



SAMCHEM HOLDINGS BERHAD

(797567-U)

(Incorporated in Malaysia under the Companies Act, 1965)



**2009
ANNUAL
REPORT**

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An Important Milestone for Samchem



SAMCHEM HOLDINGS BERHAD

Being one of the leading industrial chemicals distributors in Malaysia and the Asia-Pacific region, Samchem reached a significant corporate milestone on 23 June 2009 when the Company was listed on the Main Market of Bursa Malaysia. The successful listing is a recognition of Samchem's achievements and will put the Company on a stronger footing to scale greater heights in its future endeavours.



CORPORATE VISION

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

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

CORPORATE MISSION STATEMENTS

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

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

To be the preferred chemicals distributor to suppliers and customers.

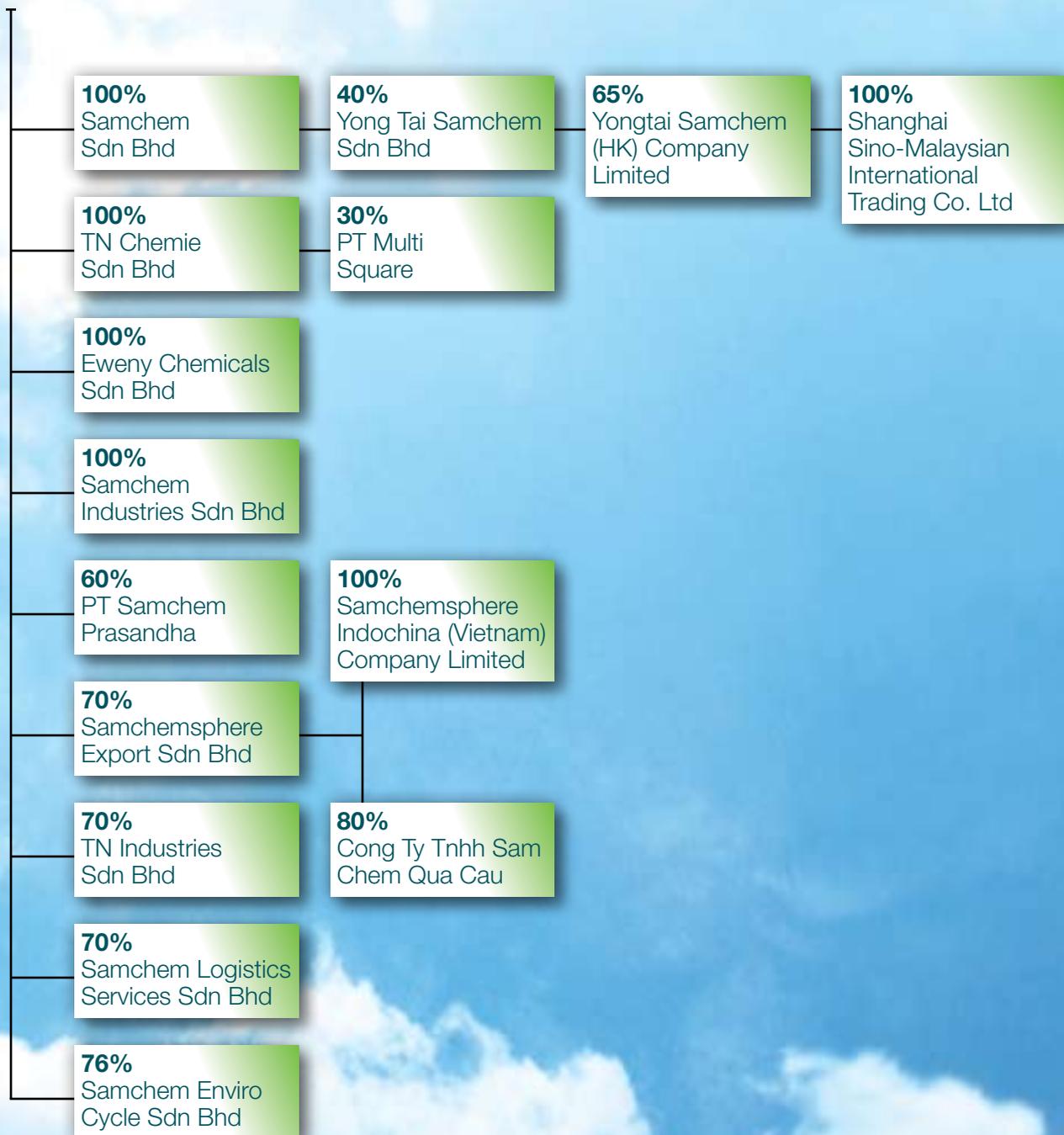
CORPORATE STRUCTURE



SAMCHEM HOLDINGS BERHAD

(Company Number 797567-U)

(Incorporated in Malaysia under the Companies Act, 1965)



CORPORATE INFORMATION

BOARD OF DIRECTORS

- 1. Ng Thin Poh**
Chairman and Chief Executive Officer
- 2. Dato' Ng Lian Poh**
Executive Director
- 3. Tan Teck Beng**
Executive Director
- 4. Ng Soh Kian**
Executive Director
- 5. Chooi Chok Khooi**
Executive Director
- 6. Dato' Theng Book**
Independent Non-Executive Director
- 7. Lee Kong Hoi**
Independent Non-Executive Director
- 8. Wong Tak Keong**
Independent Non-Executive Director

BOARD COMMITTEES

Audit Committee

Wong Tak Keong
Chairman

Dato' Theng Book

Lee Kong Hoi

Remuneration Committee

Dato' Theng Book
Chairman

Ng Thin Poh

Lee Kong Hoi

Nomination Committee

Lee Kong Hoi
Chairman

Ng Thin Poh

Dato' Theng Book



Company Secretaries

Chua Hooi Sian (MAICSA 7014565)

**Sujata Menon A/P K.R.D.S.
Chandran** (LS 0002004)

Registered Office

No. 6, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel: 03-2287 7033
Fax: 03-2287 0032

Corporate Office

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

Share Registrar

**MIDF Consultancy and Corporate
Services Sendirian Berhad**

Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2173 8888
Fax: 03-2173 8677

Auditors

Ernst & Young

Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Solicitors

Lee, Perara & Tan

Principal Bankers

Malayan Banking Berhad

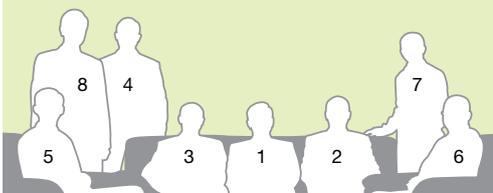
United Overseas Bank (Malaysia) Bhd

AmBank (M) Berhad

Stock Exchange Listing

Main Market

Bursa Malaysia Securities Berhad



DIRECTORS' PROFILE



Ng Thin Poh | *Chairman and Chief Executive Officer*

Ng Thin Poh, a Malaysian aged 52, was appointed to the Board on 29 November 2007. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded Samchem Sdn Bhd. He has been the Managing Director of Samchem Group since its inception. He is responsible for the day-to-day management of the Group's operations and is involved in expanding the Group's distribution rights and product offerings.

Dato' Ng Lian Poh | *Executive Director*



Dato' Ng Lian Poh, a Malaysian aged 43, was appointed to the Board on 29 November 2007. He obtained a Sijil Tinggi Persekolahan Malaysia from Sekolah Menengah Tunku Mohd, Kuala Pilah in 1988. In 1990, he started his career as a sales representative in API Sdn Bhd, a construction material trading company and rose through the ranks to become a Sales Executive before leaving in 1993. In 1994, he began his career in chemical distribution when he joined Thiam Joo (M) Sdn Bhd, a company trading in solvent chemicals, as a Sales Executive. In 1996, he joined Samchem Sdn Bhd and was appointed as the Executive Director of Samchem Group. Dato' Ng Lian Poh is responsible for executing our Group's strategy and plays a pivotal role in developing our Group's business. He was instrumental in setting up and expanding our chemical distribution business in Vietnam and Indonesia.



Tan Teck Beng | *Executive Director*

Tan Teck Beng, a Malaysian aged 45, was appointed as our Executive Director on 27 February 2009. He graduated with a Bachelor of Science (Chemistry) Honours degree from University of Malaya in 1991. After graduating, he joined Rhone-Poulenc (M) Sdn Bhd, an MNC, as a Sales Executive specialised in PU chemicals. In 1996, he left Rhone-Poulenc (M) Sdn Bhd and joined Samchem Sdn Bhd as the Executive Director. He is responsible for the marketing and management activities of our Group. He is presently also a Director of Yongtai Samchem (HK) Company Limited and spearheaded the establishment of Shanghai Sino-Malaysian International Trading Co., Ltd in 2004, both of which are subsidiaries within the Group involved in the distribution of chemicals in China.

Ng Soh Kian | *Executive Director*



Ng Soh Kian, a Malaysian aged 42, was appointed to the Board on 27 February 2009. He graduated with a Diploma in Business Studies from Southern College, Johor in 1989. In 1990, he was employed as an Assistant Production Controller in United Plastics Sdn Bhd, a company involved in plastic injection. From 1991 to 1993, he was attached to Thiam Joo (M) Sdn Bhd, as a Sales Executive. In 1993, he started his own sole proprietorship, namely TNN Chemie, which was involved in the trading of solvent and chemicals. In 2001, he incorporated TN Chemie Sdn Bhd and has been the Managing Director of the company since its inception. He is presently responsible for the general management of TN Chemie Sdn Bhd. Over the years, he has successfully established a sales and distribution network, driven product innovation and maintained quality control as well as continuously driven the growth of the business and improved efficiency in the company, thus leading to the creation of a strong and reliable chemical company with a competitive edge.



Chooi Chok Khooi | *Executive Director*

Chooi Chok Khooi, a Malaysian aged 53, was appointed to the Board on 27 February 2009. In 1976, he started his career at Eastern Hotel, Ipoh, Perak. He obtained a LCCI certificate in Accounting in 1977. Between 1978 and 1982, he was employed as an Assistant Manager in Chemikas Sdn Bhd, where he was responsible for handling the company's administrative, purchase, sales and collection activities. In 1982, he started his own sole proprietorship, namely Unichem Enterprise, which is involved in the dealings of chemicals. In 1990, Mr. Chooi founded Eweny Chemicals and has been the Managing Director of the company since inception. With more than 30 years experience in the chemical business, Mr Chooi is presently responsible for handling Eweny Chemicals' administrative and sales activities.

Dato' Theng Book | *Independent Non-Executive Director*

Dato' Theng Book, a Malaysian aged 50, was appointed to the Board on 27 February 2009. He graduated with a Bachelor of Law from the University of London, United Kingdom in 1991, and holds a Certificate of Legal Practice. He also holds a Bachelor of Science from Campbell University, United States of America awarded in 1984, Diploma in Science from Tunku Abdul Rahman College awarded in 1984 and a Diploma of Business Studies from Institute of Commercial Management, United Kingdom awarded in 1986. He began his career in the chemical business as a sales executive to the Chief Executive Officer of a foreign company involved in chemical manufacturing/trading, from 1984 to 1994. Since 1995, he has been practicing as an advocate and solicitor under the partnership known as Messrs Ling & Theng Book, Advocates & Solicitors. He is presently also an independent non-executive Director of Ajiya Berhad.



Lee Kong Hoi | *Independent Non-Executive Director*

Lee Kong Hoi, a Malaysian aged 46, was appointed to the Board on 27 February 2009. He graduated from Tafe College Randwick, New South Wales, Australia in 1990 with a Diploma in Travel Tourism. After graduation, Mr. Lee commenced his career as Post-Sale Supervisor with Sanyo Australia Pty Ltd. for big retail giants such as Grace Brothers, David Jones, Harvey Norman and Dick Smith Electronics in Australia. His responsibilities included conducting training for pre-sales, managing inventories of spare parts, attending to product complaints, planning after-sales repairs and managing a team of eight (8) merchandisers.

Between 1994 and 1998, he joined Reapfield Property Sdn Bhd, where he served as Project Sales Manager. Within this duration, he was in-charge of sales launches of several high-end properties such as Phileo Damansara and Phileo Avenue. In 1999, he joined Dancom TT&L Telecommunication Sdn Bhd ("Dancom") as Corporate Sales Manager. Dancom is a dealer for office automation and IT products. His responsibilities include conducting market studies as well as developing new and existing brands represented by Dancom's 12 branches and 300 dealers nationwide. In 2006 he moved on to join MCM Technology Berhad (a company listed on the Ace Market of Bursa Securities) as General Manager. He has since held this position and is currently involved in formulating business strategies and is responsible for growing the existing business through either acquisitions or organic growth. In 2009, Mr Lee started his own multimedia & web interoperability services company providing consultancy, project management, software customisation, system integration and open source development.



Wong Tak Keong | *Independent Non-Executive Director*

Wong Tak Keong, a Malaysian aged 40, was appointed to the Board on 27 February 2009. He graduated from the University of Western Australia in 1991 with a Bachelor Degree in Accounting and Finance. In 1995, Mr. Wong started his career as an audit assistant with Pricewaterhouse Coopers and KPMG. In 1995, Mr. Wong joined Horwath Malaysia, a member of Horwath International, an international accounting firm as a Manager where he was then successfully admitted as a partner in 1999. Prior to this, Mr. Wong is a Chartered Accountant and member of both the Malaysian Institute of Accountants and the Certified Practising Accountant (CPA) Australia. He has 15 years of experience in public practice and was attached to two (2) other international accounting firms namely, KPMG and Pricewaterhouse Coopers. Mr. Wong resigned as partner from Horwath in December 2006 and started his own consultancy business in 2007. Currently, Mr. Wong is a Business Consultant providing business advisory, helping company develop export market and strategic planning.



Notes:

- (i) Ng Thin Poh and Dato' Ng Lian Poh are brothers. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.
- (ii) None of the Directors has any conviction for offences, other than traffic offences, within the past 10 years.
- (iii) Other than the related party transactions disclosed in Note 35 of the Financial Statements, none of the Directors has conflict of interest with the Company.
- (iv) Except as disclosed above, none of the Directors holds any directorship in other public companies.
- (v) The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Samchem Holdings Berhad ("Samchem"), it is my pleasure to present to you the 2009 Annual Report and the audited accounts of the Group and Company for the financial year ended 31 December 2009 ("FY2009").



Business sentiment in the year under review was greatly impacted by the global economic slowdown. The Malaysian economy was not spared, evidenced by three consecutive quarters of negative Gross Domestic Product ("GDP") before showing an upswing of 4.5% growth in the fourth.

Despite this negative backdrop, our first-year as a listed entity on the Main Market of Bursa Malaysia Securities Berhad saw the Group chart commendable progress.

FY2009 Financial Highlights & Business Overview

FY2009 group revenues declined to RM294.7 million, compared to proforma RM355.4 million previously. This was due to the slower business activities in the domestic market in line with the negative business sentiment in the overall manufacturing sector.

Nevertheless, the Group implemented various measures to improve our operations efficiency as well as tighten our financial policies to effectively manoeuvre through the tough operating environment.

