016</b>		
Malaysia	506,034	175,576
Republic of Singapore	65,686	13,908
Thailand	108,129	27,998
Vietnam	95,574	7,381
People's Republic of China	86,911	–
Myanmar	15,672	13,809
Indonesia	26,841	82
Others	130,452	2
	<b>1,035,299</b>	<b>238,756</b>
<b>2015</b>		
Malaysia	510,809	170,818
Republic of Singapore	62,300	13,624
Thailand	121,417	29,653
Vietnam	97,120	1,904
People's Republic of China	79,135	954
Myanmar	19,039	12,861
Indonesia	23,985	112
Others	141,620	4
	<b>1,055,425</b>	<b>229,930</b>

### 27. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

### 28. Capital and investment commitments – Group

	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Property, plant and equipment		
Approved but not contracted for	1,761	659
Contracted but not provided for	6,039	4,202
	<b>7,800</b>	<b>4,861</b>
Investment		
Approved but not contracted for	–	1,000
	<b>–</b>	<b>1,000</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 29. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows :

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 1 year	25,005	24,041	759	569
Between 1 and 5 years	20,080	22,598	1,328	–
	<b>45,085</b>	46,639	<b>2,087</b>	569

The Group and the Company lease land, office space, warehouse, equipment and restaurant outlets under operating leases. The leases typically run for an initial period of 1 to 10 years with an option to renew.

The lease payments for subsidiaries in the Restaurant division may be based on fixed lease rental or variable lease rental of between 8% to 18% (2015 : 8% to 18%) of the subsidiaries' net turnover, whichever is higher. The lease commitment disclosed above is aggregated based on the minimum lease rental payables.

### 30. Financial instruments

#### 30.1 Categories of financial instruments

Trade and other receivables (excluding prepayments) and cash and bank balances are categorised as loans and receivables (Note 9) while trade and other payables, deferred liabilities, provision and loans and borrowings are categorised as financial liabilities measured at amortised cost (Note 15).

Fair value through profit or loss ("FVTPL")

	2016 RM'000	2015 RM'000
Derivative financial liabilities	6	4

#### 30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on :				
Loans and receivables	1,590	2,078	4,185	(2,902)
Financial liabilities measured at amortised cost	(10,051)	(9,910)	(1,730)	(1,635)
Fair value through profit or loss :				
– designated upon initial recognition	(6)	(4)	–	–
	<b>(8,467)</b>	(7,836)	<b>2,455</b>	(4,537)

#### 30.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for borrowings granted to subsidiaries.

#### Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are owing from regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure to credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2016 RM'000	2015 RM'000
<b>Group</b>		
Domestic	55,772	54,805
Thailand	23,166	25,139
People's Republic of China	10,014	8,937
Republic of Singapore	12,911	9,450
Vietnam	12,880	11,957
Myanmar	1,789	872
Japan	4,942	4,453
Indonesia	4,679	2,789
Others	13,629	9,063
	<b>139,782</b>	<b>127,465</b>

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>Group</b>				
<b>2016</b>				
Not past due	101,603	-	-	101,603
Past due 1 – 30 days	25,623	-	-	25,623
Past due 31 – 120 days	12,060	(63)	-	11,997
Past due more than 120 days	1,328	(769)	-	559
	<b>140,614</b>	<b>(832)</b>	<b>-</b>	<b>139,782</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.4 Credit risk (cont'd)

#### Receivables (cont'd)

##### Impairment losses (cont'd)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>Group</b>				
<b>2015</b>				
Not past due	89,755	–	–	89,755
Past due 1 – 30 days	30,169	–	–	30,169
Past due 31 – 120 days	7,301	(93)	–	7,208
Past due more than 120 days	980	(647)	–	333
	128,205	(740)	–	127,465

The movements in the allowance for impairment losses of trade receivables during the financial year were :

	2016 RM'000	2015 RM'000
<b>Group</b>		
At 1 January	740	246
Impairment loss recognised	165	592
Impairment loss reversed	(43)	(54)
Impairment loss written off	(41)	(73)
Exchange differences	11	29
At 31 December	832	740

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### Financial guarantees

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounted to RM101.4 million (2015 : RM107.0 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The Group and the Company also issued corporate guarantee to the suppliers of certain subsidiaries amounting to RM29.6 million and RM1.0 million (2015 : RM27.9 million and RM1.0 million) respectively.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.4 Credit risk (cont'd)

