SAMCHEM HOLDINGS BERHAD
Registration No. 200701039535 (797567-U)
(Incorporated in Malaysia)

ANNUAL REPORT 2022

RM1.32 billion
FY22 Revenue

Financial Year Ended 31 December	2021	2022
GROUP		
Revenue (RM'000)	1,405,604	**1,312,813**
Profit Before Tax (RM'000)	118,415	**60,976**
Profit After Tax (RM'000)	91,850	**45,413**
Earnings Per Share (sen)	13.79	**7.75**
Net Assets Per Share (sen)	50.64	**53.33**
Dividend Per Share (sen)	3.50	**3.50**

FY22 continues to be a profitable year with RM60.9 million PBT despite global economic slowdown

Samchem has been in operation for more than 30 years and is a leading industrial chemical distributor in Malaysia and South East Asia.

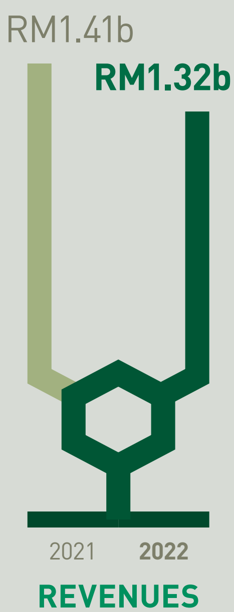
Samchem supplies about 500 different petrochemicals and services to more than 7,000 clients from industries such as automotive, paints and inks, oil & gas, and agriculture — across the region.

Dear Valued Shareholders,

I am pleased to present to you our Annual Report for the financial year ended 31 December 2022 ("FY2022").

A Review of the Year

2022 was certainly a tumultuous year marked by several key global events that had significant impact on the global economy and the business environment. In February 2022, Russia invaded Ukraine causing a massive humanitarian crisis as well as disruptions supply chain causing prices to soar especially for oil and natural gas and food. This sparked an energy crisis in Europe which saw shortage of natural gas and spikes in energy prices which had a ripple effect across other industries.



The world economy was also feeling the effects of soaring inflation, in a large part contributed by the energy crisis. To tackle the rising inflation, central banks around the world increased interest rates, including Bank Negara Malaysia which increased OPR by 100 basis points throughout 2022. The US Federal Reserve increased the federal fund rates by 425 basis points in 2022 from almost zero at the start of the year causing a structural change in the monetary policy.

China, the world's most populous nation, saw most parts of its country under strict lockdowns for almost the entire year under the zero-COVID regiment. This was only rolled back on December 7 of 2022.

Whilst Samchem started the year with a strong first half performance, the impact of the global events and continued uncertainties compounded into weak global demand and decreasing consumer confidence throughout the year.

Knowing that we were up against significant headwinds, we focused on stringent inventory management, cost control, optimisation of cash and close collaboration with our business partners. We continued to invest in our efforts towards achieving our long-term goals, while at the same time, being agile and adaptive to market changes. Despite the unfavourable market climate, we were able to identify new opportunities in new market segments and expanded our product portfolio in 2022.

In the short to medium term, we expect that market environment will continue to be volatile from the higher costs of doing business, geopolitical tensions and recessionary fears. However, we are confident that our experience and our comprehensive infrastructure have made us more prepared for challenges ahead. We have started to see signs of economic pickup with the reopening of China as well as the uncertainties surrounding the political landscape in Malaysia easing. We anticipate stable growth and sustained consumer demand once the supply and demand imbalance evens out.

The challenging market landscape of the past few years also provided us with valuable experience and enhanced our focus on infrastructure, making us better prepared to face future challenges and capitalise on new opportunities. We look forward to the year ahead and believe that we are well positioned to gain from the eventual economic and demand recovery.

Financial Performance

The Group reported a record revenue of RM1.32 billion in FY 2022, down from RM1.41 billion in FY2021. The decrease in revenue is attributed to the weak global sentiment as well as the drop in chemical prices.

Profit before tax for the Group was RM60.9 million, down from RM118.4 million in the previous year. The Group registered a PATAMI of RM42.2 million in FY2022 compared to RM75.0 million in FY 2021. The lower margins are attributed to a downward trend of chemical prices throughout Q3 and Q4 of 2022 largely in part affected by the China lockdowns and oversupply in the market.

In terms of geographical segment performance, our Malaysian operations was the Group's largest contributor in FY2022 accounting for 49% of total Group revenue. Vietnam was our next largest operations contributing 41% of revenue, followed by Indonesia and Singapore contributing 7.5% and 2.5% respectively. Our Malaysian operations contributed to 81% of total profit before tax, whilst Vietnam contributed 14.7% followed by Indonesia at 2% and Singapore at 2%. The lower profit margins from Vietnam and Indonesia compared to Malaysia was due to the difference in product composition and the price volatility of certain products.

We ended the year under review with a healthy cash balance of RM78.5 million and a low gearing ratio of 0.27.

For FY2022, the Company has declared dividends totalling RM17.4 million compared to RM21.8 million in FY 2021. We remain committed to delivering value to our shareholders and strive to achieve the right balance in returns as well as future value by ensuring sufficient reinvestment for our growth plans.

The Company has declared dividends totalling RM17.4 million for FY2022.

We're recognised by The Edge Malaysia Centurion Club Corporate Awards 2022 as the best overall performer among Bursa-listed companies with a market capitalisation of less than RM1 billion. Click play to view the event.

Delivering Value

Amidst the era of heightened business cost and intensifying competition, we are able to stay ahead by offering value. Our approach is centred on understanding the needs of our customers and being able to offer tailored and innovative solutions, leveraging on our human capital as well as our comprehensive infrastructure.