We believe that these measures, to a large extent, resulted in group profits before tax being maintained at RM17.0 million in FY2009, versus proforma RM16.9 million previously. Similarly, group net profits attributable to shareholders rose to RM12.3 million in the year under review, compared to proforma RM12.2 million in FY2008.

We ended the year with earnings per share of 9.92 sen per share.

Our balance sheet as at 31 December 2009 was significantly strengthened as the Group pared down its borrowings to RM97.8 million from RM115.6 million previously. As a result of this – along with our increased shareholders' equity, and cash and bank balances – our net gearing improved to 0.63 times in end-2009, compared to 1.02 times in the previous year.

We believe that the measures undertaken in FY2009 served to position us well for the future challenges.

"Our balance sheet as at 31 December 2009 was significantly strengthened as the Group pared down its borrowings to RM97.8 million from RM115.6 million previously."





Dividend

In view of the financial performance, the Board is pleased to recommend a first and final net dividend (single-tier) of 2.8 sen per share for shareholders' approval at the upcoming Annual General Meeting. If approved, this would translate into total dividend payout of RM3.81 million, or 31% of group net profits.

We would like to take this opportunity to thank our shareholders for supporting us in the year just past, and look forward to many more years of partnership in the future.

Status of Utilisation of Initial Public Offering ("IPO") Proceeds

The Group's IPO on the Main Market of Bursa Malaysia Securities Berhad in June 2009 raised approximately RM14.54 million in IPO proceeds. The status of utilisation as at 18 February 2010 is as follows:

| PURPOSE | PROPOSED UTILISATION RM'000 | ACTUAL UTILISATION RM'000 |
|--|-----------------------------|---------------------------|
| Construction of plant and acquisition of machineries | 3,000 | 868 |
| Purchase of trucks | 500 | 500 |
| Working capital | 7,507 | 7,507 |
| Listing expenses | 3,532 | 3,532 |
| Total | 14,539 | 12,407 |

Corporate Updates

Subsidiary in Indonesia

On 20 November 2009, Samchem signed a Shareholders' Agreement with Herisun Hassan, the President Director of PT Prasandha Byantara Abadi ("PBA") to form a new subsidiary in which Samchem would take a majority stake of 60%.

Under the Shareholders' Agreement, the new subsidiary would obtain the existing distribution rights from global chemical manufacturers including Shell, Hexion and BASF, as well as build on PBA's distribution network that stretches from major cities in Indonesia of Jakarta, Bandung and Surabaya, to beyond Java Island.

The new subsidiary would also purchase the necessary fixed assets, including factory, warehouse, administrative office and a fleet of vehicles for logistics needs. The market value of these assets is expected to be approximately USD 1.6 million (approximately RM5.4 million). The investment would be financed via internally-generated funds.

Upon completion of the transaction, the business of PBA would be wound down, and the new subsidiary would absorb its key personnel.

Further to that, on 19 January 2010, Samchem announced the incorporation of a new subsidiary in Jakarta under the name of "PT Samchem Prasandha" ("Samchem Prasandha") with an initial paid up share capital of USD250,000.00. Samchem is the registered owner of 1,500,000 shares of USD0.10 each or USD150,000 which represents 60% of the total equity of Samchem Prasandha.

Subsidiary in Vietnam

On 10 March 2010, the Group announced that its 70%-subsidiary Samchemsphere Export Sdn Bhd ("SES") acquired an 80% equity interest in Vietnam-based Cong Ty TNHH Sam Chem Qua Cau (Sam Chem Sphere Company Limited) for cash consideration of RM82,758.62. Sam Chem Sphere Company Limited is involved in the import, export, distribution and manufacture for chemical products.

The Group opines that this acquisition is in line with our strategy to build our regional network, and provide the Group with the opportunity to replicate its business model and strengthen its existing market presence in Vietnam.



CHAIRMAN'S STATEMENT



Business Strategies

Industrial chemicals are the “keystone” to the manufacturing sector, with multiple applications in virtually every industry, including polyurethane foam, paints & coating, household & industrial cleaning, printing & packaging, oil & gas, building & construction, rubber, and agriculture sector. As such, the industrial chemical sector feels the pulse of the overall manufacturing industry.

Going forward, Samchem intends to increase the number of distribution rights in order to broaden the range of products to be offered to customers. To this end, we will continue to collaborate closer with our global principals to distribute their chemicals.

Furthermore, we plan to further strengthen our distribution network to replicate our business model across the region. Our recent corporate developments to incorporate subsidiaries in Indonesia and Vietnam are timely, as they pave the way for us to make more headway in those countries and increase our contributions from overseas.

We believe that these business strategies are stepping stones towards improving the Group's financial performance in the years ahead.

Corporate Social Responsibility (“CSR”)

Through the years, Samchem has not wavered in its commitment to uphold Corporate Social Responsibility as one of our basic tenets of operations.

The year under review saw Samchem organizing the “Samchem Kota Permai Charity Golf Tournament” which raised a total of RM34,500 for three orphanage homes, namely Persatuan Kanak-Kanak Cacat Klang, Rumah Amal Cahaya and Rumah Charis. With this donation, we aim to give these underprivileged children the opportunity to get a head start in life.

We see these initiatives as starting points towards a sustainable CSR programme in the future.

Corporate Governance

The Board intends to adhere to corporate governance best practices within the Group as a crucial step to achieve business sustainability. The Board is resolute in implementing strategies that are in line with the Group's vision and thus create and protect shareholders' value.

The measures undertaken by the Board to maintain our corporate governance are highlighted in the Corporate Governance Statement in this Annual Report.

Appreciation

At this juncture, I'd like to express my deepest appreciation to my fellow Directors, management and team of employees for working in close partnership to persevere in the challenging year just past. We look forward to the continued teamwork to steer Samchem to be a leading industrial chemicals distributor in the region.

Ng Thin Poh

Chairman and Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of Samchem Holdings Berhad (“the company” or “Samchem”) is fully committed to promote and achieve the highest standard of corporate governance and to ensure that the principles and best practices in corporate governance as detailed in the Malaysian Code on Corporate Governance (“the Code”) are practised and adopted in Samchem and its subsidiaries (“the Group”).

The Board continuously evaluates the Group’s corporate governance practices and procedures with a view to adopt and implement the principles and best practices as recommended by the Code, wherever applicable, as a fundamental part of discharging its duties and responsibilities to protect and enhance shareholders’ value. The Board believes that good corporate governance results in creation of long term value and benefits for all shareholders.

Section 1: The Board of Directors

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the Management to enable the Group to achieve its corporate goals and objectives.

Composition of the Board and Board Balance

The Board members are professionals from diverse disciplines, tapping their respective qualifications and experiences in business, commercial, and financial aspects. Together, they bring a wide range of experience and expertise which are vital towards the effective discharge of the Board’s responsibilities for the successful direction and growth of the Group. A brief profile of each Director is presented on pages 4 to 5 of this Annual Report.

The Board currently consists of eight (8) members, comprising of five (5) Executive Directors and three (3) independent Non-executive Directors. This is in line with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), which require that at least two (2) or one- third (1/3) of the Board members, whichever is the higher, to be Independent Directors.

The Independent Directors also have the necessary skill and experience to bring an independent judgment to bear the issues of strategy, performance, resources including key appointments and standards of conduct.

The Independent Directors are independent of Management and majority shareholders. They provide independent views and judgment and at the same time, safeguard the interests of parties such as minority shareholders. No individual or group of individuals dominates the Board’s decision making and the number of directors fairly reflects the investment of the shareholders.

Mr. Ng Thin Poh takes on the roles of Chairman and Chief Executive Officer and as Executive Chairman of the Group, given his capability to show leadership and entrepreneurship skills, business acumen and his vast experience in chemical distribution industry, the Board continues to maintain this arrangement which is in the best interest of the Group.

The Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders. All issues can be openly discussed during Board meetings. The company is not marred with conflicts and controversies and also has not received any notice of matters of concern from stakeholders since its listing.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board’s members are guided by the area of responsibilities as outlined:

- Reviewing and adopting strategic plan for the Group;
- Overseeing the conduct of the Group’s businesses to evaluate whether the businesses are properly managed;
- Identifying the principal risks and key performance indicators of the Group’s businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;
- Developing and implementing an investors relations programme or shareholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

CORPORATE GOVERNANCE STATEMENT

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

| NAME OF DIRECTOR | DESIGNATION | DIRECTORSHIP |
|------------------|-------------|----------------------------------|
| Lee Kong Hoi | Chairman | Independent Non-Executive |
| Ng Thin Poh | Member | Chairman/Chief Executive Officer |
| Dato' Theng Book | Member | Independent Non-Executive |

The Board annually reviews the required mix of skills, experience and other qualities of the directors to ensure that the Board is functioning effectively and efficiently.

The Nomination Committee's primary responsibilities include:

- leading the process for Board appointments and making recommendations to the Board.
- assessing Directors on an on-going basis.
- annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarization with the Company's operations.

Re-Election of Directors

In accordance with the Company's Article of Association, all Directors including directors holding an executive position of Chief Executive Officer, the Managing Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once in every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Director's Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

During the financial year ended 31 December 2009, the Directors have attended the following trainings:

| NAME OF DIRECTORS | TITLE OF TRAINING | DATE |
|-------------------|----------------------------------|------------|
| Ng Soh Kian | Handling Hazardous Chemical | 24/07/2009 |
| | Essentials for Safety and Health | 18/09/2009 |

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates. Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

Supply of Information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers would be distributed to all Directors in a timely basis to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group Information, records, documents and property to enable them in discharge their duties and responsibilities effectively. The directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense, if required.

Board Meetings

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were two (2) Board meetings held during the financial year ended 31 December 2009 and the details of attendance are as follows:

| DIRECTORS | MEETINGS ATTENDED BY THE DIRECTORS/ TOTAL NUMBER OF MEETING HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 | % OF ATTENDANCE |
|--|--|----------------------------|
| Chairman/Chief Executive Officer | | |
| Ng Thin Poh | 2/2 | 100 |
| Executive Directors | | |
| Dato' Ng Lian Poh | 2/2 | 100 |
| Tan Teck Beng | 2/2 | 100 |
| Ng Soh Kian | 2/2 | 100 |
| Chooi Chok Khooi | 2/2 | 100 |
| Independent Non-Executive Directors | | |
| Dato' Theng Book | 2/2 | 100 |
| Wong Tak Keong | 2/2 | 100 |
| Lee Kong Hoi | 2/2 | 100 |

During the financial year ended 31 December 2009, two Board meetings were convened on 21/8/09 and 19/11/09.

Restriction on Directorships

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The report of the Audit Committee is set out on pages 17 to 19 of this Annual Report.

Nomination Committee

The details of the Nomination Committee are set out on page 10 of this Annual Report.

Remuneration Committee

The details of the Remuneration Committee are set out on page 12 of this Annual Report.

In line with best practices in Corporate Governance, the Code recommends for the establishment of the following committees:

1. Nomination Committee

The primary function of the Nomination Committee is to propose new nominees for the Board and to assess directors on an ongoing basis.

As the existing Board members are professionals from diverse disciplines, the Board collectively undertakes to review the required skills sets annually to ensure that it has an optimal mix of expertise and experience.

2. Remuneration Committee

The primary function is to set the policy framework for the remuneration of the directors to ensure that the policy on directors' are sufficient to attract and retain directors of the calibre needed to manage the Group successfully.

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration the Remuneration Committee's recommendation.

Section 2: Directors' Remuneration

(a) Remuneration Procedure

The remuneration of directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Directors and the Company Secretary.

The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.

The primary roles and responsibilities of the Committee are clearly defined and include the following:

- To review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;
- To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;
- To recommend to the Board a framework for remuneration for the Board and each Executive Director, which include but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- To establish objectives performance criteria and measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Director.

(b) Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2009 are as follows:

| | EXECUTIVE DIRECTORS | NON-EXECUTIVE DIRECTORS |
|------------|---------------------|-------------------------|
| Emoluments | RM1,497,408 | RM35,000 |
| Fees | – | – |

The number of Directors whose remuneration falls into the following bands is as follows:

| RANGE OF REMUNERATION | EXECUTIVE DIRECTORS | NON-EXECUTIVE DIRECTORS |
|-------------------------|---------------------|-------------------------|
| <RM100,000 | – | 3 |
| RM100,001 – RM200,000 | – | – |
| RM200,001 – RM500,000 | 5 | – |
| RM500,001 – RM1,000,000 | – | – |

Section 3: Shareholders

Dialogue between Company and Investors

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

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

- (i) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on Audit Committee and Board of Directors;
- (ii) various announcements made to the Bursa Securities, which include announcements on quarterly results;
- (iii) the Company website at www.samchem.com.my;
- (iv) regular meetings with research analysts and fund managers to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; and
- (v) participation in surveys and research conducted by professional organisations as and when such requests arise.

The Annual General Meeting

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the meeting.

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

CORPORATE GOVERNANCE STATEMENT

Section 4: Accountability and Audit

Financial Reporting

The Board aims to provide and present a clear, balance and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to the Bursa Malaysia as well as the Chairman's statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and Companies Act, 1965. A Statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 14 of this Annual Report.

Internal Control and Risk Management

The Board acknowledges their responsibilities for the internal control system of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management. Information of the Group's internal control and risk management is presented in the Statement of Internal Control set out on pages 15 to 16 of the Annual Report.

Relationship with Auditors

The Board establishes formal and transparent arrangements for maintaining an appropriate relationship with the Group's Auditors, both internal and external. Whenever the need arises, the Auditors would highlight to the Audit Committee and the Board from time to time on matters that require the Board's attention.

Section 5: Responsibility Statement by Directors

The Board is responsible to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have:

- (i) Adopted the appropriate accounting policies and applied them consistently;
- (ii) Made judgements and estimates that are reasonable and prudent;
- (iii) Ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and
- (iv) Ensured the financial statements have been prepared on a going concern basis.

The Board is responsible for keeping proper accounting records of the Group and the Company, which disclosure with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

STATEMENT OF INTERNAL CONTROL

Introduction

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their annual report.

Board Responsibilities

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

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

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

Risk Management Framework

Risk management is embedded in the Group's management systems. The Board together with the outsourced independent consultant has established processes for identifying, evaluating and managing the significant risks faced by the core business of the Group. The outcome of the process is reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are periodic reviews of operational and financial performance at Management, Audit Committee and Board Meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks.

Internal Audit Function

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

The external consultants were appointed in the fourth quarter of the financial year ended 31 December 2009, to date, the internal audit plan has been approved by the Audit Committee and the outsourced internal audit function is currently in the process of executing the approved internal audit plan.