#### Inter company balances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

### 30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and Company's operations and to mitigate any adverse effects of fluctuations in cash flows.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount	Contractual interest rates	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	14,541	7.35 – 8.10	14,541	14,541	–	–	–
Bankers' acceptances	45,309	3.62 – 5.24	45,309	45,309	–	–	–
Revolving credits	51,670	3.92 – 5.62	51,670	51,670	–	–	–
Trust receipts	8,696	2.55 – 5.75	8,696	8,696	–	–	–
Term loans	31,801	4.48 – 7.85	33,972	11,064	10,793	11,765	350
Finance lease liabilities	7,964	2.35 – 4.00	8,804	2,922	2,601	3,163	118
Other borrowings	7,231	1.32 – 3.20	7,231	7,231	–	–	–
Other payables	2,000	6.00	2,000	2,000	–	–	–
Trade and other payables	138,716	–	138,716	138,716	–	–	–
Financial guarantees	–	–	30,628	30,628	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Financial instruments (cont'd)

#### 30.5 Liquidity risk (cont'd)

##### *Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
<b>2016</b>							
<b>Group</b>							
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
Outflow	6	-	1,236	1,236	-	-	-
Inflow	-	-	(1,230)	(1,230)	-	-	-
	<u>307,934</u>		<u>341,573</u>	<u>312,783</u>	<u>13,394</u>	<u>14,928</u>	<u>468</u>

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
<b>2016</b>							
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Term loans	8,333	5.01	8,751	2,100	2,100	4,201	350
Finance lease liabilities	1,124	2.35 – 3.01	1,265	281	264	615	105
Revolving credits	5,500	4.89 – 5.15	5,500	5,500	-	-	-
Other payables	35,002	-	35,002	35,002	-	-	-
Financial guarantees	-	-	102,414	102,414	-	-	-
	<u>49,959</u>		<u>152,932</u>	<u>145,297</u>	<u>2,364</u>	<u>4,816</u>	<u>455</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Financial instruments (cont'd)

#### 30.5 Liquidity risk (cont'd)

##### *Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
<b>2015</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Bank overdrafts	17,530	7.35 – 8.35	17,530	17,530	–	–	–
Bankers' acceptances	53,312	3.60 – 5.57	53,312	53,312	–	–	–
Revolving credits	54,354	2.96 – 5.80	54,354	54,354	–	–	–
Trust receipts	9,367	3.50 – 4.90	9,367	9,367	–	–	–
Term loans	20,937	5.64 – 8.10	23,377	7,190	6,148	10,039	–
Finance lease liabilities	7,081	2.28 – 4.52	7,900	2,502	2,412	2,685	301
Other borrowings	23,499	1.32 – 7.30	24,106	15,313	2,814	5,979	–
Other payables	2,000	7.00	2,000	2,000	–	–	–
Trade and other payables	125,128	–	125,128	125,128	–	–	–
Financial guarantees	–	–	28,933	28,933	–	–	–
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled) :							
Outflow	4	–	2,031	2,031	–	–	–
Inflow	–	–	(2,027)	(2,027)	–	–	–
	<u>313,212</u>		<u>346,011</u>	<u>315,633</u>	<u>11,374</u>	<u>18,703</u>	<u>301</u>

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
<b>2015</b>							
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Term loans	3,026	6.25	3,216	1,296	1,296	624	–
Finance lease liabilities	1,289	2.35 – 2.54	1,478	270	270	658	280
Revolving credits	8,000	4.76 – 5.59	8,000	8,000	–	–	–
Other borrowings	11,000	5.52	11,607	2,814	2,814	5,979	–
Other payables	2,142	–	2,142	2,142	–	–	–
Financial guarantees	–	–	108,081	108,081	–	–	–
	<u>25,457</u>		<u>134,524</u>	<u>122,603</u>	<u>4,380</u>	<u>7,261</u>	<u>280</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

#### 30.6.1 Currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in US Dollar (USD), Japanese Yen (JPY), Singapore Dollar (SGD) and Renminbi (RMB). In respect of other monetary assets and liabilities held in currencies other than RM, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group occasionally hedges its foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Group uses forward exchange contracts with maturities of less than one year after the end of the financial reporting period for this purpose.

#### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	RMB RM'000	USD RM'000	JPY RM'000	SGD RM'000
<b>Group</b>				
<b>2016</b>				
Trade and other receivables	6,572	43,891	1,550	971
Trade and other payables	(4,600)	(28,096)	(1,438)	(424)
Cash and bank balances	1,548	18,117	268	770
Loans and borrowings	-	(7,175)	-	-
<b>Net exposure</b>	<b>3,520</b>	<b>26,737</b>	<b>380</b>	<b>1,317</b>
<b>2015</b>				
Trade and other receivables	3,332	45,396	1,752	910
Trade and other payables	(1,781)	(28,654)	(1,534)	(45)
Cash and bank balances	945	19,471	78	134
Loans and borrowings	-	(4,220)	-	-
<b>Net exposure</b>	<b>2,496</b>	<b>31,993</b>	<b>296</b>	<b>999</b>

#### *Currency risk sensitivity analysis*

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

	Profit or loss	
	2016 RM'000	2015 RM'000
<b>Group</b>		
RMB	(176)	(125)
USD	(1,337)	(1,600)
JPY	(19)	(15)
SGD	(66)	(50)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.6 Market risk (cont'd)

#### 30.6.1 Currency risk (cont'd)

##### *Currency risk sensitivity analysis (cont'd)*

A 5% weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### 30.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

##### *Risk management objectives, policies and processes for managing the risk*

The Group and the Company are presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group and the Company manage their interest rate risk by having a combination of borrowings with fixed and floating rates. The Group's and the Company's surplus funds are placed in short term deposits and money market funds with licensed banks and financial institutions.

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Fixed rate instruments</b>				
Financial assets	–	2,500	<b>13,840</b>	17,178
Financial liabilities	<b>(122,870)</b>	(149,613)	<b>(6,624)</b>	(20,289)
	<b>(122,870)</b>	(147,113)	<b>7,216</b>	(3,111)
<b>Floating rate instruments</b>				
Financial liabilities	<b>(46,342)</b>	(38,467)	<b>(8,333)</b>	(3,026)

##### *Interest rate risk sensitivity analysis*

###### *(a) Fair value sensitivity analysis for fixed rate instruments*

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

###### *(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. There is no impact to equity arising from exposures to interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.6 Market risk (cont'd)

#### 30.6.2 Interest rate risk (cont'd)

*Interest rate risk sensitivity analysis (cont'd)*

*(b) Cash flow sensitivity analysis for variable rate instruments (cont'd)*

	Group		Company	
	← Profit or loss	→	← Profit or loss	→
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
<b>2016</b>				
Floating rate instruments	<b>(463)</b>	<b>463</b>	<b>(83)</b>	<b>83</b>
<b>2015</b>				
Floating rate instruments	(385)	385	(30)	30

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Financial instruments (cont'd)

#### 30.7 Fair value information

The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

2016 Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>Financial liabilities</b>								
Forward exchange contracts	-	(6)	-	-	-	-	-	(6)
Loans and borrowings								
– variable rate	-	-	-	-	-	(31,801)	(31,801)	(31,801)
Financial lease liabilities								
– fixed rate	-	-	-	-	-	(8,070)	(8,070)	(7,964)
	-	(6)	-	-	-	(39,871)	(39,871)	(39,771)
<b>Company</b>								
<b>Financial liabilities</b>								
Loans and borrowings								
– variable rate	-	-	-	-	-	(8,333)	(8,333)	(8,333)
Financial lease liabilities								
– fixed rate	-	-	-	-	-	(1,131)	(1,131)	(1,124)
	-	-	-	-	-	(9,464)	(9,464)	(9,457)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 30. Financial instruments (cont'd)

#### 30.7 Fair value information (cont'd)

2015	Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000	
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
	<b>Financial liabilities</b>											
	Forward exchange contracts	-	(4)	-	(4)	-	-	-	-	(4)	(4)	(4)
	Loans and borrowings											
	- variable rate	-	-	-	-	-	-	(20,937)	(20,937)	(20,937)	(20,937)	(20,937)
	Financial lease liabilities											
	- fixed rate	-	-	-	-	-	-	(7,133)	(7,133)	(7,133)	(7,133)	(7,081)
	<b>Company</b>											
	<b>Financial liabilities</b>											
	Loans and borrowings											
	- variable rate	-	-	-	-	-	-	(8,026)	(8,026)	(8,026)	(8,026)	(8,026)
	Financial lease liabilities											
	- fixed rate	-	-	-	-	-	-	(1,296)	(1,296)	(1,296)	(1,296)	(1,289)
		-	-	-	(4)	-	-	(28,070)	(28,070)	(28,074)	(28,022)	(4,315)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. Financial instruments (cont'd)

### 30.7 Fair value information (cont'd)

#### Policy on transfer between levels

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

There has been no transfer between the levels in fair value during the financial year (2015 : no transfer in either directions).