In FY2021, we commenced construction of Phase 1 of our new warehouse in Pulau Indah Industrial Park, Klang which will see a consolidation of our distribution activities in the Klang Valley and will double our distribution and blending capacity in the Klang Valley. Phase 1 is expected to be completed in the second quarter of 2023.

In Vietnam, we secured a long-term lease in the Southern province of Long Anh in early 2022, for the construction of a new warehouse for storage and blending activities. This investment is critical for us to strengthen our position to be a leading chemical distributor in Vietnam and to capture new opportunities in a strong emerging market. The construction of the warehouse is expected to complete in the second quarter of 2023.

Our bulk logistics business which was set up in the fourth quarter of 2020 has produced great synergy, supporting and complementing our chemicals distribution business. We have doubled our fleet capacity since inception and expect to further expand our fleet in the coming year.

We are continuously expanding our customer base by diversifying our product portfolio and enhancing our value-added services, while exploring new market segments. Our Technical & Development division which plays a crucial role in supporting our business development efforts by facilitating new product introduction, application upgrades, and technical support to our customers, as well as contributing to product and market creation.

Simultaneously, we remain focused on strengthening our brand identity as a symbol of excellence, quality, and reliability. By doing so, we strive to establish ourselves as a leading industry player and a preferred partner for our customers.

Sustainability

At Samchem, we are committed to upholding the highest principles of transparency and accountability in all our dealings and practices. The Board and Management recognises that good corporate governance is critical in ensuring business sustainability as well as creating long term investor value. Conversely, bad business practices threaten the sustainability and posts financial risks for the company.

Hence the Board and Management is committed to conduct business ethically and with integrity in compliance with all applicable laws in the jurisdictions which it operates in.

We have taken steps to ensure our preparedness in meeting the requirements of the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (which came into force on 1 June 2020) by conducting risk assessments to identify corruption risks to plan and adopt various mitigation measures. In addition, the Group undertook an enterprise risk management exercise which completed in 2022, to establish a new framework for risk management.

Solar panels are been installed on the roof of our headquarters in Shah Alam.

We also recognise that we all have a role to play in being stewards of the environment that we operate in. We are committed to reduce our carbon footprint in our operations and in our environment. One area of focus is on resource efficiency. We are installing solar panels on the roof of our headquarters in Shah Alam with a capacity of 155.52kYo with a calculated annual avoidance of 141.78 tonnes of CO_2. We are phasing out and replacing our lighting in our warehouses with fully energy efficient LED light bulbs in the coming years.

In addition, we are working closely with our suppliers to develop a market for bio-based products derived from renewable plant sources which will diversify our portfolio and provide our customers with alternatives.

Our people, their talents, passion and dedication to our business objectives, remain at the core of our success. As such, ensuring a safe workplace environment has always been a top priority for us and we have in place a comprehensive Health, Safety and Environmental (HSE) Framework that has delivered our strong track record in HSE excellence.

Acknowledgements

Moving into the new year, Mr Eugene Chong has been appointed as the new Group CEO effective 3 April 2023. Eugene makes his transition to CEO post from his last position as Group COO, and has been part of Samchem for the last 22 years. I would like to take this opportunity to thank him for his many years of service and congratulate him on taking up this new role. I am confident that he will be able to continue and accelerate our growth trajectory and bring the Group to greater heights.

To the Samchem management team and employees, my heartfelt appreciation for your dedication, energy and efforts to deliver resilient results in an incredibly challenging landscape. We have made great progress in our performance over the last few years. Our achievements are a result of our collective efforts.

I would also like to take this opportunity to thank all of our valued Principals, customers and business partners for the continuous support and confidence in us in this volatile business environment.

I am also thankful to our Board of Directors for their dedication, wisdom and corporate oversight.

Last but not least, I would also like to thank all our shareholders for your continued support and confidence in the Group.

Ng Thin Poh
Executive Chairman

Dear Valued Shareholders,

I am proud to report that Samchem Holdings Bhd has performed up to expectations in FY2022 despite challenges that were brought about by uncertain global events. Marred by the lingering effects of the Covid-19 pandemic on the global economy, China's Zero-Covid policy and the onset of widespread hyperinflation brought about by the Ukrainian War, the Samchem Group had remained resilient as it had always been throughout the years.

Having been in the business of distributing industrial chemicals for more than 30 years, Samchem is built on strong foundation comprising of a wide range of products that caters to almost all sectors of manufacturing. Coupled with an integrated infrastructure network, we are well positioned to capitalise on opportunities in the most competitive manner.

The Samchem Group has adopted the following statements in view of the ever-evolving economic landscape to better thrive in the ecosystem.

VISION STATEMENT

To be the preferred distribution and solutions provider in the chemical & lubricant supply industry for South East Asia

MISSION STATEMENT

To expand and enhance our products range and services in the chemical & lubricant supply industry to better serve our customers

To enhance our Group's value to all our stakeholders in a sustainable manner

Business Activities

Integrated Chemicals Distribution

The core business of the Group is in Distribution of Chemicals that are used in various industries including automotive, manufacturing, paint and coating, foaming, agriculture, household (detergents, stain removers, multi-purpose cleaners), construction, oil & gas and even in personal care & grooming (deodorant, mouthwash, shampoo, hair gel, toothpaste, cosmetics, nail polish). Whilst the pandemic and restrictions impacted certain sectors more severely than others, the Samchem Group managed to deliver solid results because of our diversified business strategy across numerous industries, markets and expansion of product portfolio and agencies.