STATEMENT OF INTERNAL CONTROL

Other Key Internal Control Processes

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

- Business plan including annual budget is prepared for the Group. The Executive Committee and the Board of Directors review and approve the annual budget;
- Management accounts/reports are prepared and the actual performance compared with the budget is reviewed on a monthly basis with explanation of any major variances;
- The Executive Committee, comprising Executive Directors, meet quarterly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget. This Committee also formulates strategies, policies and code of practices to address changes in the business environment and risks;
- Board Committees, namely the Audit Committee, Executive Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- Operational review meetings were held and attended by the Executive Directors and the departmental heads to identify, discuss and resolve key operational issues, to further improve its effectiveness;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- Continuous compliance and maintenance of the requirements of ISO 9001:2000 and ISO 14001:2004 since February 2008. This includes continuous implementation, improvement and compliance to our business process, health, environmental and safety guidelines. Internal quality audits are carried out by the Management and a certification body. These audits are conducted annually to provide assurance of compliance with ISO 9001:2000 Quality Management System and ISO 14001:2004 Environmental Management System.
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, Group's risk profile and internal control issues identified by the External Auditors, Internal Auditors and the management. The Audit Committee also monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors; and
- The internal audit control report was completed in year 2008 by a third party to ensure the adequacy and integrity of the system to be in line with the IPO guidelines. During the financial year, the internal auditor had assessed the risk management of the Group and reports its findings to the Audit Committee. Currently, the internal auditor had just completed the field audit for the Group and will present their findings to the Audit Committee in May.

Conclusion

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

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

AUDIT COMMITTEE REPORT

The Audit Committee of Samchem Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2009.

Composition of the Audit Committee and Attendance

Since listing on 23 June 2009, the Audit Committee met two times during the financial year ended 31 December 2009. The members of the Audit Committee, their attendance at the Audit Committee Meetings held during the financial year ended 31 December 2009 are as follows:

| MEMBERS OF THE AUDIT COMMITTEE | TOTAL MEETINGS ATTENDED |
|--|-------------------------|
| Wong Tak Keong – Chairman (Independent Non-Executive Director) | 2/2 |
| Dato' Theng Book – Member (Independent Non-Executive Director) | 2/2 |
| Lee Kong Hoi – Member (Independent Non-Executive Director) | 2/2 |

Terms of Reference of Audit Committee

(a) Terms of Membership

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

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

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

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

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

(b) Meetings and Quorum of the Audit Committee

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

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

In the two meetings, the Chief Financial Officer was present to report on the results of the Group as well as to answer questions posed by the Audit Committee in relation to the results to be announced.

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

AUDIT COMMITTEE REPORT

(c) Functions of the Audit Committee

The duties and responsibilities of the Audit Committee include the following:

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
3. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
5. To review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on:
 - a. Changes in or implementation of major accounting policies and practices;
 - b. Significant adjustments arising from the audit;
 - c. The going concern assumption; and
 - d. Compliance with accounting standards and other legal requirements.
6. To discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);
7. To review the external auditor's management letter and management's response;
8. To do the following in relation to the internal audit function:
 - a. review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - b. review the internal audit programmes and the results of the internal audit processes or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - c. review any appraisal or assessment of the performance of members of the internal audit function;
 - d. approve any appointment or termination of senior staff members of the internal audit function; and
 - e. take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
9. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group;
10. To consider the major findings of internal investigations and the management's response;
11. To consider any other functions or duties as may be agreed by the Committees and the Board.

(d) Rights of the Audit Committee

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

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

(e) Procedures of Audit Committee

The Audit Committee regulates its own procedures by:

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

(f) Summary of Activities of the Audit Committee

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

I. Financial Results

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

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

II. External Audit

Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2009 to ensure that their scope of work adequately covers the activities of the Group;

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

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

III. Internal Audit

Reviewed with the internal auditor, their audit plan for the financial year ended 31 December 2009 ensuring that principal risk areas were adequately identified and covered in the plan;

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

Reviewed the adequacy of the terms of reference of internal audit.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds from the Initial Public Offering

(a) Initial Public Offering

On 23 June 2009, the entire enlarged issued and paid-up share capital of the Company comprising 136,000,000 ordinary shares of RM0.50 each were listed on the Main Board of Bursa Malaysia Securities Berhad.

(b) Utilisation of Proceeds from the Initial Public Offering

The status of utilisation of proceeds from the IPO during the financial year ended 31 December 2009 is as follows:

| UTILISATION | PROCEEDS RAISED RM000 | AMOUNTS UTILISED RM000 | AMOUNTS UNUTILISED RM000 | INTENDED TIME FRAME FOR UTILISATION |
|--|-----------------------------|------------------------------|--------------------------------|---|
| Working capital | 7,507 | 7,507 | – | Within 24 months |
| Construction of plant and acquisition of machinery | 3,000 | 868 | 2,132 | Within 12 months |
| Purchase of trucks | 500 | 500 | – | Within 12 months |
| Listing expenses | 3,532 | 3,532 | – | Within 1 month |
| Total | 14,539 | 12,407 | 2,132 | |

2. Share Buy-Back

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

3. Options, Warrants or Convertible Securities

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

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

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

5. Imposition of Sanctions/Penalties

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

6. Non-Audit Fees

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2009 is Nil.

7. Profit Forecast or Projections

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

8. Profit Guarantee

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

9. Recurrent Related Party Transactions of Revenue or Trading Nature

The recurrent related party transactions for the financial year ended 31 December 2009 as follows:

| COMPANY IN THE SAMCHEM GROUP INVOLVED | TRANSACTIONING PARTIES | NATURE OF TRANSACTION | TRANSACTION VALUE (RM) |
|--|--------------------------------------|-------------------------------------|-------------------------------|
| Samchem Sdn Bhd (SCSB) | Samlube Sdn Bhd (SLSB) | Sales from SCSB to SLSB | 79,607.00 |
| Samchem Sdn Bhd (SCSB) | Samlube Sdn Bhd (SLSB) | SCSB purchase from SLSB | 9,429.50 |
| Samchem Sdn Bhd (SCSB) | Samlube Manufacturing Sdn Bhd (SMSB) | Sales from SCSB to SMSB | 1,067,314.30 |
| Samchem Logistics Services Sdn Bhd (SLSSB) | Samlube Sdn Bhd (SLSB) | Delivery charges from SLSSB to SLSB | 97,437.88 |
| Samchem Logistics Services Sdn Bhd (SLSSB) | Samlube Sdn Bhd (SLSB) | SLSSB purchase from SLSB | 1,433.00 |
| TN Chemie Sdn Bhd (TNC) | Samlube Sdn Bhd (SLSB) | Sales from TNC to SLSB | 2,898.82 |
| TN Chemie Sdn Bhd (TNC) | Samlube Sdn Bhd (SLSB) | TNC purchase from SLSB | 6,788.00 |

10. Revaluation Policy

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

11. Material Contract

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

12. Corporate Social Responsibility

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

Safety and Health

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

Donations to Charitable Organisations

Cash donations were made to the following charitable organisations:

- (1) Persatuan Penjagaan Kanak-Kanak Cacat Klang;
- (2) Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah Selangor; and
- (3) Rumah Charis.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

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

Results

| | GROUP RM | COMPANY RM |
|-------------------------------|-------------|---------------|
| Profit for the year | 12,659,213 | 4,187,253 |
| Attributable to: | | |
| Equity holders of the Company | 12,399,160 | 4,187,253 |
| Minority interests | 260,053 | - |
| | 12,659,213 | 4,187,253 |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

At the forth coming Annual General meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2009 of 5.6% will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2010.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Ng Thin Poh

Dato' Ng Lian Poh

Tan Teck Beng (Appointed on 27 February 2009)

Ng Soh Kian (Appointed on 27 February 2009)

Chooi Chok Khooi (Appointed on 27 February 2009)

Dato' Theng Book (Appointed on 27 February 2009)

Lee Kong Hoi (Appointed on 27 February 2009)

Wong Tak Keong (Appointed on 27 February 2009)

Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 34.

Directors' Interest

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| THE COMPANY | NUMBER OF ORDINARY SHARES OF RM1 EACH | | | |
|--------------------------|---------------------------------------|------------|------|-------------------|
| | 1.1.2009 | ACQUIRED | SOLD | 31.12.2009 |
| Direct Interest | | | | |
| Ng Thin Poh | 1 | 55,259,801 | – | 55,259,802 |
| Dato' Ng Lian Poh | 1 | 7,811,762 | – | 7,811,763 |
| Tan Teck Beng | – | 6,881,661 | – | 6,881,661 |
| Ng Soh Kian | – | 9,797,279 | – | 9,797,279 |
| Chooi Chok Khooi | – | 4,361,046 | – | 4,361,046 |
| Lee Kong Hoi | – | 2,000 | – | 2,000 |
| Wong Tak Keong | – | 300,000 | – | 300,000 |
| Indirect Interest | | | | |
| Ng Thin Poh | – | 100,000 | – | 100,000 |
| Dato' Ng Lian Poh | – | 527,100 | – | 527,100 |
| Tan Teck Beng | – | 30,000 | – | 30,000 |
| Ng Soh Kian | – | 534,000 | – | 534,000 |
| Chooi Chok Khooi | – | 22,000 | – | 22,000 |

By virtue of his interest in the Company, all directors mentioned above are deemed interested in shares in all the subsidiaries of the Company to the extent the Company has an interest.

Issue of Shares

(a) Ordinary Shares Issued for Cash

During the financial year, the Company issued 21,363,000 new ordinary shares of RM0.50 each through a public placement at an issue price of RM0.71 per ordinary share for cash, for additional working capital purposes. The share premium of RM954,445 arising from the issuance of ordinary shares is stated net of issue costs of RM3,531,785. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Ordinary Shares Issued for Acquisition of Subsidiary

During the financial year, the Company issued 114,637,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share amounting to RM57,318,500 as partial discharge of purchase consideration for the acquisition of the Samchem Sdn. Bhd. and its entire subsidiaries. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS' REPORT

Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 37 and 38 to the financial statements respectively.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 April 2010.

Ng Thin Poh

Dato' Ng Lian Poh

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Ng Thin Poh and Dato' Ng Lian Poh, being two of the directors of Samchem Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 75 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 April 2010.

Ng Thin Poh

Dato' Ng Lian Poh

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ng Thin Poh, being the director primarily responsible for the financial management of Samchem Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 75 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ng Thin Poh
at Petaling Jaya, Selangor Darul Ehsan
on 14 April 2010.

Ng Thin Poh

Before me,

Soong Foong Chee (B158)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SAMCHEM HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Samchem Holdings Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 75.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and 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 at 31 December 2009 and of its financial performance and cash flows for the year then ended.

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 except for the issue mentioned above.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements of the Group.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Abraham Verghese a/I T.V. Abraham

No. 1664/10/10(J)

Chartered Accountant

Kuala Lumpur, Malaysia

14 April 2010

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

| | NOTE | GROUP | | COMPANY | |
|--|------|----------------------|---------------|--------------------|------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Revenue | 3 | 294,039,189 | 355,365,233 | 6,858,445 | – |
| Cost of sales | 4 | (257,940,163) | (314,765,810) | – | – |
| Gross profit | | 36,099,026 | 40,599,423 | 6,858,445 | – |
| Other income | 5 | 2,838,172 | 2,161,247 | 20,573 | – |
| Selling and distribution expenses | | (4,824,616) | (7,066,920) | (24,001) | – |
| Administrative expenses | | (9,179,356) | (7,633,398) | (1,226,364) | (53,520) |
| Other expenses | | (3,823,272) | (4,287,008) | (413) | (35) |
| Operating profit | | 21,109,954 | 23,773,344 | 5,628,240 | (53,555) |
| Finance costs | 6 | (4,992,613) | (7,482,374) | (22,977) | – |
| Share of profit of associates | | 729,495 | 586,314 | – | – |
| Profit before tax | 7 | 16,846,836 | 16,877,284 | 5,606,263 | (53,555) |
| Income tax expense | 9 | (4,187,623) | (4,644,406) | (1,418,010) | – |
| Profit for the year | | 12,659,213 | 12,232,878 | 4,187,253 | (53,555) |
| Attributable to: | | | | | |
| Equity holders of the Company | | 12,399,160 | 12,169,438 | 4,187,253 | (53,555) |
| Minority interests | | 260,053 | 63,440 | – | – |
| | | 12,659,213 | 12,232,878 | 4,187,253 | (53,555) |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| Basic, for profit for the year | 10 | 9.92 | | N/A | |

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

BALANCE SHEETS

AS AT 31 DECEMBER 2009

| | NOTE | GROUP | | COMPANY | |
|---|------|--------------------|-------------|-------------------|------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 26,148,397 | 25,724,653 | – | – |
| Prepaid land lease payments | 12 | 3,100,704 | 3,159,670 | – | – |
| Investment properties | 13 | 2,512,061 | 2,092,268 | – | – |
| Investments in subsidiaries | 14 | – | – | 69,372,005 | – |
| Investments in associates | 15 | 3,159,289 | 2,516,132 | – | – |
| Other investments | 16 | 669,851 | 669,851 | – | – |
| Goodwill | 17 | 303,754 | 303,754 | – | – |
| Deferred tax assets | 27 | 140,712 | – | – | – |
| | | 36,034,768 | 34,466,328 | 69,372,005 | – |
| Current assets | | | | | |
| Inventories | 18 | 30,832,601 | 30,615,766 | – | – |
| Trade and other receivables | 19 | 85,988,929 | 83,443,114 | 5,636,811 | – |
| Marketable securities | 20 | 31,968 | 21,921 | – | – |
| Tax recoverable | | 1,927,306 | 624,250 | – | – |
| Cash and bank balances | 21 | 47,841,884 | 53,190,256 | 659,295 | 1,467 |
| | | 166,622,688 | 167,895,307 | 6,296,106 | 1,467 |
| Non-current asset classified as held for sale | 22 | – | 562,578 | – | – |
| | | 166,622,688 | 168,457,885 | 6,296,106 | 1,467 |
| Total assets | | 202,657,456 | 202,924,213 | 75,668,111 | 1,467 |