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

#### *Derivatives*

The fair value of the forward exchange contracts is estimated by reference to the market rate for similar contracts obtained from the bank which the Group contracted with.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The carrying amount of floating rate loans and borrowings approximate their fair values as their effective interest rate changes accordingly to movements in the market interest rate. The fair value of finance lease liabilities and other long-term fixed rate borrowings are calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements which ranges from 4.64% to 6.80% (2015 : 4.32% to 7.42%).

## 31. Significant events

- 1) On 21 December 2015, Technopia Singapore Pte. Ltd. ("TSPL"), a wholly-owned subsidiary of Texcorp which in turn is a 73.81% subsidiary of the Company, submitted an application to The Accounting and Corporate Regulatory Authority of Singapore, to strike off TSPL from the Register of Companies pursuant to Section 344 of the Singapore Companies Act, Chapter 50 ("Striking Off").

The Striking Off process was completed on 4 April 2016.

- 2) On 28 January 2016, the Company issued the Exit Offer Letter to the shareholders of Texchem-Pack (Holdings) Ltd. ("TXPHS"), a 70.48% owned subsidiary of the Company to acquire the remaining 29.52% TXPHS shares not owned by the Company.

On 24 February 2016, the Company achieved a minimum 90% acceptance from the shareholders of TXPHS for the remaining 29.52% TXPHS shares not owned by the Company. The Company then exercised its rights to compulsorily acquire the remaining shares ("Compulsory Acquisition Exercise") on 11 April 2016. The Compulsory Acquisition Exercise which amounted to RM12,838,000 was completed on 13 April 2016 upon which, TXPHS became a wholly-owned subsidiary of the Company. TXPHS was delisted from the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 14 April 2016.

- 3) On 18 February 2016, Texchem Food Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 664 ordinary shares of Kyats 100,000 each in Texchem Marine Labutta Limited ("TMLL"), representing 65% of the issued and paid-up share capital of TMLL, for a total cash consideration of Kyats 66,400,000 (equivalent to approximately RM220,000).
- 4) On 1 March 2016, the Company disposed of its 70.35% equity interest in Sushi Kin Sdn. Bhd. to Texchem Restaurant Systems Sdn. Bhd. ("TRSSB"), a wholly-owned subsidiary of the Company for a total consideration of RM256.78 million, in conjunction with the internal restructuring of the Restaurant Division of the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. Significant events (cont'd)

- 5) On 31 March 2016, the Company further entered into a Share Sale Agreement with Sushi Kin Sdn. Bhd. ("SKSB"), a 70.35% owned subsidiary of TRSSB to dispose of its entire equity interest in Sushi Kin (East Malaysia) Sdn. Bhd. (formerly known as Sushi Family Sdn. Bhd.) ("SKEM") to SKSB for a total consideration of RM1.
- 6) On 21 June 2016, TRSSB and Kokubu Group Corp. ("Kokubu"), a company incorporated in Japan, incorporated Kokubu Food Logistics Malaysia Sdn. Bhd. ("KFLM"). KFLM is principally involved in food logistics, inventory management, handling of sales orders and warehouse operations services and is a 51% owned subsidiary of TRSSB as at 31 December 2016.
- 7) Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of TRSSB had on 12 April 2016 received an Enterprise Registration Certificate issued by the Business Registration Division under the Department of Planning and Investment of Ho Chi Minh City in relation to its acquisition of the entire Charter Capital of Sushi King Company Limited, a company established in Vietnam for a total purchase consideration of VND7.8 billion (equivalent to approximately RM1,150,000).

On 12 August 2016, the Department of Planning and Investment of Ho Chi Minh issued an Investment Registration Certificate to Sushi Kin Sdn. Bhd., being the sole foreign investor in Sushi King Company Limited.