Samchem represents, amongst others, ExxonMobil Chemical, Shell, Petronas and BASF, the largest global producers of petrochemicals in this region. In the ensuing 30 years since its founding, Samchem has expanded out to other ASEAN countries, acquired a wider range of products for distribution, including specialty premium chemicals, and established a vast network of customer base for mutual business growth and benefit with these principals.

Besides distribution of petrochemicals from the major petrochemicals producers, Samchem distributes for a large number of specialty chemical manufacturers (Momentive, Venator, Evonik, Mitsui, Shin-Etsu, Lanxess, Afton, etc.). These higher end, high premium products are used in industries such as paints & coatings, polyurethane foam (for mattresses, car seats), automotive, printing ink, construction, agriculture, adhesives, industrial cleaning, household and personal care, electronics, oil & gas and many more.

The addition of inorganic chemicals into our portfolio extends our reach to the wider scope of the market, further cementing our position as the preferred integrated chemicals distributor. Its application in industries such as glove manufacturing, paints & coatings, printing ink, adhesives, plastics, industrial cleaning, tiles & paving, road markings and many more.

In addition to chemical distribution, the Group also offers integrated value-added services in the distribution chain including warehousing, bulkbreaking, blending and logistics. More and more companies are outsourcing their blending processes and Samchem's facilities has the capacity to meet these needs. The establishment of SC Udes Sdn Bhd also enhances our infrastructure network with the penetration into the bulk chemical transportation business.

Authorised Distributorship for Shell Lubricants

In 2016, Samchem Lubricants was appointed an authorised B2B distributor for Shell's range of lubricants in the East Coast states of Pahang, Terengganu and Kelantan. Warehouses were immediately set up in Kuantan, Kota Bharu and Mentakab to be closer to the major industrial clusters in these 3 states.

In 2017, the distributorship was extended to cover the Northern states of Perlis, Kedah, Penang and Perak. Samchem Lubricants effectively distributes products to the Northern half of Peninsular Malaysia, supported by existing Samchem operations in Ipoh and Penang. With additional manpower, both operations were re-located to bigger premises and warehouses to accommodate sales and sales support personnel and storage requirements.

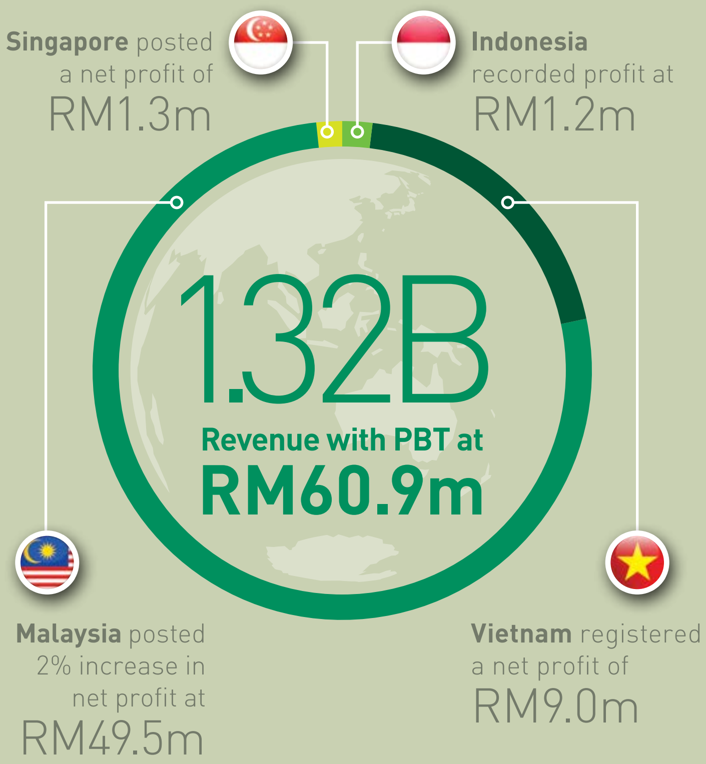
On 1 July 2020, the distributorship was extended even further to the Central region to cover Selangor, Kuala Lumpur and Putrajaya. These expansion of territories in that timespan are testimony of our commitment to our Principals and in-depth knowledge of the markets that we serve.

New warehouse with built-up area of 12,800 sqm in Long An, Vietnam.

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

The T&D division supports sales of specialty chemicals, facilitating the introduction of premium grades either as an upgrade or product replacement as well as in market creation (with technical support from principals). The T&D division plays a crucial role in the Group's sustainability in the chemical distribution business, augmenting the Group's earnings in the premium products sector as Samchem intensifies effort to become a major Specialty Chemicals player in the domestic and regional market.

Besides this core activity, the division also oversees regulatory requirements such as Material Safety Data Sheets, compliance to the GHS (Globally Harmonised System of Classification and Labelling of Chemicals), as well as ensures the company's chemicals sales activities comply with all of the regulations and laws pertaining to the business.



Performance Overview

The Samchem Group maintained a strong group revenue of RM1.32 billion for FY2022, representing a marginal decrease of 6% compared to FY2021 while net profit before tax is registered at RM60.9 million as margins were compressed due to normalisation of business activities to pre-Covid levels.

The average selling price (ASP) for the majority of products in our portfolio has softened to pre-pandemic levels since the beginning of Q3 2022 and has remained so due to the gloomy market sentiment. In response, the Group has taken prudent actions involving inventory levels and credit collections which resulted in healthy cash flow position to face new challenges ahead in 2023.

Samchem won 2022 Centurion Company of the Year Award.

The highlight of the year undoubtedly took place in September 2022 when Samchem Holdings Bhd received another feather in its hat after being declared winner of the prestigious Centurion Company of the Year Award. There are 488 members in Centurion Club and the grand winner is evaluated on:

(i) The Highest Growth in Profit After Tax over Three Years

(ii) The Highest Returns to Shareholders over Three Years

(iii) The Highest Return on Equity over Three Years.