BALANCE SHEETS

| | NOTE | GROUP | | COMPANY | |
|---|------|---------------------|--------------|-------------------|------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| EQUITY AND LIABILITIES | | | | | |
| Equity Attributable to Equity Holders of the Company | | | | | |
| Share capital | 23 | 68,000,000 | 68,000,000 | 68,000,000 | 2 |
| Share Premium | | 954,444 | 954,444 | 954,444 | – |
| Reserve | | (40,643,478) | (40,644,380) | – | – |
| Foreign currency translation reserve | 24 | 223,719 | 155,630 | – | – |
| Retained earnings | 26 | 48,823,364 | 36,424,208 | 4,128,097 | (59,156) |
| | | 77,358,049 | 64,889,902 | 73,082,541 | (59,154) |
| Minority interests | | 521,059 | 212,858 | – | – |
| Total equity | | 77,879,108 | 65,102,760 | 73,082,541 | (59,154) |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 27 | 269,823 | 104,349 | – | – |
| Borrowings | 28 | 12,143,158 | 11,137,583 | – | – |
| | | 12,412,981 | 11,241,932 | – | – |
| Current liabilities | | | | | |
| Trade and other payables | 30 | 27,763,982 | 21,955,615 | 2,545,278 | 60,621 |
| Borrowings | 28 | 84,561,025 | 104,436,604 | – | – |
| Current tax payable | | 40,360 | 187,302 | 40,292 | – |
| | | 112,365,367 | 126,579,521 | 2,585,570 | 60,621 |
| Total liabilities | | 124,778,348 | 137,821,453 | 2,585,570 | 60,621 |
| Total equity and liabilities | | 202,657,456 | 202,924,213 | 75,668,111 | 1,467 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

| | SHARE CAPITAL RM | SHARE PREMIUM RM | CAPITAL RESERVE RM | REVERSE ACQUISITION RESERVE RM | TRANSLATION RESERVE RM | RETAINED PROFITS RM | TOTAL SHAREHOLDERS' EQUITY RM | MINORITY INTEREST RM | TOTAL EQUITY RM |
|---|------------------------|------------------------|--------------------------|---|------------------------------|---------------------------|--|----------------------------|-----------------------|
| Balance as at 1 January 2008 | 12,065,762 | — | — | — | (233,961) | 26,941,537 | 38,773,338 | 5,075,811 | 43,849,149 |
| Effect arising from reverse acquisition | 40,666,590 | — | — | (40,968,380) | — | — | (301,790) | — | (301,790) |
| Issuance of new shares for acquisition of additional interest in subsidiaries | 4,586,148 | — | — | — | — | — | 4,586,148 | — | 4,586,148 |
| Foreign exchange translation differences | — | — | — | — | 389,591 | — | 389,591 | 86,259 | 475,850 |
| Share issue expenses | — | (3,531,786) | — | — | — | — | (3,531,786) | — | (3,531,786) |
| Acquisition of additional interest in subsidiaries | — | — | — | 301,795 | — | — | 301,795 | (4,586,150) | (4,284,355) |
| Goodwill from acquisition of additional interest of minority interest | — | — | — | — | — | — | — | 28,333 | 28,333 |
| Issuance of new shares | 10,681,500 | 4,486,230 | — | — | — | — | 15,167,730 | — | 15,167,730 |
| Transfer from retained profits to capital reserve | — | — | 81,362 | — | — | (81,362) | — | — | — |
| Transfer from retained profits to reverse acquisition reserve | — | — | — | (59,157) | — | 59,157 | — | — | — |
| Net Profit for the year | — | — | — | — | — | 12,169,438 | 12,169,438 | 63,440 | 12,232,878 |
| Dividends paid to minority shareholders | — | — | — | — | — | — | — | (454,835) | (454,835) |
| Dividends | — | — | — | — | — | (2,664,562) | (2,664,562) | — | (2,664,562) |
| Balance as at 31 December 2008 (Proforma) | 68,000,000 | 954,444 | 81,362 | (40,725,742) | 155,630 | 36,424,208 | 64,889,902 | 212,858 | 65,102,760 |
| Foreign exchange translation differences | — | — | 902 | — | 68,089 | (4) | 68,987 | 19,548 | 88,535 |
| Issuance of shares by subsidiary to minority shareholders | — | — | — | — | — | — | — | 40,320 | 40,320 |
| Dividends paid to minority interests | — | — | — | — | — | — | — | (11,720) | (11,720) |
| Net Profit for the period | — | — | — | — | — | 12,399,160 | 12,399,160 | 260,053 | 12,659,213 |
| Balance as at 31 December 2009 | 68,000,000 | 954,444 | 82,264 | (40,725,742) | 223,719 | 48,823,364 | 77,358,049 | 521,059 | 77,879,108 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

| | NOTE | SHARE CAPITAL (NOTE 23) RM | SHARES PREMIUM RM | DISTRIBUTABLE RETAINED EARNINGS (NOTE 26) RM | TOTAL RM |
|----------------------------|------|-------------------------------------|-------------------------|--|-------------|
| At 1 January 2008 | | 2 | – | (5,601) | (5,599) |
| Profit for the year | | – | – | (53,555) | (53,555) |
| Dividends | 31 | – | – | – | – |
| At 31 December 2008 | | 2 | – | (59,156) | (59,154) |
| At 1 January 2009 | | 2 | – | (59,156) | (59,154) |
| Profit for the year | | – | – | 4,187,253 | 4,187,253 |
| Issue of shares | | 67,999,998 | 954,444 | – | 68,954,442 |
| At 31 December 2009 | | 68,000,000 | 954,444 | 4,128,097 | 73,082,541 |

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

| | 2009 RM | 2008 RM |
|--|-------------|--------------|
| Cash flows from operating activities | | |
| Profit before tax | 16,846,836 | 16,877,284 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 2,044,822 | 1,606,598 |
| Depreciation of investment properties | 30,206 | 21,926 |
| Amortisation of prepaid land lease payments | 58,966 | 40,572 |
| Bad debts written off | – | 8,215 |
| Provision for doubtful debts | 465,487 | 1,545,780 |
| Bad debts recovered | (544,166) | (29,377) |
| Property, plant and equipment written off | 78 | – |
| Interest expense | 4,992,613 | 7,482,374 |
| Fair value changes in marketable securities | (10,047) | 28,249 |
| Write-down of inventories | – | 919,128 |
| Loss on disposal of property, plant and equipment | 2,554 | 1,537 |
| Gain on disposal of property, plant and equipment | (58,095) | (192,207) |
| Net unrealised foreign exchange loss | 96,641 | 516,614 |
| Interest income | (927,617) | (1,140,407) |
| Share of profit of associates | (729,495) | (586,314) |
| Operating profit before working capital changes | 22,268,783 | 27,099,972 |
| (Increase)/decrease in receivables | (3,957,400) | 19,461,964 |
| (Increase)/decrease in inventories | (216,835) | 3,116,325 |
| Increase/(decrease) in payables | 5,898,932 | (17,471,347) |
| Cash generated from operations | 23,993,480 | 32,206,914 |
| Tax paid | (4,309,803) | (7,488,972) |
| Net cash generated from operating activities | 19,683,677 | 24,717,942 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 84,045 | 422,869 |
| Purchase of property, plant and equipment | (2,497,148) | (11,654,137) |
| Proceed from disposal of non-current asset classified as held for sale | 562,578 | – |
| Purchase of investment property | (450,000) | – |
| Additions in prepaid land lease payments | – | (1,882,593) |
| Additional investment in investment-linked policy | – | (30,345) |
| Dividend received | 174,876 | – |
| Interest received | 927,617 | 1,140,407 |
| Net cash used in investing activities | (1,198,032) | (12,003,799) |

CONSOLIDATED CASH FLOW STATEMENT

| | 2009 RM | 2008 RM |
|--|--------------|--------------|
| Cash flows from financing activities | | |
| Drawdown of hire purchase payables | 334,790 | 249,481 |
| Repayment of bankers acceptances | (7,329,000) | (5,972,000) |
| (Repayment)/Drawdown of term loan | (1,619,325) | 4,073,833 |
| Proceed from issuance of shares by subsidiaries to minority interest | 40,320 | – |
| Proceed from issuance of shares | – | 15,167,728 |
| Shares issues expenses paid | – | (3,531,786) |
| Dividends paid | – | (2,664,562) |
| Interest paid | (4,992,613) | (7,482,374) |
| Dividends paid to minority interests | (11,720) | (454,835) |
| Net cash used in financing activities | (13,577,548) | (614,515) |
| Net increase in cash and cash equivalents | 4,908,097 | 12,099,628 |
| Cash and cash equivalents at beginning of financial year | 41,862,789 | 29,763,161 |
| Cash and cash equivalents at end of financial year (Note 21) | 46,770,886 | 41,862,789 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 47,841,884 | 53,190,256 |
| Bank overdrafts | (1,070,998) | (11,327,467) |
| | 46,770,886 | 41,862,789 |

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

| | 2009 RM | 2008 RM |
|---|--------------|------------|
| Cash flows from operating activities | | |
| Profit/(Loss) before tax | 5,605,263 | (53,555) |
| Adjustments for: | | |
| Unrealised exchange gain | (1,253) | – |
| Interest expense | 22,997 | – |
| Dividend income | (5,510,870) | – |
| Interest income | (19,320) | – |
| Operating profit before working capital changes | 96,817 | (53,555) |
| Decrease in receivables | (1,502,406) | – |
| Decrease in payables | 2,484,657 | 55,020 |
| Cash generated from operations | 1,079,068 | 1,465 |
| Interest paid | (22,997) | – |
| Net cash generated from operating activities | 1,056,071 | 1,465 |
| Cash flows from investing activities | | |
| Interest received | 19,320 | – |
| Subscription of shares in subsidiaries | (12,053,513) | – |
| Net cash used in investing activities | (12,034,193) | – |
| Cash flows from financing activity | | |
| Proceeds from issuance of ordinary shares | 11,635,950 | – |
| Net cash generated from financing activity | 11,635,950 | – |
| Net increase in cash and cash equivalents | 657,828 | 1,465 |
| Cash and cash equivalents at beginning of financial year | 1,467 | 2 |
| Cash and cash equivalents at end of financial year (Note 21) | 659,295 | 1,467 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

1. Corporate Information

The Company is a public listed company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Lot 6, Jalan Sungai Kayu Ara 32/39, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are set out in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 April 2010.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and the Company have been prepared on a historical cost basis and are presented in Ringgit Malaysia ("RM").

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(a) Subsidiaries and Basis of Consolidation (continued)

(ii) Basis of Consolidation (continued)

Business combination involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as reverse acquisition reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(c) Reverse Acquisition

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

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

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

- (a) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated balance sheet at their pre-combination carrying amount;
- (b) the retained earnings and the other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Acquired Group immediately before the business combination; and
- (c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (the Company), including the equity instruments issued by the Company to reflect the combination; and the comparative figures presented in the consolidated financial statements for the financial year ended 31 December 2008 are that of the Acquired Group.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (the Company). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values at 20 February 2009. The excess of the cost of the combination over the Acquired Group's interest in the net fair value of those items is recognised as goodwill.

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

(d) Intangible Asset

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(e) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|--|----------|
| Buildings | 2% – 5% |
| Office equipment, furniture and fittings, machinery and motor vehicles | 5% – 20% |

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

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

(f) Investment Properties

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

Depreciation of the investment properties is provided for at 2% per annum on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(g) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than investment properties, inventories and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(h) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average cost method. The cost of finished goods comprises costs of purchase.

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

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(i) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand and at bank and fixed deposits pledged to financial institutions, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Other non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statement.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(v) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(vii) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(j) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Hire Purchase – the Group as Lessee

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e).

(iii) Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating Leases – the Group as Lessor

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

(k) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provision are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(n) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(o) Foreign Currencies

(i) Functional and Presentation Currency

The financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend Income

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

(iii) Interest Income

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

(iv) Rental Income

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

(v) Management Fees

Management fees are recognised when services are rendered.

2. Significant Accounting Policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(q) Non-Current Assets Held for Sale and Discontinued Operation

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.3 Significant Accounting Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Write-Down of Inventories

A review is made periodically on inventory for excess inventory obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. Possible changes in these estimates would result in revisions to the valuation of inventory.

Provision for Doubtful Debts

The Group makes provision for bad and doubtful debts based on an assessment of recoverability of trade and other receivables. The identification of bad and doubtful requires the use of judgements and estimates, where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

FRSs, Amendments to FRSs and IC Interpretations

Effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segments

Effective for financial periods beginning on or after 1 January 2010:

| | |
|---|--|
| FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements (as revised in 2009) |
| FRS 123 | Borrowing Costs |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendment to FRS 1 and FRS 127 | First time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendment to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters |
| Amendment to FRS 7 | Improving Disclosures about Financial Instruments |
| Amendment to FRS 132 | Financial Instruments: Presentation |
| Amendment to FRS 2 | Share based Payment: Vesting Condition and Cancellations |
| Amendment to FRS 139, FRS 7 and IC Interpretation 9 | Financial Instruments: Recognition and Measurement, Disclosure and Reassessment of Embedded Derivatives |
| Amendments to FRSs | Improvement to FRSs (2009) |
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

Effective for financial periods beginning on or after 1 July 2010:

| | |
|----------------------------------|--|
| FRS 1 | FRS 1 First time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations |
| FRS 127 | Consolidated and Separate Financial Statements |
| Amendment to FRS 2 | Share-based Payment |
| Amendment to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendment to FRS 138 | Intangible Assets |
| Amendment to IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 15 | Agreements for the Constructions of Real Estate |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |

2. Significant Accounting Policies (continued)

2.4 Standards and Interpretations Issued but Not Yet Effective (continued)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Company upon their initial application.

FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The Group and the Company plan to adopt the above pronouncements when the FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8: Operating Segment

FRS 8 replaces FRS 114₂₀₀₄: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

2.4 Standards and Interpretations Issued but Not Yet Effective (continued)

FRS 123: Borrowing Costs

This Standard supersedes FRS 123₂₀₀₄: Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is to expense the borrowing costs in the period which they are incurred. In accordance with the transitional provisions of the Standard, the Group will apply the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing cost on qualifying assets is on or after the financial period 1 January 2010.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

3. Revenue

| | GROUP | | COMPANY | |
|-----------------------------------|--------------------|--------------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Management fees from subsidiaries | – | – | 1,347,575 | – |
| Dividend income | | | | |
| – subsidiaries | – | – | 5,510,870 | – |
| Chemical sales | 294,039,189 | 355,365,233 | – | – |
| | 294,039,189 | 355,365,233 | 6,858,445 | – |

4. Cost of Sales

Cost of sales of the Group represents cost of inventories sold.