The registration process of the aforesaid acquisition was completed on 12 August 2016.

- 8) Texchem Corporation Sdn. Bhd. ("Texcorp") which is a 73.81% owned subsidiary of the Company currently holds 21,153,109 ordinary shares of RM1.00 each in the Company, representing 17.40% of the total issued and paid-up share capital in the Company ("TRB Shares").

Pursuant to Section 17 of the Companies Act, 1965 (now under Section 22 of the Companies Act, 2016), Texcorp is required to dispose of all the TRB Shares within twelve (12) months or such longer period as the High Court of Malaya may allow after Texcorp becomes a subsidiary of the Company. Pending the disposal of the TRB Shares, Texcorp shall have no rights to vote at meetings of the Company or any class of the Company's members.

On 29 April 2016, Texcorp had been granted an Order by the Penang High Court for a further extension of time of twelve (12) months from 17 May 2016 to dispose of the TRB Shares in order to comply with the requirement of the Act, namely the new deadline for Texcorp to dispose of the TRB Shares is 16 May 2017.

- 9) Subsequent to the delisting of TXPHS from SGX-ST as disclosed in Note 31(2), the Company on 8 June 2016 embarked on the restructuring of companies within the Polymer Engineering Division. The companies within the Polymer Engineering Division, namely Texchem-Pack (M) Bhd, Texchem-Pack (Johor) Sdn. Bhd., Texchem-Pack (PP) Sdn. Bhd., Texchem-Pack (Thailand) Co., Ltd., Texchem-Pack (Vietnam) Co., Ltd., Texchem Life Sciences Sdn. Bhd. and Eye Graphic Sdn. Bhd. were eventually transferred to become direct subsidiaries of Texchem Polymer Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company. As at todate, the transfers have been completed except for Texchem-Pack (Vietnam) Co., Ltd..
- 10) Alaya Asia Sdn. Bhd., a wholly-owned subsidiary of Eye Graphic Sdn. Bhd. which in turn is wholly-owned by Texchem Polymer Engineering Sdn. Bhd., had on 31 August 2016 commenced winding up proceedings voluntarily in accordance with Section 254 of the Companies Act, 1965 ("Member's Voluntary Winding Up").

The completion of the Member's Voluntary Winding Up is pending as at todate.

- 11) On 1 September 2016, TRSSB, subscribed for an additional 673,500 ordinary shares of RM1.00 each in D&N Coffee and Restaurant Malaysia Sdn. Bhd. ("D&N Coffee"), at par for a total cash consideration of RM673,500 upon which, D&N Coffee became a 51% owned subsidiary of TRSSB.
- 12) On 13 October 2016, the Company entered into two Share Sale Agreements with Fumakilla Limited ("FJ") to dispose of its remaining 30% and 26.36% equity interest in Fumakilla Asia Sdn. Bhd. and PT Fumakilla Nomos ("PTFN") respectively for a total cash consideration of RM80.5 million ("Disposals").

The Disposals were completed on 9 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 31. Significant events (cont'd)

- 13) On 28 October 2016, Texchem-Pack (KL) Sdn. Bhd. ("TXPKL"), a wholly-owned subsidiary of Texchem-Pack (M) Bhd, which in turn is a wholly-owned subsidiary of the Company, was dissolved.
- 14) On 23 December 2016, Texchem Management Services Sdn. Bhd., a wholly-owned subsidiary of Texchem Corporation Sdn. Bhd., commenced winding up proceedings voluntarily in accordance with Section 254 of the Companies Act, 1965 (now under Section 439 of the Companies Act, 2016) ("Member's Voluntary Winding Up").

The completion of the Member's Voluntary Winding Up is pending as at todate.

### 32. Subsequent event

On 9 March 2017, the following subsidiaries of the Company jointly incorporated Sushi Kin (B) Sdn. Bhd. ("SK(B)") in Brunei Darussalam and the equity participation in SK(B) are as follows :

Name	Ratio
(i) Sushi Kin Sdn. Bhd. ("SKSB")	90%
(ii) Sushi Kin (East Malaysia) Sdn. Bhd. ("SKEM")	10%