The award is dedicated to the Management and Staff of the Group for their efforts and dedication to the growth of the company throughout the years. We Have Made This Possible!!

Phase I of Malaysia's new warehouse in Pulau Indah Industrial Park, Klang

The gross domestic product (GDP) growth in Malaysia was recorded at 8.7% for 2022, a marked increase from the 3.1% in 2021. This reflects the recovery of consumer, business and investor confidence in the national economy. Profit before tax for our Malaysian operations continued to register strong growth up 2% at RM49.5 million from RM48.3 million in 2021 on the back of an even stronger revenue of RM647.7 million compared to RM549.8 million in 2021. This is attributed in part to the addition of new agencies secured in the previous year, thus wider product range offerings in our portfolio.

Meanwhile Indonesia's economy grew modestly at 5.3% versus the 3.7% growth in 2021. PT Samchem Prasandha's revenue for FY2022 stood at RM100 million compared from RM179 million in FY2021 with net profit posted at RM1.2 million.

Sam Chem Sphere JSC, which embarked on an expansion project with the construction of a new warehouse in Long An province last year, will be fully equipped with complete bulk breaking facilities in addition to warehousing space upon its completion slated within this year. The warehouse will have a built-up area of 12,800 sqm erected on a 28,700 sqm land to cater for the flourishing economy there. Sam Chem Sphere JSC's FY2022 revenue was recorded at RM542 million which made a net profit RM9.0 million.

As global shipping rates recovered to pre-Covid levels, its positive effects were felt in Singapore where the GDP growth was registered at 3.6% whilst our Singapore operations registered 39% growth in revenue to post at RM32.4 million with net profit of RM1.3 million in FY2022.

Future Outlook

We are cautiously optimistic the timely easing of China's zero-Covid policy in December 2022 and gradual resumption of manufacturing activity, followed by the expected recovery in its domestic consumption will have profound effects on the global economy. The expansion of our infrastructure network has been part of our strategy for eventual revival and resumption of normal business activities.

As more and more businesses adopt the China Plus One strategy, ASEAN nations seems to be preferred destination owing to its developing status and huge population. The Samchem Group which has well established network links around the region is poised to seize any opportunities that may present itself and accelerate our growth.

Furthermore, guided by our Vision and Mission statements, we envisage to expand our value propositions to our customers from "product provider" to "integrated solutions provider" in order to secure customers' loyalty as well as to create/enhance value to all our stakeholders in a sustainable manner taking cognisance of the 3 balancing factors in "People, Planet & Profits".

On the domestic front, the formation of the new unity government is certainly a welcome development considering the previous tumultuous term. A stable political state of affairs will create a conducive environment for businesses to grow and boost investor confidence.

Business Sustainability

Samchem's business and work ethics adhere to proper business practices and are in compliance with all applicable laws and regulations. Samchem has in place an Anti-Bribery & Corruption Policy which is supplemented by its Whistleblowing Policy to prevent corrupt practices and foster a culture of transparency, integrity and ethical behaviour in our business dealings. Samchem's work locations observe Health, Safety and Environment (or HSE) principles to ensure workers' wellbeing and the environment is taken care of. Samchem is a signatory to Responsible Care® (in Malaysia), a global initiative by the chemical industry's desire to improve health, safety and environmental performance.

The inception of an operational contingency plan in response to the pandemic has guided the actions of our support team. The prompt acquirement of necessary approvals from authorities and equipment preparedness ensured uninterrupted fulfilment of our customers' supply chain, thus business continuity. We stand committed to our promise to be a reliable and preferred business partner to all of our clients.

Strategic Plan

- Improving corporate governance on risk management (Enterprise Risk Management)
- Plan and implement ESG initiatives in a sustainable manner to meet stakeholders' expectations
- To improve on our digitalisation capabilities which can accommodate and provide robust support for our future strategic plans
- To position as an integrated solutions provider
- Human capital attraction and retention

2022 Activities

The construction of the new warehouse in Pulau Indah Industrial Park, Port Klang is well underway with the expected completion slated in early Q2 2023.

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

On 15 June 2022, Samchem Lubricants Sdn Bhd conducted a Fleet Talk in collaboration with Puspakom to impart knowledge on road safety and vehicle inspection standards to members of the public.

Corporate Social Responsibility

Samchem held 2 separate events in 2022, reinforcing her sound commitment to nature conservation.

i. 25 June 2022 – Sayangi Pantai Kita Event in Bagan Lalang

ii. 15 Oct 2022 – Mangrove Planting Event at Kuala Selangor Nature Park

Malaysia Nature Society Mangrove Tree Planting Program
Mangroves protect shorelines from damaging storm and winds, waves and floods. Mangroves also help prevent erosion by stabilising sediments with their tangled root systems, filtering pollutants and trapping sediments originating from land. The diminishing mangrove forest across Selangor's coastal areas is worrying as fishermen have seen drop in income because of lower catch of fish and cockles; the dwindling catch is a result of the polluted waterways of the rivers and coastline.

Recent studies have shown that mangroves can also function as a carbon sink that can stow away four times more carbon than rainforests can. Most of this carbon is stored in the soil beneath mangrove trees.

The objectives of this program are to develop effective protection and/or rehabilitation of mangrove ecosystems, to respond to climate change and to mitigate its effects through the protection and rehabilitation of mangrove ecosystems. By increasing mangrove cover, it contributes to overall coastal sustainability.