5. Other Income

| | GROUP | | COMPANY | |
|---|------------------|------------------|---------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Gain on disposal of property, plant and equipment | 58,095 | 192,207 | – | – |
| Foreign exchange gain | | | | |
| – realised | 725,526 | 138,953 | – | – |
| – unrealised | 36,937 | 207,417 | 1,253 | – |
| Rental income | 227,439 | 216,000 | – | – |
| Interest income | | | | |
| – REPO | 2,707 | – | 2,707 | – |
| – AmInvestment | 13,758 | – | – | – |
| – deposits | 858,038 | 1,140,407 | 5,200 | – |
| – subsidiary | – | – | 11,413 | – |
| – receivables | 53,114 | – | – | – |
| Dividend income | | | | |
| – quoted shares | – | 74 | – | – |
| Commission received | 117,295 | 177,143 | – | – |
| Investment income | 21,900 | 30,345 | – | – |
| Sales commission | – | 6,513 | – | – |
| Bad debts recovered | – | 29,377 | – | – |
| Reversal of provision for doubtful debts | 688,028 | – | – | – |
| Changes in fair value of marketable securities | 10,047 | – | – | – |
| Miscellaneous | 25,288 | 22,811 | – | – |
| | 2,838,172 | 2,161,247 | 20,573 | – |

6. Finance Costs

| | GROUP | | COMPANY | |
|------------------------|------------------|------------------|---------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Letter of credit | – | 29,707 | – | – |
| Bank guarantee fee | 224,904 | 194,677 | – | – |
| Bank overdrafts | 656,563 | 864,394 | – | – |
| Bankers' acceptances | 3,279,602 | 5,664,538 | – | – |
| Term loans | 663,501 | 559,638 | – | – |
| Hire purchase | 168,043 | 124,815 | – | – |
| Other interest charges | – | 44,605 | 22,977 | – |
| | 4,992,613 | 7,482,374 | 22,977 | – |

NOTES TO THE FINANCIAL STATEMENTS

7. Profit before Tax

The following amounts have been included in arriving at profit before tax:

| | GROUP | | COMPANY | |
|---|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Employee benefits expense (Note 8) | 6,574,081 | 5,804,986 | 1,108,927 | – |
| Auditors' remuneration | | | | |
| – Statutory audit | 113,000 | 110,000 | 10,000 | – |
| – Other services | 4,000 | – | 4,000 | – |
| Depreciation of property, plant and equipment (Note 11) | 2,044,822 | 1,606,598 | – | – |
| Depreciation of investment properties (Note 13) | 30,207 | 21,926 | – | – |
| Amortisation of prepaid land lease payments (Note 12) | 58,966 | 40,572 | – | – |
| Loss on disposal of property, plant and equipment | 2,554 | 1,537 | – | – |
| Provision for doubtful debts | 286,411 | 1,545,780 | – | – |
| Bad debts written off | – | 8,215 | – | – |
| Property, plant and equipment written off | 78 | – | – | – |
| Changes in fair value of marketable securities | – | 28,249 | – | – |
| Rental of office | 6,000 | 18,000 | – | – |
| Store rental | 454,991 | 553,539 | – | – |
| Loss on foreign exchange | | | | |
| – realised | 47,404 | 69,495 | – | – |
| – unrealised | 133,578 | 724,031 | – | – |
| Storage tank rental | 420,274 | 591,839 | – | – |
| Write-down of inventories | – | 919,128 | – | – |

8. Employee Benefits Expense

| | GROUP | | COMPANY | |
|--|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Wages and salaries | 5,612,777 | 4,897,418 | 984,278 | – |
| Contributions to defined contribution plan | 672,787 | 582,832 | 113,448 | – |
| Other benefits | 288,517 | 324,736 | 11,201 | – |
| | 6,574,081 | 5,804,986 | 1,108,927 | – |

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,615,678 (2008: RM831,612) and RM975,812 (2008: Nil) respectively as disclosed in Note 35.

9. Income Tax Expense

| | GROUP | | COMPANY | |
|--|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Income tax: | | | | |
| Current year | 4,221,846 | 4,569,453 | 1,418,010 | – |
| Under/(over)provision in prior year | (58,985) | 174,867 | – | – |
| | 4,162,861 | 4,744,320 | 1,418,010 | – |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary difference | 163,591 | (60,423) | – | – |
| Relating to reduction in Malaysian income tax rate | – | (6,456) | – | – |
| (Over)/underprovision in prior year | (138,829) | (33,035) | – | – |
| | 24,762 | (99,914) | – | – |
| | 4,187,623 | 4,644,406 | 1,418,010 | – |

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | 2009 RM | 2008 RM |
|---|------------------|------------|
| Group | | |
| Profit/(loss) before tax from: | | |
| Continuing operations | 16,846,836 | 16,877,284 |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | 4,211,709 | 4,388,094 |
| Effect of 20% tax rate on chargeable income up to RM500,000 | – | (111,505) |
| Effect of reduction in Malaysian income tax rate | – | (6,456) |
| Income not subject to tax | (14,951) | – |
| Expenses not deductible for tax purposes | 415,216 | 353,315 |
| Overprovision of deferred tax in prior year | (138,829) | (33,035) |
| (Over)/under provision of income tax expense in prior year | (58,985) | 174,867 |
| Utilisation of previously unrecognised tax allowances | (164,268) | – |
| Deferred tax assets not recognised during the year | 120,105 | 31,568 |
| Share of results of associates | (182,374) | (152,442) |
| Income tax expense for the year | 4,187,623 | 4,644,406 |
| Company | | |
| Profit/(loss) before tax | 5,606,515 | (53,555) |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | 1,401,629 | (13,924) |
| Expenses not deductible for tax purposes | 16,381 | 13,924 |
| Income tax expense for the year | 1,418,010 | – |

NOTES TO THE FINANCIAL STATEMENTS

10. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | 2009 RM | 2008 RM |
|---|-------------|-------------|
| Profit attributable to ordinary equity holders of the Company | 12,399,160 | N/A |
| | 2009 | 2008 |
| Weighted average number of ordinary shares in issue | 124,944,087 | N/A |
| | 2009 SEN | 2008 SEN |
| Basic earnings per share for: Profit for the year | 9.92 | N/A |

11. Property, Plant and Equipment

| GROUP | FREEHOLD LAND RM | BUILDINGS RM | OTHERS* RM | BUILDING IN PROGRESS RM | TOTAL RM |
|----------------------------------|------------------------|-----------------|---------------|-------------------------------|-------------|
| Cost | | | | | |
| At 1 January 2009 | 7,609,669 | 9,280,207 | 9,195,979 | 5,136,850 | 31,222,705 |
| Additions | – | 147,708 | 806,116 | 1,543,324 | 2,497,148 |
| Disposals | – | – | (138,948) | – | (138,948) |
| Write off | – | – | (200) | – | (200) |
| Reclassification | – | 3,779,351 | 2,061,013 | (5,840,364) | – |
| At 31 December 2009 | 7,609,669 | 13,207,266 | 11,923,960 | 839,810 | 33,580,705 |
| Accumulated depreciation | | | | | |
| At 1 January 2009 | – | 708,570 | 4,789,482 | – | 5,498,052 |
| Depreciation charge for the year | – | 262,856 | 1,781,966 | – | 2,044,822 |
| Disposals | – | – | (110,444) | – | (110,444) |
| Write off | – | – | (122) | – | (122) |
| At 31 December 2009 | – | 971,426 | 6,460,882 | – | 7,432,308 |
| Net carrying amount | | | | | |
| At 31 December 2009 | 7,609,669 | 12,235,840 | 5,463,078 | 839,810 | 26,148,397 |

11. Property, Plant and Equipment (continued)

| GROUP | FREEHOLD LAND RM | BUILDINGS RM | OTHERS* RM | BUILDING IN PROGRESS RM | TOTAL RM |
|----------------------------------|------------------------|-----------------|---------------|-------------------------------|-------------|
| Cost | | | | | |
| At 1 January 2008 | 3,096,200 | 9,147,100 | 8,179,173 | 5,705 | 20,428,178 |
| Additions | 4,513,469 | 133,107 | 1,876,416 | 5,131,145 | 11,654,137 |
| Disposals | – | – | (859,610) | – | (859,610) |
| At 31 December 2008 | 7,609,669 | 9,280,207 | 9,195,979 | 5,136,850 | 31,222,705 |
| Accumulated depreciation | | | | | |
| At 1 January 2008 | – | 509,853 | 4,009,012 | – | 4,518,865 |
| Depreciation charge for the year | – | 198,717 | 1,407,881 | – | 1,606,598 |
| Disposals | – | – | (627,411) | – | (627,411) |
| At 31 December 2008 | – | 708,570 | 4,789,482 | – | 5,498,052 |
| Net carrying amount | | | | | |
| At 31 December 2008 | 7,609,669 | 8,571,637 | 4,406,497 | 5,136,850 | 25,724,653 |

* Others comprise of office equipment, furniture and fittings, machinery and motor.

(a) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM2,947,148 (2008: RM11,654,137) of which RM1,403,732 (2008: RM1,549,665) were acquired by means of hire purchase arrangements. Net carrying amount of property, plant and equipment of the Group held under hire purchase agreements are RM2,882,506 (2008: RM2,406,281).

(b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 28) are as follows:

| | GROUP | |
|----------------------|-------------------|------------|
| | 2009 RM | 2008 RM |
| Freehold land | 7,609,669 | 7,609,669 |
| Building | 11,822,892 | 8,127,678 |
| Building in progress | 839,810 | 5,136,850 |
| | 20,272,371 | 20,874,197 |

NOTES TO THE FINANCIAL STATEMENTS

12. Prepaid Land Lease Payments

| | 2009 RM | GROUP 2008 RM |
|------------------------------------|------------------|---------------------|
| At 1 January | 3,159,670 | 1,317,649 |
| Additions | – | 1,882,593 |
| Amortisation for the year (Note 7) | (58,966) | (40,572) |
| At 31 December | 3,100,704 | 3,159,670 |
| Analysed as: | | |
| Long term leasehold land | 2,479,021 | 2,520,340 |
| Short term leasehold land | 621,683 | 639,330 |
| | 3,100,704 | 3,159,670 |

The entire leasehold land of the Group are pledged as securities for borrowings (Note 28).

13. Investment Properties

| | 2009 RM | GROUP 2008 RM |
|--|------------------|---------------------|
| Costs | | |
| At 1 January | 2,277,423 | 2,277,423 |
| Addition | 450,000 | – |
| At 31 December | 2,727,423 | 2,277,423 |
| Accumulated depreciation | | |
| At 1 January | 185,155 | 163,229 |
| Depreciation charge for the year | 30,207 | 21,926 |
| At 31 December | 215,362 | 185,155 |
| Net carrying amount | 2,512,061 | 2,092,268 |
| Fair value of investment properties at 31 December | 4,090,000 | 3,950,000 |

Fair value of the investment properties were arrived at by reference to market evidence of transaction prices for similar properties.

The following investment properties are held under lease terms:

| | 2009 RM | GROUP 2008 RM |
|-----------|----------------|---------------------|
| Buildings | 228,894 | 233,147 |

The entire investment properties of the Group and are pledged as security for borrowings (Note 28).

14. Investments in Subsidiaries

| | COMPANY | |
|--------------------------|------------|------------|
| | 2009 RM | 2008 RM |
| Unquoted shares, at cost | 69,372,005 | – |

Details of the subsidiaries are as follows:

| NAME OF SUBSIDIARIES | COUNTRY OF INCORPORATION | PROPORTION OF OWNERSHIP INTEREST (%) | | PRINCIPAL ACTIVITIES |
|---|--------------------------|--------------------------------------|------|---|
| | | 2009 | 2008 | |
| Held by the Company: | | | | |
| Samchem Logistics Services Sdn. Bhd. | Malaysia | 70 | – | Provision of logistics services |
| Samchem Industries Sdn. Bhd. | Malaysia | 100 | – | Distribution of specialty chemicals |
| TN Industries Sdn. Bhd. | Malaysia | 70 | – | Distribution of intermediate and specialty chemicals, and blending of customised solvents |
| TN Chemie Sdn. Bhd. | Malaysia | 100 | – | Distribution of intermediate and specialty chemicals, and blending of customised solvents |
| Eweny Chemicals Sdn. Bhd. | Malaysia | 100 | – | Distribution of intermediate and specialty chemicals |
| Samchemsphere Export Sdn. Bhd. | Malaysia | 70 | – | Export of intermediate and specialty chemicals |
| Samchem Enviro Cycle Sdn. Bhd. | Malaysia | 76 | – | Dormant |
| Samchem Sdn. Bhd. | Malaysia | 100 | – | Distribution of PU chemicals, intermediate chemicals and specialty chemicals and investment holding |
| Held through subsidiary: | | | | |
| Samchemsphere Indochina (Vietnam) Company Limited | Vietnam | 70 | – | Dormant |

NOTES TO THE FINANCIAL STATEMENTS

14. Investments in Subsidiaries (continued)

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital on the Main Board (now known as Main Market), the Company undertook a Listing Scheme which involved, inter-alia, the following:

- (i) Acquisition of the entire issued and paid-up share capital of Samchem Sdn Bhd (“SCSB”) comprising 12,065,760 ordinary shares of RM1.00 each for a purchase consideration of RM52,732,343, which was wholly satisfied by the insurance of 105,464,700 new Shares at an issue price of approximately RM0.50 per ordinary share.
- (ii) Acquisition of the entire issued and paid-up share capital of Eweny Chemicals Sdn Bhd comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,847,295, which was satisfied by the insurance of 1,708,376 new Shares at an issue price of approximately RM0.50 per ordinary share and the creation of an amount owing from Samchem to SCSB amounting to RM1,993,107.
- (iii) Acquisition of the entire issued and paid-up share capital of TN Chemie Sdn Bhd comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM8,982,054 which was satisfied by the insurance of 5,389,232 new Shares at an issue price of approximately RM0.50 per ordinary share and the creation of an amount owing from Samchem to SCSB amounting to RM6,287,438.
- (iv) Acquisition of the entire issued and paid-up share capital of Samchem Industries Sdn Bhd comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,457,814 which was satisfied by the insurance of 2,074,688 new Shares at an issue price of approximately RM0.50 per ordinary share and the creation of an amount owing from Samchem to SCSB amounting to RM2,420,470.
- (v) Acquisition of 70,000 ordinary shares of RM1.00 each in Samchemsphere Export Sdn Bhd (“SCsphere”) representing 70% of the entire issued and paid-up share capital of SCsphere for a purchase consideration of RM307,747 which was wholly satisfied by the creation of an amount owing from Samchem to SCSB amounting to RM307,747.
- (vi) Acquisition of 380,000 ordinary shares of RM1.00 each in Samchem Enviro Cycle Sdn Bhd (“SC Enviro”) representing 76% of the entire issued and paid-up share capital of SC Enviro for a purchase consideration of RM266,204 which was wholly satisfied by the creation of an amount owing from Samchem to SCSB amounting to RM266,204.
- (vii) Acquisition of 175,000 ordinary shares of RM1.00 each in Samchem Logistics Services Sdn Bhd (“SC Logistics”) representing 70% of the entire issued and paid-up share capital of SC Logistics for a purchase consideration of RM308,195 which was wholly satisfied by the creation of an amount owing from Samchem to SCSB amounting to RM308,195.
- (viii) Acquisition of 350,000 ordinary shares of RM1.00 each in TN Industries Sdn Bhd (“TN Industries”) representing 70% of the entire issued and paid-up share capital of SC Logistics for a purchase consideration of RM342,665 which was wholly satisfied by the creation of an amount owing from Samchem to SCSB amounting to RM342,665.
- (ix) Acquisition of minority shareholders of 300,000, 300,000 and 150,000 ordinary shares of RM1.00 each in Tn Chemie Sdn Bhd, Samchem Industries Sdn Bhd and Eweny Chemicals Sdn Bhd representing 30% of the entire issued and paid-up share capital of the above mentioned companies for a purchase consideration of RM5,389,232, RM2,074,688 and RM1,708,376 respectively.

The above acquisitions were completed on 21 February 2009. Save for the above, there were no changes in the composition of the Group in the current financial year.