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 33. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Total retained earnings of the Company and its subsidiaries:</b>				
– Realised	<b>110,546</b>	93,874	<b>277,452</b>	72,651
– Unrealised	<b>20,794</b>	16,557	–	–
	<b>131,340</b>	110,431	<b>277,452</b>	72,651
<b>Total share of retained earnings from associates:</b>				
– Realised	<b>(2,916)</b>	(1,970)	–	–
– Unrealised	–	28,592	–	–
	<b>(2,916)</b>	26,622	–	–
	<b>128,424</b>	137,053	<b>277,452</b>	72,651
Less: Consolidation adjustments	<b>(4,796)</b>	(10,841)	–	–
<b>Total retained earnings</b>	<b>123,628</b>	126,212	<b>277,452</b>	72,651

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

## STATEMENT BY **DIRECTORS PURSUANT TO**

**Section 251(2) of the Companies Act, 2016**

In the opinion of the Directors, the financial statements set out on pages 59 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 134 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....  
**Tan Sri Dato' Seri (Dr.) Fumihiko Konishi,**  
**PSM, DGPN, DSPN, DJN**  
Director

.....  
**Brian Tan Guan Hooi**  
Director

Date: 27 March 2017

# STATUTORY DECLARATION **PURSUANT TO**

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

I, **Tan Peng Lam**, the officer primarily responsible for the financial management of Texchem Resources Bhd., do solemnly and sincerely declare that the financial statements set out on pages 59 to 134 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Tan Peng Lam, NRIC : 590109-07-5421, at Georgetown in the State of Penang on 27 March 2017.

.....  
**Tan Peng Lam**

Before me :

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF TEXCHEM RESOURCES BHD.

(Company no. 16318-K)

(Incorporated in Malaysia)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Texchem Resources Bhd., which comprise the statements of financial position as at 31 December 2016 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 133.

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 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

#### Asset valuation – Group

Refer to the accounting policy on Note 2(g)(ii) – Impairment of other assets, Note 1(d) – Use of estimates and judgements, Note 3 – Property, plant and equipment and Note 6 – Intangible assets to the financial statements.

#### The key audit matter

#### How the matter was addressed in our audit

As at 31 December 2016, the Group's statement of financial position includes property, plant and equipment amounting to RM178.8 million as well as intangible assets comprising mainly of goodwill on consolidation and trademark which amounted to RM37.3 million and RM21.5 million respectively.

The assessment of the recoverable amount of these assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental.

In determining the recoverable amount of these intangible assets, the Group assigns values to key assumptions such as sales growth rate, gross profit margin, future production levels and discount rate.

Changes in external economic and future market conditions and errors in the above estimates can impact the assessment of the carrying value of the goodwill and trademark as well as the profit or loss recognised by the Group.

- Discussed the impairment model based on discounted future cash flows with management and compared the appropriateness of the key assumptions and estimates used, in particular, those relating to sales growth, gross profit margin, discount rate and terminal value with reference to internally derived sources as well as external benchmarks;

- Performed a range of sensitivities across the different elements in the impairment model to identify which assumptions are key and were most sensitive in management's recoverability assessment;

- Considered the Group's forecasting process and evaluated the Group's historical forecasting accuracy by comparing the prior year's (2016) financial budget to actual results;

- Considered the sensitivity analysis performed by the Group and assessed whether the related disclosure on the sensitivity of the outcome (of the impairment assessment) to changes in key assumptions has been adequately and properly made to reflect the risks inherent in the valuation of goodwill and trademark.

We have determined that there are no key audit matters to be communicated for the Company in our report.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

## TO THE MEMBERS OF TEXCHEM RESOURCES BHD.

(Company no. 16318-K)

(Incorporated in Malaysia)

### 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 annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report 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 the annual report, 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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 gives a true and fair view.

# INDEPENDENT **AUDITORS** ' REPORT (CONT'D)

## TO THE MEMBERS OF **TEXCHEM RESOURCES BHD.**

(Company no. 16318-K)

(Incorporated in Malaysia)

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

- 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 auditors' 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, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 5 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **Other Matter**

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.

#### **KPMG PLT**

LLP0010081-LCA & AF 0758

Chartered Accountants

Date : 27 March 2017

Penang

#### **Lim Su Ling**

Approval Number : 3098/12/17 (J)

Chartered Accountants

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**TEXCHEM**

**TEXCHEM RESOURCES BHD**

COMPANY NO. 16318-K

Level 18, Menara Boustead Penang  
39 Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia  
Tel: 604-229 6000 Fax: 604-229 1430

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