Samchem firmly believes in giving back to the society and the community that we are in as proven in the social activities throughout the years. The most recent being a donation and safety check for the Handicapped & Mentally Retarded Children House Kuantan on 9 June 2022 organised by Samchem Lubricants Sdn Bhd. The centre was inaugurated in May 1997 with the objective to run the home on long term basis to enable these children to be independent when they grow up into adults in the coming future.

Appreciation

On behalf of the Board of Directors, I would like to extend my unreserved gratitude to the Management and Staff of the Samchem Team for their unwavering commitment and dedication towards achieving the excellent performance.

Our appreciation also goes out to our shareholders, esteemed customers and business partners for their continuous support throughout the years.

Eugene Chong
Group Chief Executive Officer

Board of Directors

Ng Thin Poh
Executive Chairman

Ng Ai Rene
Executive Director

Cheong Chee Yun
Executive Director

Lok Kai Chun
Independent Non-Executive Director

Dato' Razali Basri
Independent Non-Executive Director

Hor Wai Kong
Independent Non-Executive Director

Chooi Chok Khooi
Executive Director
(Resigned on 3 April 2023)

Dato' Theng Book
Independent Non-Executive Director
(Resigned on 3 November 2022)

Audit and Risk Management Committee

Hor Wai Kong
Chairman

Dato' Razali Basri

Lok Kai Chun

Remuneration Committee

Dato' Razali Basri
Chairman

Lok Kai Chun

Hor Wai Kong

Nomination Committee

Lok Kai Chun
Chairman

Hor Wai Kong

Dato' Razali Basri

Company Secretary

Wong Youn Kim (F)
(MAICSA 7018778)
SSM PC No.: 201908000410

Lee Chin Wen (F)
(MAICSA 7061168)
SSM PC No.: 202008001901

Registered Office

Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 32, 40460 Shah Alam
Selangor Darul Ehsan
Tel: 03-5740 2000
Fax: 03-5740 2101

Corporate Office

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

Share Registrar

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7784 3922
Fax: 03-7784 1988

Auditors

Baker Tilly Monteiro Heng PLT
Baker Tilly Tower, Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur

Solicitors

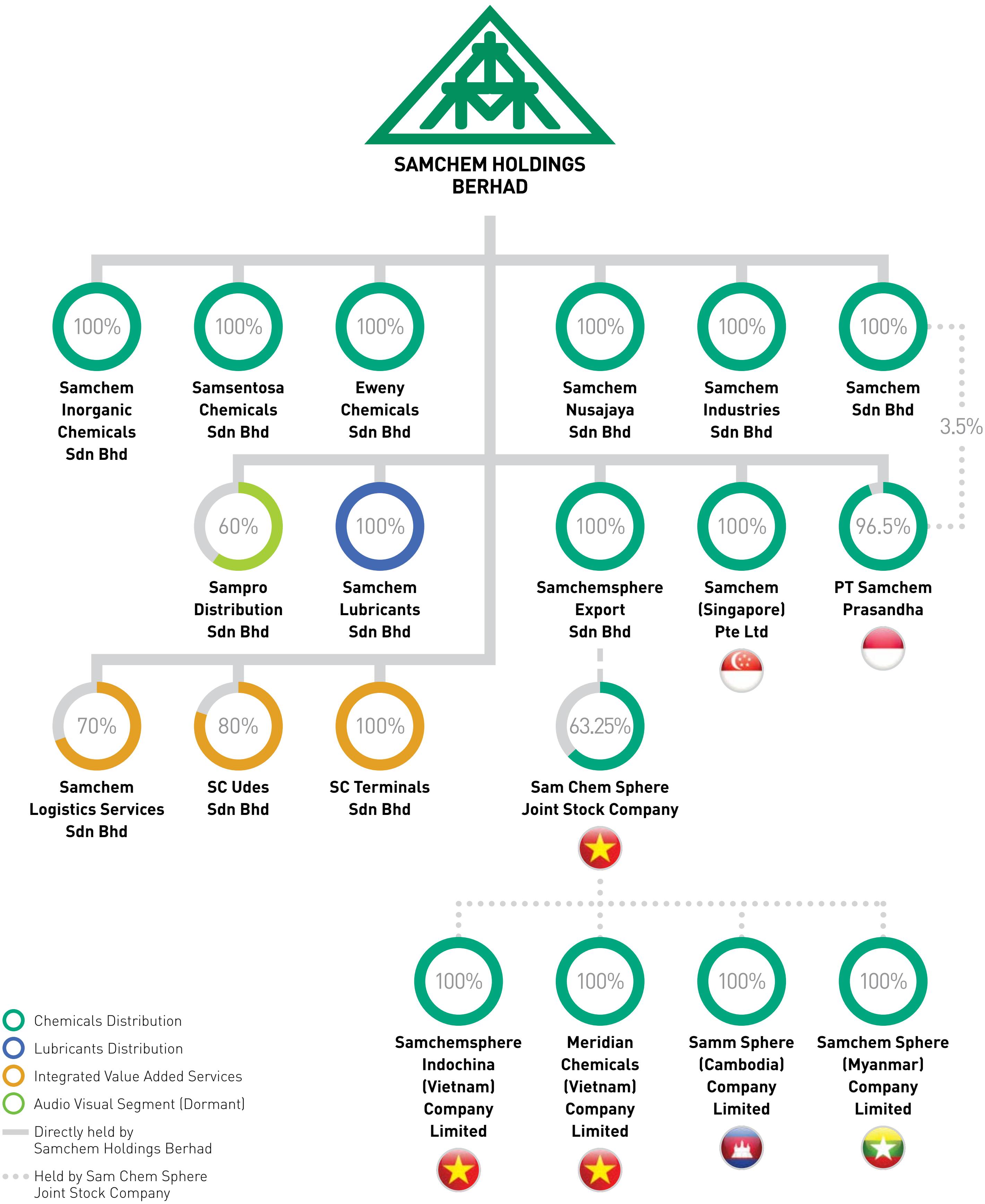
Justin Faye & Partners

Principal Bankers

Malayan Banking Berhad
Hong Leong Bank Berhad
United Overseas Bank Berhad
Citibank Berhad