14. Investments in Subsidiaries (continued)

The fair value of the identifiable assets and liabilities of subsidiaries acquired as at pre-agreed in the share sale agreement were:

| | CARRYING AMOUNT BEFORE COMBINATION RM |
|---|--|
| Property, plant and equipment | 23,076,355 |
| Prepaid land lease payment | 3,174,413 |
| Investment properties | 2,097,756 |
| Investments in associate | 2,129,786 |
| Other investments | 669,851 |
| Goodwill | 275,421 |
| Inventories | 41,405,810 |
| Trade and other receivables | 109,211,461 |
| Marketable securities | 28,314 |
| Tax recoverable | 15,838 |
| Cash and bank balances | 40,070,996 |
| Non-current asset classified as held for sale | 562,578 |
| Amount owing to Samchem Sdn Bhd by the subsidiaries | 11,925,825 |
| | <hr/> 234,644,404 |
| Deferred tax liabilities | (113,327) |
| Borrowings | (131,997,644) |
| Trade and other payables | (31,024,675) |
| Current tax payable | (2,233,849) |
| | <hr/> (165,369,495) |
| Net identifiable assets | 69,274,909 |
| Less: Minority interests | (30,586) |
| Identifiable net assets acquired | <hr/> 69,244,323 |
| Consideration for acquisition | |
| – Cash paid | 11,925,825 |
| – Issuance of ordinary shares | 57,318,498 |
| | <hr/> 69,244,323 |

The effects of acquisition on cashflow is as follows:

| | RM |
|--|--------------------|
| Total consideration for acquisition | 69,244,323 |
| Less: Non-cash consideration | (57,318,498) |
| Consideration settled in cash | 11,925,825 |
| Less: Cash and cash equivalents of subsidiaries acquired | (40,070,996) |
| Net cash inflow on acquisition | <hr/> (28,145,171) |

NOTES TO THE FINANCIAL STATEMENTS

15. Investments in Associates

| | GROUP | |
|--|------------------|------------|
| | 2009 RM | 2008 RM |
| Unquoted shares, at cost | 1,253,346 | 1,253,346 |
| Foreign currency translation differences | 241,601 | 153,066 |
| Share of post-acquisition reserves | 1,664,342 | 1,109,720 |
| | 3,159,289 | 2,516,132 |

Details of the associates are as follows:

| NAME OF SUBSIDIARIES | COUNTRY OF INCORPORATION | PROPORTION OF OWNERSHIP INTEREST (%) | | PRINCIPAL ACTIVITIES |
|---------------------------------|--------------------------|--------------------------------------|------|---|
| | | 2009 | 2008 | |
| Held through subsidiary: | | | | |
| PT Multi Square | Indonesia | 30 | – | Manufacturing of paint, varnish and lacquer |
| Yong Tai Samchem Sdn. Bhd. | Malaysia | 40 | – | Investment holding |

The financial statements of the above associates are coterminous with those of the Group, except for Yong Tai Samchem Sdn. Bhd. which has a financial year end of 30 June to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the financial statements of Yong Tai Samchem Sdn. Bhd. for the year ended 30 June 2009 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 June 2009 to 31 December 2009.

The summarised financial information of the associates are as follows:

| | 2009 RM | 2008 RM |
|---|-------------------|------------|
| Assets and liabilities | | |
| Current assets | 36,886,284 | 25,068,669 |
| Non-current assets | 418,673 | 247,112 |
| Total assets | 37,304,957 | 25,315,781 |
| Current liabilities, representing total liabilities | 26,054,569 | 16,496,240 |
| Results | | |
| Revenue | 66,906,118 | 63,701,321 |
| Profit for the year | 1,828,225 | 1,410,281 |

16. Other Investments

| | 2009 RM | GROUP 2008 RM |
|------------------------------------|----------------|---------------------|
| Shares quoted in Malaysia, at cost | 6,250 | 6,250 |
| Investment-linked policy, at cost | 663,601 | 663,601 |
| | 669,851 | 669,851 |
| Market value of quoted shares | 2,950 | 3,100 |

The investment-linked policy of the Group are held in trust by a director.

The investment-linked policy has a minimum guaranteed 4% per annum return and is pledged to a financial institution for banking facilities as disclosed in Note 28.

17. Goodwill

| | 2009 RM | GROUP 2008 RM |
|---------------------|----------------|---------------------|
| Cost | 303,754 | 275,421 |
| Addition | – | 28,333 |
| Net carrying amount | 303,754 | 303,754 |

Impairment Test for Goodwill

Key Assumptions Used in Value-in-use Calculations

The recoverable amount of goodwill is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are projected based on the assumptions that the fifth year operating cash flow will be generated perpetually.

The terminal growth rate used does not exceed the long term average growth rate of the respective industry.

The discount rates applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of assessment of the respective cash generating unit.

No impairment loss was required for the goodwill assessed at their recoverable values were in excess of their carrying amount.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

18. Inventories

| | 2009 RM | GROUP 2008 RM |
|---------------|-------------------|---------------------|
| Trading goods | 30,832,601 | 30,615,766 |

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and Other Receivables

| | GROUP | | COMPANY | |
|------------------------------------|-------------------|-------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Trade receivables | | | | |
| Third parties | 83,579,147 | 80,839,696 | - | - |
| Director related companies | 511,842 | 141,910 | - | - |
| | 84,090,989 | 80,981,606 | - | - |
| Less: Provision for doubtful debts | (1,287,385) | (1,781,370) | - | - |
| Trade receivables, net | 82,803,604 | 79,200,236 | - | - |
| Other receivables | | | | |
| Deposits | - | 654,334 | - | - |
| Sundry receivables and prepayment | 2,876,406 | 3,368,248 | 36,202 | - |
| Third parties | 88,623 | - | - | - |
| Subsidiaries | - | - | 5,600,609 | - |
| Director related company | 220,296 | 220,296 | - | - |
| | 3,185,325 | 4,242,878 | 5,636,811 | - |
| | 85,988,929 | 83,443,114 | 5,636,811 | - |

(a) Credit Risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days to 120 days (2008: 30 days to 120 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amount Due from Subsidiaries and Director Related Companies

Amounts due from a director related company are interest free and repayable on demand. Amount due from subsidiary bore interest of 6% (2008: nil) per annum and is repayable on demand. These amounts are unsecured and are to be settled in cash. The Group is currently recovering the non-trade amount due from a director related company.

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of other receivables are disclosed in Note 36.

20. Marketable Securities

| | GROUP | |
|--|------------|------------|
| | 2009 RM | 2008 RM |
| Shares quoted in Malaysia, at lower of cost and market value | 31,968 | 21,921 |
| Market value of quoted shares | 31,968 | 21,921 |

21. Cash and Cash Equivalents

| | GROUP | | COMPANY | |
|------------------------------|-------------------|------------|----------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Deposit with | | | | |
| – licensed banks | 35,456,875 | 33,869,683 | – | – |
| – licensed finance companies | 2,578,569 | 349,408 | – | – |
| Cash on hand and at banks | 9,806,440 | 18,971,165 | 659,295 | 1,467 |
| Cash and bank balances | 47,841,884 | 53,190,256 | 659,295 | 1,467 |

The Group's deposits with licensed banks amounting to RM35,473,208 (2008: RM33,869,683) are pledged to banks for banking facilities granted to the Group. As such, these fixed deposits are not available for general use.

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

| | GROUP | | COMPANY | |
|---------------------------|--------------------|--------------|----------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Cash and bank balances | 47,841,884 | 53,190,256 | 659,295 | 1,467 |
| Bank overdrafts (Note 28) | (1,070,998) | (11,327,467) | – | – |
| Cash and cash equivalents | 46,770,886 | 41,862,789 | 659,295 | 1,467 |

22. Non-current Asset Classified as Held for Sale

On 29 December 2006, a subsidiary, Eweny Chemicals Sdn. Bhd. ("Eweny") acquired 100% equity interest in Heng Li Trading Co. Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM800,000. In 2008, the Company announced the decision to discontinue and dispose of the subsidiary and the disposal was fully completed on 16 Jan 2009 for a purchase consideration of RM562,578.

The carrying amount of the investment in this subsidiary has been presented as a non-current asset held for sale as at 31 December 2008.

The above disposal had the following effects on the Group's financial results:

| | GROUP AS AT DATE OF DISPOSAL RM |
|---|---|
| Fixed assets | 650,000 |
| Sundry deposits | 1,840 |
| Tax recoverable | 4,307 |
| Other payables | (111,801) |
| Net assets disposed off | 544,346 |
| Proceeds from disposal, net | (562,578) |
| Gain/(loss) on disposal | (18,232) |
| Cash inflows arising from disposal: | |
| Cash consideration, representing cash inflow to the Group | 562,578 |
| Cash and cash equivalent of subsidiary disposed off | – |
| Net cash inflow to the Group | 562,578 |

NOTES TO THE FINANCIAL STATEMENTS

23. Share Capital

| | NUMBER OF ORDINARY SHARES OF RM0.50 EACH | | AMOUNT | |
|----------------------------------|---|-------------|-------------|-------------|
| | 2009 | 2008 | 2009 RM | 2008 RM |
| Issued and fully paid: | | | | |
| At 1 January | 4 | 4 | 2 | 2 |
| Addition | 135,999,996 | – | 67,999,998 | – |
| At 31 December | 136,000,000 | 4 | 68,000,000 | 2 |
| Authorised share capital: | | | | |
| At 1 January/31 December | 200,000,000 | 200,000,000 | 100,000,000 | 100,000,000 |

(a) Ordinary Shares Issued for Cash

During the financial year, the Company issued 21,363,000 new ordinary shares of RM0.50 each through a public placement at an issue price of RM0.71 per ordinary share for cash, for additional working capital purposes. The share premium of RM954,445 arising from the issuance of ordinary shares is stated net of issue costs of RM3,531,785. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Ordinary Shares Issued for Acquisition of Subsidiary

During the financial year, the Company issued 114,636,996 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share amounting to RM57,318,498 as partial discharge of purchase consideration for the acquisition of the Samchem Sdn. Bhd. and its entire subsidiaries. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

24. Foreign Currency Translation Reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of an associate whose functional currency is different from that of the Group's presentation currency.

25. Reverse Acquisition Reserve

The difference between the issued equity of Samchem Holdings Berhad together with the deemed business combination costs and the issued equity of the Company amounting to RM40.725 million is recorded as reserve arising from reverse acquisition.

26. Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2009 under the single tier system.

27. Deferred Tax

| | GROUP | |
|---|------------|------------|
| | 2009 RM | 2008 RM |
| At 1 January | 104,349 | 204,263 |
| Recognised in income statement (Note 9) | 24,762 | (99,914) |
| At 31 December | 129,111 | 104,349 |
| Presented after offsetting as follows: | | |
| Deferred tax assets | (140,712) | – |
| Deferred tax liabilities | 269,823 | 104,349 |
| | 129,111 | 104,349 |

Deferred Tax Liabilities of the Group:

| | ACCELERATED CAPITAL ALLOWANCES RM | OTHERS RM | TOTAL RM |
|--------------------------------|--|--------------|-------------|
| At 1 January 2009 | 102,413 | 33,298 | 135,711 |
| Recognised in income statement | 321,490 | (24,377) | 297,113 |
| At 31 December 2009 | 423,903 | 8,921 | 432,824 |
| At 1 January 2008 | 240,795 | – | 240,795 |
| Recognised in income statement | (138,382) | 33,298 | (105,084) |
| At 31 December 2008 | 102,413 | 33,298 | 135,711 |

Deferred Tax Asset of the Group:

| | PROVISIONS AND OTHERS RM | TOTAL RM |
|--------------------------------|--------------------------------|-------------|
| At 1 January 2009 | (31,362) | (31,362) |
| Recognised in income statement | (272,351) | (272,351) |
| At 31 December 2009 | (303,713) | (303,713) |
| At 1 January 2008 | (36,532) | (36,532) |
| Recognised in income statement | 5,170 | 5,170 |
| At 31 December 2008 | (31,362) | (31,362) |

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

| | GROUP | |
|--|------------|------------|
| | 2009 RM | 2008 RM |
| Other deductible temporary differences | 297,848 | 121,196 |

NOTES TO THE FINANCIAL STATEMENTS

28. Borrowings

| | 2009 RM | GROUP 2008 RM |
|----------------------------------|-------------------|---------------------|
| Short term borrowings | | |
| Secured: | | |
| Bank overdrafts | 1,070,998 | 11,327,467 |
| Bankers acceptances | 81,441,000 | 91,325,000 |
| Term loans | 1,287,147 | 963,239 |
| Hire purchase payables (Note 29) | 761,880 | 820,898 |
| | 84,561,025 | 104,436,604 |
| Long term borrowings | | |
| Secured: | | |
| Term loans | 10,337,285 | 9,666,500 |
| Hire purchase payables (Note 29) | 1,805,873 | 1,471,083 |
| | 12,143,158 | 11,137,583 |
| Total borrowings | | |
| Bank overdrafts | 1,070,998 | 11,327,467 |
| Bankers acceptances | 81,441,000 | 91,325,000 |
| Term loans | 11,624,432 | 10,629,739 |
| Hire purchase payables (Note 29) | 2,567,753 | 2,291,981 |
| | 96,704,183 | 115,574,187 |

The secured bank overdrafts, bankers acceptances, bills payable, trust receipts and term loans of the Group are secured by the following:

- (a) First party Letter of Set-Off over the fixed deposits of the (Note 21);
- (b) First party first fixed legal charge over the investment properties of the Group (Note 13);
- (c) First party first fixed legal charge over the freehold land and buildings of the Group (Note 11);
- (d) First party first fixed legal charge over the leasehold land of the Group (Note 12);
- (e) Third party legal charges over a freehold land and building;
- (f) Third party time deposit;
- (g) Investment-linked policy held in trust by a director (Note 16);
- (h) Guarantee by Credit Guarantee Corporation Malaysia Bhd;
- (i) Corporate Guarantee by the Company; and
- (j) Joint and several guarantee by the directors of the Group.

Other information on financial risks of borrowings are disclosed in Note 36.

29. Hire Purchase Payables

| | GROUP | |
|--|------------------|------------|
| | 2009 RM | 2008 RM |
| Minimum hire purchase payments: | | |
| Not later than 1 year | 902,715 | 927,098 |
| Later than 1 year and not later than 2 years | 751,163 | 609,264 |
| Later than 2 years and not later than 5 years | 1,226,243 | 985,543 |
| | 2,880,121 | 2,521,905 |
| Less: Future finance charges | (312,368) | (229,924) |
| Present value of hire purchase liabilities | 2,567,753 | 2,291,981 |
| Present value of hire purchase liabilities: | | |
| Not later than 1 year | 761,880 | 820,898 |
| Later than 1 year and not later than 2 years | 655,545 | 544,273 |
| Later than 2 years and not later than 5 years | 1,150,328 | 926,810 |
| | 2,567,753 | 2,291,981 |
| Less: Amount due within 12 months (Note 28) | (761,880) | (820,898) |
| Amount due after 12 months (Note 28) | 1,805,873 | 1,471,083 |

Other information on financial risks of hire purchase payables are disclosed in Note 36.

30. Trade and Other Payables

| | GROUP | | COMPANY | |
|----------------------------|-------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Trade payables | | | | |
| Third parties | 25,187,012 | 17,181,476 | - | - |
| Director related companies | 3,715 | 941 | - | - |
| | 25,190,727 | 17,182,417 | - | - |
| Other payables | | | | |
| Subsidiary | - | 57,991 | 2,309,706 | 57,991 |
| Director related company | - | 561,999 | - | - |
| Dividend payable | 11,720 | 2,697,231 | - | - |
| Accruals | 836,158 | 603,373 | 235,572 | 2,630 |
| Sundry payables | 1,725,377 | 852,604 | - | - |
| | 2,573,255 | 4,773,198 | 2,545,278 | 60,621 |
| Total | 27,763,982 | 21,955,615 | 2,545,278 | 60,621 |

NOTES TO THE FINANCIAL STATEMENTS

30. Trade and Other Payables (continued)

(a) Trade Payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2008: 30 days to 90 days).

(b) Amount Due to Subsidiaries and Director Related Companies

Amounts due to a director related company are interest free and repayable on demand. Amount due to subsidiary bears interest of 6% (2008: nil) per annum and is repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of other payables are disclosed in Note 36.

31. Dividends

At the forth coming Annual General meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2009 of 5.6% will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2010.

32. Capital Commitments

| | GROUP | | COMPANY | |
|----------------------------------|------------|------------|------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Capital expenditure | | | | |
| Approved and contracted for: | | | | |
| Property, plant and equipment | 246,000 | 855,335 | - | - |
| Capital investment | 2,051,400 | - | 2,051,400 | - |
| Approved but not contracted for: | | | | |
| Property, plant and equipment | 15,000,000 | 17,603,000 | - | - |

33. Contingent Liabilities

| | GROUP | |
|---|------------|------------|
| | 2009 RM | 2008 RM |
| Secured: | | |
| Bank guarantee given to trade suppliers for supplier credit guarantee | 9,900,000 | 9,900,000 |
| | | |
| | COMPANY | |
| | 2009 RM | 2008 RM |
| Secured: | | |
| Corporate guarantees given to licenced banks for banking facilities granted to subsidiaries | 25,500,000 | - |

34. Operating Lease Arrangement

(a) The Group as A Lessee

The Group have entered into non-cancellable operating lease arrangements for the use of storage. This lease has a life of 2 years with option of renewal included in the contracts. There are no restrictions placed upon the Group by entering into this lease.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

| | 2009 RM | GROUP 2008 RM |
|--|---------------|---------------------|
| Future minimum rentals payments: | | |
| Not later than 1 year | 27,000 | 36,000 |
| Later than 1 year and not later than 5 years | – | 27,000 |
| | 27,000 | 63,000 |

35. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | NOTE | 2009 RM | 2008 RM |
|--|------|------------|------------|
| Group | | | |
| Director related companies: * | | | |
| Purchase of products | | 17,651 | 40,797 |
| Sale of products | | 1,149,820 | 357,406 |
| Rendering of services | | 97,438 | 97,907 |
| Sale of a subsidiary to a director of the Company and a director of a subsidiary of the Company | | 562,578 | – |
| Company | | | |
| Subsidiaries: | | | |
| Dividend income from subsidiaries | | 5,510,870 | – |
| Management fee received | (i) | 1,347,575 | – |
| Interest income | | 11,413 | – |

* companies in which a director, Mr Ng Thin Poh, has substantial equity interests.

(i) Management fees are determined based on management agreement signed by both parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2009 are disclosed in Note 19 and Note 30.

NOTES TO THE FINANCIAL STATEMENTS

35. Related Party Disclosures (continued)

(b) Compensation of Key Management Personnel

The remuneration of directors and other key managements personnel during the year were as follows:

(i) Aggregate remuneration categorised into appropriate components:

| | GROUP | | COMPANY | |
|--|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Directors' remuneration | | | | |
| In respect of Company's Directors: | | | | |
| Executive | | | | |
| Salaries and other emoluments | 1,062,612 | 660,000 | 491,303 | – |
| Bonus | 379,958 | 82,500 | 379,958 | – |
| Employees' Provident Fund | 173,108 | 89,112 | 104,551 | – |
| Benefits-in-kind | 104,150 | 51,950 | – | – |
| | 1,719,828 | 883,562 | 975,812 | – |
| Other key management personnel: | | | | |
| Salaries and bonuses | 209,486 | 143,640 | 126,579 | – |
| | 1,929,314 | 1,027,202 | 1,102,391 | – |
| | | | | |
| | GROUP | | COMPANY | |
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Directors' remuneration | | | | |
| In respect of subsidiaries' Directors: | | | | |
| Executive | | | | |
| Salaries and other emoluments | | | 1,299,063 | 1,733,700 |
| Bonus | | | 77,827 | 176,625 |
| Employees' Provident Fund | | | 164,010 | 229,436 |
| Benefits-in-kind | | | 104,150 | 67,500 |
| | | | 1,645,050 | 2,207,261 |

35. Related Party Disclosures (continued)

(b) Compensation of Key Management Personnel (continued)

(i) Aggregate remuneration categorised into appropriate components: (continued)

| | GROUP | | COMPANY | |
|--|------------------|------------|----------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Analysis of Company's Directors' remuneration excluding benefits-in-kind: | | | | |
| Executive Directors' remuneration | 1,615,678 | 831,612 | 975,812 | – |

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | GROUP | | COMPANY | |
|-------------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| | EXECUTIVE DIRECTORS | NON- EXECUTIVE DIRECTORS | EXECUTIVE DIRECTORS | NON- EXECUTIVE DIRECTORS |
| 31 December 2009 | | | | |
| RM0 to RM200,000 | 2 | 3 | 2 | 3 |
| RM200,001 to RM350,000 | 3 | – | 3 | – |
| | 5 | 3 | 5 | 3 |
| 31 December 2008 | | | | |
| RM0 to RM200,000 | 1 | – | 2 | – |
| RM200,001 to RM350,000 | 2 | – | – | – |
| | 3 | – | 2 | – |

NOTES TO THE FINANCIAL STATEMENTS

36. Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign currency risk, liquidity risk, interest rate risks (both fair value and cash flow) and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Foreign Currency Risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the Group and of the Company to which they relate. The currency giving rise to this risk is primarily United States Dollars (USD).

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

| | GROUP RM | COMPANY RM |
|------------------------------|-------------|---------------|
| At 31 December 2009 | | |
| United States Dollars | | |
| Trade receivables | 4,969,722 | – |
| Cash at bank | 311,004 | – |
| Trade payables | (4,289,127) | – |
| <hr/> | | |
| At 31 December 2008 | | |
| United States Dollars | | |
| Trade receivables | 3,441,505 | – |
| Cash at bank | 304,198 | – |
| Trade payables | (2,977,902) | – |
| <hr/> | | |

(c) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

(d) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

36. Financial Instruments (continued)

(e) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

| At 31 December 2009 | | | | | | | | | | | | |
|----------------------------|-------------|----------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------|---|------------|--|
| Group | Note | WAEIR % | WITHIN 1 YEAR RM | 1 - 2 YEARS RM | 2 - 3 YEARS RM | 3 - 4 YEARS RM | 4 - 5 YEARS RM | MORE THAN 5 YEARS RM | TOTAL RM | | | |
| Fixed rate | | | | | | | | | | | | |
| Fixed deposits | 21 | 2.51 | 35,456,875 | - | - | - | - | - | - | - | 35,456,875 | |
| Hire purchase payables | 29 | 3.10 | 761,880 | 655,545 | 626,877 | 419,246 | 104,205 | - | - | - | 2,567,753 | |
| Floating rate | | | | | | | | | | | | |
| Bank overdrafts | 28 | 7.10 | 1,070,998 | - | - | - | - | - | - | - | 1,070,998 | |
| Term loans | 28 | 6.60 | 1,287,147 | 1,334,408 | 1,284,225 | 1,290,745 | 1,286,274 | 5,141,633 | - | - | 11,624,432 | |
| Bankers acceptances | 28 | 3.28 | 81,441,000 | - | - | - | - | - | - | - | 81,441,000 | |
| At 31 December 2008 | | | | | | | | | | | | |
| Group | | | | | | | | | | | | |
| Fixed rate | | | | | | | | | | | | |
| Fixed deposits | 21 | 3.43 | 34,219,091 | - | - | - | - | - | - | - | 34,219,091 | |
| Hire purchase payables | 29 | 2.98 | 820,898 | 544,273 | 437,293 | 351,873 | 137,644 | - | - | - | 2,291,981 | |
| Floating rate | | | | | | | | | | | | |
| Bank overdrafts | 28 | 8.31 | 11,327,467 | - | - | - | - | - | - | - | 11,327,467 | |
| Term loans | 28 | 6.30 | 963,239 | 999,972 | 1,059,831 | 1,012,704 | 1,059,353 | 5,534,640 | - | - | 10,629,739 | |
| Bankers acceptances | 28 | 5.26 | 91,325,000 | - | - | - | - | - | - | - | 91,325,000 | |

Interest on financial instruments subject to floating interest rates is contractually repriced according to changes in base lending rate. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are not subject to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

36. Financial Instruments (continued)

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

| | CARRYING AMOUNT RM | GROUP FAIR VALUE RM |
|-----------------------------|--------------------------|---------------------------|
| At 31 December 2009 | | |
| Term loans | 11,624,432 | 12,101,268 |
| Hire purchase payables | 2,567,753 | 2,447,579 |
| Non-current quoted shares | 6,250 | 2,950 |
| Non-current unquoted shares | 663,601 | * |
| At 31 December 2008 | | |
| Term loans | 10,629,739 | 10,763,445 |
| Hire purchase payables | 2,291,981 | 2,558,504 |
| Non-current quoted shares | 6,250 | 3,100 |
| Non-current unquoted shares | 663,601 | * |

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate the fair value without incurring excessive costs.

37. Significant Events

- (a) On 20 February 2009, Samchem Sdn. Bhd. ("SCSB") disposed its entire equity interest in the Company to Samchem Holdings Berhad ("SHB") and consequently, SHB became the holding company of the Company.
- (b) 21,363,000 new ordinary shares of RM0.50 each at an issue price of RM0.71 per ordinary share ("Public Issue") payable in full on application in conjunction with its listing on the Main Board of Bursa Securities. The admission to the official list and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board (now known as Main Market) of Bursa Securities was completed on 23 June 2009.
- (c) On 20 November 2009, SHB had entered into a Master Agreement with HH, Solaris, PT Prasandha Byantara Abadi ("PTPBA"), Mr Nagar Paul Tanumiharja ("NPT") and Mrs Silva Dewi Budiarto ("SDB") to formalise the understanding that PMA Parties, via PTSP, shall acquire assets comprising properties, plant and machinery, motor vehicles and office equipment from HH, SDB and PTPBA for a total purchase consideration of not more than USD1.6 million.

On the same date, SHB had also entered into a Shareholders Agreement with Mr Herisun Hasan ("HH") and Solaris Meridian Sdn Berhad ("Solaris") (Collectively known as the "PMA Parties") to formalise their intentions to participate in the business as a distributor of the industrial chemicals. The PMA Parties intend to incorporate a limited liability company in Indonesia under the proposed name of "PT Samchem Prasandha" ("PTSP") with an initial issued and paid-up share capital of 2,500,000 of USD0.10 each. The PMS Parties shall subscribe to PTSP Shares as follows: Samchem (60%), HH (33%) and Solaris (7%). Thereafter, the initial and paid up share capital shall be increased to USD1,000,000 within a period of nine months after PTSP has commenced its business on a pro-rate basis according to the above shareholding proportion.

38. Subsequent Events

- (a) On 14 January 2010, PTSP was incorporated with authorised share capital of 10,000,000 of USD0.10 each and paid-up share capital of 2,500,000 of USD 0.10 each. The Company had subscribed for 60% of the paid-up share capital of PTSP or 1,500,000 shares for a total cash consideration of USD150,000 (equivalent to RM512,850 at the exchange rate of USD1:RM3.419).
- (b) Samchemsphere Export Sdn Bhd (“SESB”), a 70% owned-subsiary of the Company, had on 9 March 2010 acquired a 80% equity interest in Cong Ty TNHH Sam Chem Qua Cau [Sam Chem Sphere Company Limited] for cash consideration of RM82,759.

39. Comparatives

Certain comparative figures have been reclassified to reflect the changes of holding company during the year.

The comparative figures in the Group’s financial statements are presented as if Samchem Holdings Berhad had been the parent company of the group throughout.

| | PREVIOUSLY STATED RM | ADJUSTMENT RM | RESTATED RM |
|-------------------------|----------------------------|------------------|----------------|
| Company | | | |
| Administrative expenses | – | 53,520 | 53,520 |
| Others expenses | 53,555 | (53,520) | 35 |
| Sundry payables | | | |
| Accruals | 57,991 | (57,991) | – |
| Subsidiary | – | 57,991 | 57,991 |

NOTES TO THE FINANCIAL STATEMENTS

40. Segment Information

Business Segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

The Group comprises the following business segments:

- (i) Investment holding
- (ii) Chemical – distribution of PU chemicals, intermediate chemicals, specialty chemicals and blending of customised solvents.
- (iii) Logistic

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | INVESTMENT HOLDING RM | LOGISTIC RM | CHEMICAL RM | TOTAL RM |
|----------------------------------|-----------------------------|----------------|----------------|-------------|
| 31 December 2009 | | | | |
| Revenue | – | 104,242 | 293,934,947 | 294,039,189 |
| Results | | | | |
| Segment results | 4,067,010 | (1,445,038) | 18,487,982 | 21,109,954 |
| Finance cost | | | | (4,992,613) |
| Share of profit of associates | | | | 729,495 |
| Profit before tax | | | | 16,846,836 |
| Income tax expense | | | | |
| – income tax | | | | (4,162,861) |
| – deferred tax | | | | (24,762) |
| Net profit for the year | | | | 12,659,213 |
| Assets | | | | |
| Segment assets | 3,689,639 | 1,322,724 | 194,485,804 | 199,498,167 |
| Investment in associates | 2,938,037 | – | 221,252 | 3,159,289 |
| Total assets | | | | 202,657,456 |
| Liabilities | | | | |
| Segment/total liabilities | 1,190,971 | 679,864 | 122,907,513 | 124,778,348 |
| Other segment information | | | | |
| Depreciation | – | 153,988 | 1,921,041 | 2,075,029 |
| Amortisation | – | – | 58,966 | 58,966 |

40. Segment Information (continued)

Business Segments (continued)

| | INVESTMENT HOLDING RM | LOGISTIC RM | CHEMICAL RM | TOTAL RM |
|----------------------------------|-----------------------------|----------------|----------------|-------------|
| 31 December 2008 | | | | |
| Revenue | – | 1,867,033 | 353,498,200 | 355,365,233 |
| Results | | | | |
| Segment results | (74,406) | 229,452 | 23,618,298 | 23,773,344 |
| Finance cost | | | | (7,482,374) |
| Share of profit of associates | | | | 586,314 |
| Profit/(loss) before tax | | | | 16,877,284 |
| Income tax expense | | | | |
| – income tax | | | | (4,744,321) |
| – deferred tax | | | | 99,915 |
| Net profit/(loss) for the year | | | | 12,232,878 |
| Assets | | | | |
| Segment assets | 13,681,073 | 906,637 | 185,820,371 | 200,408,081 |
| Investment in associates | 2,398,054 | – | 118,078 | 2,516,132 |
| Total assets | | | | 202,924,213 |
| Liabilities | | | | |
| Segment/total liabilities | 792,036 | 850,374 | 136,179,043 | 137,821,453 |
| Other segment information | | | | |
| Depreciation | – | 153,988 | 1,474,536 | 1,628,524 |
| Amortisation | – | – | 40,572 | 40,572 |