Stock Exchange Listing

Main Market
Bursa Malaysia Securities Berhad


SAMCHEM HOLDINGS BERHAD
100% Samchem Inorganic Chemicals Sdn Bhd
100% Samsentosa Chemicals Sdn Bhd
100% Eweny Chemicals Sdn Bhd
100% Samchem Nusajaya Sdn Bhd
100% Samchem Industries Sdn Bhd
100% Samchem Sdn Bhd
3.5%
60% Sampro Distribution Sdn Bhd
100% Samchem Lubricants Sdn Bhd
100% Samchemsphere Export Sdn Bhd
100% Samchem (Singapore) Pte Ltd
96.5% PT Samchem Prasandha
70% Samchem Logistics Services Sdn Bhd
80% SC Udes Sdn Bhd
100% SC Terminals Sdn Bhd
63.25% Sam Chem Sphere Joint Stock Company
100% Samchemsphere Indochina (Vietnam) Company Limited
100% Meridian Chemicals (Vietnam) Company Limited
100% Samm Sphere (Cambodia) Company Limited
100% Samchem Sphere (Myanmar) Company Limited
Chemicals Distribution
Lubricants Distribution
Integrated Value Added Services
Audio Visual Segment (Dormant)
Directly held by Samchem Holdings Berhad
Held by Sam Chem Sphere Joint Stock Company

Ng Thin Poh
Executive Chairman

Ng Thin Poh, a Malaysian aged 65, has been re-designated as our Executive Chairman effective 1 March 2014. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded SCSB.

Ng Ai Rene
Executive Director

Ng Ai Rene, a Malaysian aged 38, was appointed to the Board as a Non-Independent Non-Executive Director on 10 November 2017 and was redesignated as an Executive Director on 20 February 2019.

She graduated with a Bachelor of Laws (LLB) from The University of Melbourne, Australia in 2008 and was admitted to the Supreme Court of Victoria, Australia as a solicitor in 2009. Thereafter she obtained the Certificate of Legal Practice in Malaysia in 2010.

She commenced her legal career in Malaysia as a pupil in Skrine in February of 2011 and was admitted as an Advocate and Solicitor of the High Court of Malaysia on 9 March 2012. She left Skrine in 2015 and continued legal practice in Abdullah Chan & Co, Ai Rene & Co, Putri Norlisa Chair and Kesavan, focusing on corporate and commercial law and has advised and acted in various mergers and acquisitions and business restructuring across a wide range of industries. She left the legal profession on 19 February 2019 to take up the appointment as an Executive Director of Samchem Holdings Berhad.

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

Cheong Chee Yun

Executive Director

Cheong Chee Yun, a Malaysian aged 62, was appointed as Independent Non-Executive Director of Samchem Holdings Berhad on 17 August 2012 but has since been appointed and redesignated as an Executive Director on 1 August 2022. He is a Chartered Accountant member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Asian Institute of Chartered Bankers.

In the year 1985, he graduated with a Bachelor of Accounting (Hons) from University Malaya. In the same year, he started his career as an executive officer with RHB Bank Berhad (formerly known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last held a managerial position. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in the year 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as director in the year 1999. In the year 2001, he joined Saferay (M) Sdn Bhd, a manufacturer and exporter of architectural mouldings as an operation director. In the year 2003, he was also appointed as a non-executive director in CS Opto Semiconductors Sdn Bhd but had resigned in the year 2012. In the year 2006, he was appointed as operational director in Eastmont Sdn Bhd, a building construction services company. He has since resigned in November 2018.

In year the 2012, he joined Enco Holdings Sdn Bhd, a biomass thermal energy solutions provider as Head of Finance & Corporate Affairs and is now an Executive Director of the company. He is also a Non-Executive Director of Kencana Bio Energy Pte Ltd, Singapore (now known as Enco Power Pte. Ltd., Singapore) a biomass power generation holding company. Moreover, he currently holds the post of Independent Non-Executive Director for Innity Corporation Berhad, ManagePay Systems Berhad and ETA World Group Berhad.

Lok Kai Chun

Independent Non-Executive Director

Mr Lok Kai Chun a Malaysian aged 70, was appointed to the Board as our Independent Non-Executive Director on 29 December 2015. He graduated with a business administration degree in London.

Mr Lok has over 20 years of experience in the banking and finance sector. He has served in various capacities with financial institutions such as Supreme Finance, Maybank finance and MBF finance where he served as a Branch Manager until his resignation in 1994.

Mr Lok join Recos Ind Sdn Bhd soon after, to become its General Manager, in charge of the operations and manufacturing of industrial foam. He stayed with Recos for many years and resigned in 2015, having been its Executive Director for 15 years.

Currently Mr Lok is the Chief Operating Officer of Pharmacy Murni Marketing Sdn Bhd, a pharmaceutical retail outlet in Johore. Mr Lok has acquired his experience in the finance and manufacturing industry, having worked for many years in both.

Dato' Razali Basri

Independent Non-Executive Director

Dato' Razali Basri, 66, retired with the rank of Deputy Commissioner of Police (DCP) on March 12, 2018 after having served various branches (departments) of the Royal Malaysia Police (RMP) for 36 years and a further 4 years on secondment to the Ministry of Home Affairs at Putrajaya as one of the pioneering members of the Prevention of Crime Board, a statutory body established under the Prevention of Crime Act, 1959 (POCA). Prior to that Dato' Razali is the Head of the IGP's Legal Division at Bukit Aman, a position he held for more than 5 years. He is also concurrently Chairman of Kaisar Maritime (M) Sdn Bhd, a company specialising on maritime security, a Board member of the GAMA Supermarket & Departmental Store, Penang and also Chairman of Residents' Association at Durian Tunggal Melaka where he lives.

Hailed from Taiping, Perak, Dato Razali received his early education at King Edward V11 School Taiping. He later obtained a diploma in Strategic Studies at the University of Malaya and subsequently read law at the University of Wales, Cardiff, UK.

On his appointment as Independent Non-Executive Director with Samchem Holdings Berhad, he brings along knowledge and experiences from his days with RMP and Home Ministry on crime and legal matters, law enforcement, security issues and governmental functioning at ministry level.

Hor Wai Kong

Independent Non-Executive Director

Hor Wai Kong, a Malaysian aged 64, was appointed to our Board as our Independent Non-Executive Director on 1 December, 2021.

He is a member of The Malaysian Institute of Certified Public Accountants and also a member of The Malaysian Institute of Accountants.

He was in the public accountants practice for more than 10 years. He was involved in the audits of major trading & manufacturing companies, financial institutions, stockbroking and properties development companies. He has also been involved in tax planning and receivership assignments whilst with the public accountant's firm.

After his tenure with the public accountants firm, he was with Petroliam Nasional Berhad ("Petronas") for about 25 years. Whilst in Petronas, he was involved in corporate finance as well as merger & acquisition projects.

He was seconded by Petronas as the Chief Financial Controller of two joint venture chemical companies (BASF AG from Germany, and The Dow Chemical Company from USA) for about 10 years.

After the secondment, he returned to Petronas as the General Manager, Corporate Finance Downstream Business Division. Apart from being responsible for the downstream business corporate finance projects, he was also responsible for the implementation of GST for the downstream companies.

He retired from Petronas in 2016 and is currently the Group Financial Controller of People N Rich group of companies involving in advertising and promotion business.

Notes

i. Ng Thin Poh and Ng Ai Rene are father and daughter. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.

ii. None of the Directors has any conviction for offences, other than traffic offences, within the past 10 years.

iii. Other than the related party transactions disclosed in Note 28 of the Financial Statements, none of the Directors has conflict of interest with the Company.

iv. Except as disclosed above, none of the Directors holds any directorship in other public companies.

v. The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2022 with reference to Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the latest Malaysian Code on Corporate Governance ("MCCG").

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 28 April 2023. Shareholders may obtain this CG Report by accessing this link www.samchem.com.my for further details and are advised to read this overview statement together with the CG Report.

Except for the practices of gender diversity policy and integrating reporting framework, the Board has in all material aspect complies with the Practices as set out in the MCCG. The explanation for the departed practices are reported in the announced CG Report in Practices 4.4, 5.9, 5.10, 12.2 and 13.3 respectively.

Principle A: Board Leadership and Effectiveness

(I) Board Responsibilities

The Board continues to ensure its effectiveness and to provide strong leadership to the Group and Management. In order to ensure that business is being properly managed, the Board is entrusted to overseeing the overall management of the business affairs of the Group, perform periodic review of the financial results and overseeing the conduct of the business.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval. The Board has defined its Board Charter and schedule of matter setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval. The Board Charter and Schedule of Matter are published on the Company's website at http://www.samchem.com.my.

The Chairman is responsible for instilling good governance practices, leadership and effectiveness of the Board.

The Board has established the following Committees, namely Audit and Risk Management Committee, Nomination Committee and Remuneration Committee to assist it in discharging its duties and responsibilities effectively. The terms of reference of each Board Committee are available on the Company's website at www.samchem.com.my. 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 entire Board.

The Board has established the Code of Conducts and Ethics and Whistleblowing policy in the Company's website and has published the same at http://www.samchem.com.my. Internally, the Board communicates the Code of Conducts and Ethics and Whistleblowing Policy to staff members through the Human Resource Department so that all staff members are clear on what is considered acceptable behaviour and practice in the Company and the policies and procedures on whistleblowing.

The Board is assisted by two (2) qualified and competent Company Secretaries. Both Company Secretaries are members of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries advise the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

Further information of the roles and responsibilities carried out by the Company Secretaries during the financial year ended 31 December 2022 are set out in Practice 1.5 of the Company's CG Report.

Supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. Board papers are distributed to Directors with sufficient notice prior to Board meetings to enable the Directors to review and consider the agenda items to be discussed and where necessary, to obtain further explanations in order to be fully briefed before the meeting.

All Board members have unrestricted access to timely and accurate information in furtherance their duties and subject to Board's approval may seek independent professional advice, when necessary, in discharging its various duties, at the Company's expense.

The Company Secretaries ensure that all Board and Board Committees' meetings are properly convened. The Company Secretaries will ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board members as soon as possible before the next meetings.

The underlying factors of directors' commitment to the Company are devotion of time and continuous improvement of knowledge and skill sets.

The Board meets at least once every quarter and additional meetings are convened as and when necessary. During the Financial Year, six (6) Board meetings were held. The record of attendance is as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED BY DIRECTORS DURING THE TENURE IN OFFICE
Ng Thin Poh	6/6
Ng Ai Rene	6/6
Cheong Chee Yun	6/6
Hor Wai Kong	6/6
Lok Kai Chun	6/6
Dato' Razali Basri	6/6
Chooi Chok Khooi (Resigned on 3 April 2023)	6/6
Dato' Theng Book (Resigned on 3 November 2022)	5/5

Save for Mr. Cheong Chee Yun, none of the Directors hold directorship in other listed company.