PARTICULARS OF PROPERTIES

| LOCATION | TENURE | LAND/ BUILT-UP AREA | DESCRIPTION/ EXISTING USE | APPROXIMATE AGE OF BUILDING | NET BOOK VALUE @ 31.12.2009 (RM) | YEAR OF LAST VALUATION |
|---|---|----------------------------------|--|-----------------------------------|---|------------------------------|
| Samchem Sdn Bhd | | | | | | |
| No. 15, Jalan PJS 11/16 Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan | Leasehold 99 years expiring on 28.12.2096 | 2,379 sq. ft/ 3,540 sq. ft | One and a half storey terrace factory/ Industrial | 18 years | 345,128 | 2008 |
| Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32 40460 Shah Alam Selangor Darul Ehsan | Freehold | 103,431 sq. ft/ 78,470 sq. ft | Single storey detached warehouse annexed with a 3 storey office building and a guard house/ Industrial | 3 years | 10,126,272 | 2008 |
| No. 3, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan | Freehold | 10,887 sq. ft/ 6,678 sq. ft | One and a half storey semi-detached factory/ Industrial | 11 years | 800,970 | 2008 |
| No. 1, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan | Freehold | 14,757 sq. ft/ 6,678 sq. ft | One and a half storey semi-detached factory/ Industrial | 11 years | 1,000,849 | 2008 |
| H.S.(M) 1501, PT 14856 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan | Leasehold 99 years expiring on 20.1.2068 | 111,078 sq. ft | Vacant land/Agricultural | N/A | 1,201,778 | 2008 |
| Samchem Enviro Cycle Sdn Bhd | | | | | | |
| H.S.(M) 1132, PT 14852 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan | Leasehold 99 years expiring on 13.8.2067 | 111,081 sq. ft | Vacant land/Agricultural | N/A | 1,021,557 | 2008 |

| LOCATION | TENURE | LAND/ BUILT-UP AREA | DESCRIPTION/ EXISTING USE | APPROXIMATE AGE OF BUILDING | NET BOOK VALUE @ 31.12.2009 (RM) | YEAR OF LAST VALUATION |
|--|--|---------------------------------|--|-----------------------------------|---|------------------------------|
| Eweny Chemicals Sdn Bhd | | | | | | |
| No. 35 & 35A Jalan Menglembu Impiana 8 Menglembu Impiana Adril 31450 Menglembu Perak Darul Ridzuan | Leasehold 99 years expiring on 7.12.2098 | 1,400 sq. ft/ 2,788 sq. ft | Shop Lots/Commercial | 9 years | 175,707 | 2008 |
| 17, Persiaran Rishah 14 Kawasan Perindustrian Siilbin 30100 Ipoh Perak Darul Ridzuan | Leasehold 60 years expiring on 22.3.2045 | 27,384 sq. ft/ 19,785 sq. ft | A 2 storey office building with an annexed single storey detached factory and a single storey open sided store building/ Industrial | 12 years | 1,035,005 | 2008 |
| TN Chemie Sdn Bhd | | | | | | |
| No. 10, Jalan Dato Yunus 1 Taman Perindustrian Dato Yunus Sulaiman Lima Kedai 81300 Johor Bahru Johor Darul Takzim | Freehold | 27,997 sq. ft/ 16,966 sq. ft | Single storey detached factory with an annexed double storey office building which has been extended/ Industrial | 14 years | 927,239 | 2008 |
| No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim | Freehold | 7,200 sq. ft | Single storey detached factory with an annexed double storey office building/Industrial/ Commercial | 13 years | 441,750 | - |
| PTD 152691, Mukim Pulau Kawasan Perindustrian SILC Bandar Nusajaya, 79200 Johor Darul Takzim | Freehold | 14,780 sq. ft/ 7,200 sq. ft | 2 blocks of single storey factory and 1 block of three storey office building/ Industrial/Commercial | 2 years | 8,379,053 | 2009 |

ANALYSIS OF SHAREHOLDINGS

AS AT 2 APRIL 2010

Authorised share capital : RM100,000,000
 Issued and paid-up share capital : RM68,000,000
 Class of shares : Ordinary shares of 50 sen each
 Voting rights : One vote per ordinary share held

Analysis by Size of Shareholdings as at 2 April 2010

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|--------------------------------------|---------------------|-------------------|--------------------|---------------|
| Less than 100 | 4 | 0.39 | 72 | 0.00 |
| 100 – 1,000 | 159 | 15.62 | 79,628 | 0.06 |
| 1,001 – 10,000 | 480 | 47.15 | 2,925,200 | 2.15 |
| 10,001 – 100,000 | 307 | 30.16 | 9,913,700 | 7.29 |
| 100,001 – less than 5% of the shares | 64 | 6.29 | 42,814,695 | 31.48 |
| 5% and above | 4 | 0.39 | 80,266,705 | 59.02 |
| | 1,018 | 100.00 | 136,000,000 | 100.00 |

Substantial Shareholders

| NAME OF SHAREHOLDERS | DIRECT INTEREST | | INDIRECT INTEREST | |
|----------------------|-----------------|-------|-------------------|------|
| | NO. OF SHARES | % | NO. OF SHARES | % |
| Ng Thin Poh | 55,776,002 | 41.01 | 100,000* | 0.07 |
| Ng Soh Kian | 9,797,279 | 7.20 | 534,000* | 0.39 |
| Dato' Ng Lian Poh | 7,811,763 | 5.75 | 527,100* | 0.39 |
| Tan Teck Beng | 6,881,661 | 5.06 | 30,000* | 0.02 |

*Indirect interest held by spouse and children

Directors' Shareholdings

| NAME OF DIRECTORS | DIRECT INTEREST | | INDIRECT INTEREST | |
|-------------------|-----------------|-------|-------------------|------|
| | NO. OF SHARES | % | NO. OF SHARES | % |
| Ng Thin Poh | 55,776,002 | 41.01 | 100,000* | 0.07 |
| Ng Soh Kian | 9,797,279 | 7.20 | 534,000* | 0.39 |
| Dato' Ng Lian Poh | 7,811,763 | 5.75 | 527,100* | 0.39 |
| Tan Teck Beng | 6,881,661 | 5.06 | 30,000* | 0.02 |
| Chooi Chok Khooi | 4,361,046 | 3.21 | – | – |
| Wong Tak Keong | 300,000 | 0.22 | – | – |
| Dato' Theng Book | – | – | – | – |
| Lee Kong Hoi | 2,000 | 0.00 | – | – |

* Indirect interest held by spouse and children

**List of Top 30 Shareholders
as at 2 April 2010**

| NO. | NAME | NO. OF SHARES | % OF ISSUED SHARES |
|--------------|---|----------------------|-------------------------------|
| 1. | Ng Thin Poh | 55,776,002 | 41.01 |
| 2. | Ng Soh Kian | 8,926,979 | 6.56 |
| 3. | Dato' Ng Lian Poh | 7,811,763 | 5.75 |
| 4. | Tan Teck Beng | 6,881,661 | 5.06 |
| 5. | Chooi Chok Khooi | 4,361,046 | 3.21 |
| 6. | Adelaine Chin Ai Nee | 4,353,900 | 3.20 |
| 7. | Pua Lay Tee | 3,500,000 | 2.57 |
| 8. | Maryann Ng Su Ling | 2,705,000 | 1.99 |
| 9. | Lim Chong Sing | 2,660,000 | 1.96 |
| 10. | Ng Hoi Peng | 2,561,000 | 1.88 |
| 11. | Eugene Chong Wee Yip | 2,413,720 | 1.78 |
| 12. | Wee Chai Peng | 2,348,100 | 1.73 |
| 13. | SJ SEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Michael Lee Fook Soon (SMT)</i> | 2,224,200 | 1.64 |
| 14. | Tan Soon Hock | 1,070,000 | 0.79 |
| 15. | Ng Soh Kian | 870,300 | 0.64 |
| 16. | Tee Pee Hoe | 806,000 | 0.59 |
| 17. | Yeoh Boon Guan @ Yeoh Kok Seng | 735,000 | 0.54 |
| 18. | Choo Chee Chien | 643,900 | 0.47 |
| 19. | Choo Chee Keun | 585,000 | 0.43 |
| 20. | Liew Hooi Yee | 531,000 | 0.39 |
| 21. | Lee Ah Noi | 527,100 | 0.39 |
| 22. | Saw Chew Yuen | 492,000 | 0.36 |
| 23. | Han Chang Kong | 462,700 | 0.34 |
| 24. | Chooi Chak Lim | 439,459 | 0.32 |
| 25. | Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Hoi Peng (E-SJA/USJ)</i> | 434,500 | 0.32 |
| 26. | Liew Hooi Suan | 421,000 | 0.31 |
| 27. | Tien Siew Foon | 405,000 | 0.30 |
| 28. | Tan Bee Ngoh | 380,500 | 0.28 |
| 29. | Leow Kok Wai | 370,000 | 0.27 |
| 30. | Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Yap Kun Lee (E-KPG)</i> | 318,000 | 0.23 |
| Total | | 116,014,830 | 85.31 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Samchem Holdings Berhad will be held at Danau 3, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, Wednesday, 26 May 2010 at 9:30 a.m. for the following purposes:

Agenda

As Ordinary Business

1. To receive the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2009 and the Report of the Directors and Auditors thereon. RESOLUTION 1
2. To declare a First & Final Single Tier Dividend of 2.8 sen per share for the financial year ended 31 December 2009. RESOLUTION 2
3. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Articles of Association:
 - (i) Tan Teck Beng RESOLUTION 3
 - (ii) Ng Soh Kian RESOLUTION 4
 - (iii) Chooi Chok Khooi RESOLUTION 5
4. To approve the payment of Directors' Fees amounting to RM42,000.00 in respect of the financial year ending 31 December 2010. RESOLUTION 6
5. To appoint Auditors of the Company in place of the retiring Auditors for the ensuing year and to authorise the Directors to fix their remuneration. RESOLUTION 7

Notice of nomination from the shareholders pursuant to Section 172(11) of the Companies Act, 1965, has been received by the Company for the nomination of Messrs. Moore Stephens AC (copies of which is annexed hereto and marked as "Annexure A & B") as Auditors for the ensuing year with the Proposed Ordinary Resolution:

"THAT Messrs. Moore Stephens AC be and are hereby appointed as Auditors of the Company in place of Messrs. Ernst & Young, the Auditors retiring at this Annual General Meeting, and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to fix their remuneration."

As Special Business

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:

Ordinary Resolution

Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

RESOLUTION 8

"THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, if applicable, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. To transact any other business of which due notice shall have been given.

Notice of Dividend Payment and Dividend Entitlement Date

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 26 May 2010, a First & Final Single Tier Dividend of 2.8 sen per share will be paid on 23 June 2010 to shareholders whose names appear in the Company's Record of Depositors on 2 June 2010.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 2 June 2010 in respect of transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Chua Hooi Sian (F)(MAICSA 7014565)

Sujata Menon a/p K.R.D.S.Chandran (F)(LS 0002004)

Company Secretaries

Kuala Lumpur

3 May 2010

Notes:

(a) Proxy

- (i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint at least one (1) proxy of his own choice to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- (ii) If a member appoints more than one (1) proxy, the member must specify the proportion of his shareholding to be represented by each proxy.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or under the hand of an officer or its attorney duly authorised in that behalf.
- (iv) To be valid, the instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at No. 6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(b) Explanatory Notes on Special Business

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.

The Ordinary Resolution proposed, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares from unissued share capital of the Company up to an aggregate amount not exceeding ten per centum (10%) of the total issued share capital of the Company for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF THE 3RD ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE MAIN MARKET LISTING REQUIREMENT
OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are standing for re-election at the 3rd Annual General Meeting of the Company are:
 - (a) Tan Teck Beng (Resolution 3)
 - (b) Ng Soh Kian (Resolution 4)
 - (c) Chooi Chok Khooi (Resolution 5)
2. The details profile of the above Directors who are standing for re-election are set out in the Directors' Profile set out on pages 4 to 5 of the Annual Report.
3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 11 of the Annual Report 2009.
4. The 3rd Annual General Meeting of the Company will be held at Danau 3, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 26 May 2010 at 9:30 a.m.

Ng Soh Kian
No. 3, Jalan Nakhoda 2
Taman Ungku Tun Aminah
81300 Johor Bahru

Date: 14 April 2010

The Board of Directors
Samchem Holdings Berhad
Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 31
40460 Shah Alam
Selangor Darul Ehsan

Dear Sirs

Notice of Nomination of Auditors

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs. Moore Stephens AC for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and of my intention to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:

“THAT Messrs. Moore Stephens AC be appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully



Ng Soh Kian

ANNEXURE B

Chooi Chok Khooi
48, Jalan Batik Satu
Taman Sinfar
31650 Ipoh
Perak Darul Ridzuan

Date: 14 April 2010

The Board of Directors
Samchem Holdings Berhad
Lot 6, Jalan Sg. Kayu Ara 32/39
Seksyen 31
40460 Shah Alam
Selangor Darul Ehsan.

Dear Sirs

Notice of Nomination of Auditors

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs. Moore Stephens AC for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and of my intention to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:

“THAT Messrs. Moore Stephens AC be appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully



Chooi Chok Khooi

PROXY FORM



SAMCHEM HOLDINGS BERHAD

(Company Number 797567-U)

*I/*We _____
(Full Name in Block Capitals)

of _____
(Address)

being a member/members of Samchem Holdings Berhad, hereby appoint _____

(Full Name in Block Capitals)

of _____
(Address)

or failing him/her, _____

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Third Annual General Meeting of the Company to be held at Danau 3, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, Wednesday, 26 May 2010 at 9:30 a.m. and at any adjournment thereof.

*My/*Our Proxy(ies) is/are to vote as indicated below :

| NO. | RESOLUTIONS | FOR* | AGAINST* |
|-----|--|------|----------|
| 1. | Receipt of the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2009, and the Report of the Directors and Auditors thereon. | | |
| 2. | Declaration of a First & Final Single Tier Dividend of 2.8 sen per share for the financial year ended 31 December 2009. | | |
| 3. | Approval of payment of Directors' fees for the financial year ending 31 December 2010. | | |
| 4. | Re-election of Director – Tan Teck Beng | | |
| 5. | Re-election of Director – Ng Soh Kian | | |
| 6. | Re-election of Director – Chooi Chok Khooi | | |
| 7. | Appointment of Messrs. Moore Stephens AC in place of the retiring Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | | |
| 8. | Special Business – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965. | | |

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

Dated this _____ day of _____ 2010.

NUMBER OF SHARES HELD

Signature/Seal of Shareholders

[* Delete if not applicable]

Notes:

- A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. If such appointer is a corporation, under its common seal or hands of its attorney.
- Duly completed form of proxy should be deposited with the Registered Office at No. 6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur not less than forty-eight (48) hours before the time holding of the Meeting.

To:

Samchem Holdings Berhad (797567-U)

No. 6, Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur

stamp