The Directors are aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates.

During the financial year ended 31 December 2022, the external training programmes and seminars attended by the Director are as follows:

DIRECTORS	COURSES / SEMINAR / CONFERENCE
Cheong Chee Yun	Webinar: Tax Governance: It's time to embrace it
	Webinar: Customs Voluntary Disclosure & Amnesty
	TCFD 101– Getting started with climate related Financial Reporting
	TCFD 102– Building experience in climate related financial reporting
	Transfer pricing Audits and dispute resolution in Malaysia
	Drafting sustainability statements or reports
	Webinar of New Customs HS codes 2022
	ISSB Briefing workshop and Q&As for emerging markets (sustainability reporting)
Cheong Chee Yun (continued)	Circular Economy Seminar
	Practical Methodologies in Preparing Statement of Cash Flows
	FMM conference on digital technology for productivity
	Corporate Governance & Remuneration Practise for the ESG world
	Lean Six Sigma
	Lean Six Sigma
	AOB– Conversation with Audit Committees
Ng Ai Rene	Business Continuity Management – Preparing for Unexpected and Disruptive
	TCFD Climate Disclosure Training Programme
Dato' Razali Basri	Audit Committee Dialogue & Networking – Session #1
	MICG Webinar – ISO 37002 Whistleblowing Management Systems (WMS)
	Webinar on Corruption Risk Assessment
Lok Kai Chun	Assessment of the Board, Board Committees, and Individual Directors
	AOB– Conversation with Audit Committees
Hor Wai Kong	# Audit Committee # Series Conduct of Directors & Common Breaches of Listing Requirements

II. Board Composition

The Board is satisfied with the current composition of the Board in providing a check and balance in the Board as well as diversity of perspectives and views in Board's decision-making process. Presently, the Board consists of Executive and Non-Executive Directors with a mixture of suitably qualified and experienced professionals. As at 11 April 2023 the Board comprise of six (6) members, where half of the Board are Independent Non-Executive Directors. Prior to this date, the Board has 8 members but Dato' Theng Book, our independent non-executive director has since resigned on 3 November 2022 whereas Mr Chooi Chok Khooi, our executive director has tendered his resignation on 3 April 2023. On 1 August 2022, Mr Cheong Chee Yun, our independent non-executive director was redesignated as our executive director. The Company fulfils Practice 5.2 of the MCCG where it requires non-large company to have at least half of the Board members comprise of independent directors.

Annually, the Nominating Committee would review the independence of the Independent Directors. Criteria for assessment of independence are based on the requirements and definition of "independent director" as set out in the MMLR. Each Independent Director is required to confirm their independence by giving the Board a written confirmation of their independence. In addition, consideration would also be given to assess whether the independent directors are able to meet the minimum criteria of "fit and proper" test of Independence, which is part of an annual assessment test, as enumerated in the Policy on appointment and continuous assessment of Directors and the suitability and ability of the Independent non-Executive Director to perform his duties and responsibilities effectively shall be based on his calibre, qualifications, experience, expertise, personal qualities and knowledge of the Company and industry.

In accordance with the Board Charter, the maximum tenure of an independent non-executive Director shall not exceed the cumulative term of nine years from the date of first appointment as Director or upon the expiry of the on-going term of appointment as Director whichever is the later. Any extension beyond nine years will require Board justification and shareholder approval unless the said Director wishes to be re-designated as non-independent non-executive Director which shall be a consideration for the Board to decide.

The Board presently does not have a formal gender diversity policy, and will strive to achieve the right balance of diversity over time, taking into account the size of the Board, the requirements of competencies, skills and experience of candidates. The Board currently has a female Executive Director among the six (6) Directors on the Board.

The appointment of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The current diversity in the ethnicity, age distribution and skillsets of the existing Board is as follows:

	RACE/ETHNICITY				NATIONALITY		GENDER	
	MALAY	CHINESE	INDIAN	OTHERS	MALAYSIAN	FOREIGN	MALE	FEMALE
Number of Directors	1	5	—	—	6	—	5	1
Top Three Senior Management	—	3	—	—	3	—	1	2

AGE GROUP (YEARS)	30-39	40-49	50-59	60-69
Number of Directors	1	—	—	5
Top Three Senior Management	—	1	2	—

SKILL	ACCOUNTING & FINANCE MANAGEMENT	CHEMISTRY	LEGAL / LAW	BUSINESS MANAGEMENT
Number of Directors	2	1	2	1
Top Three Senior Management	2	—	—	1

The Nomination Committee is chaired by an Independent Non-Executive Director. The Nomination Committee considers recommendations from existing board members, management, major shareholders and third-party sources to identify suitably qualified candidates, when necessary, before recommending to the Board for further deliberation.

There is no restriction on the number of Directorships for each Board member save as advised the limit of five (5) listed company Directorships by Bursa Malaysia under its Listing Requirements & Corporate Governance Guidelines. Board members are at liberty to accept other board appointments in other companies so long as the appointment is not in conflict of interest with the Company and does not affect his performance for the Company.

Board members are required to notify the Chairman of the Board and/or Company Secretary before accepting new external Directorships and indicating the time that will be spent on the new Directorship.

The Nomination Committee undertakes annual assessment to evaluate the performance of each individual Directors, the effectiveness of the Board and the Board Committees by way of self-assessment. Directors are required to fill out the self-assessment forms and provide their feedback, views and suggestions for improvement. The results of these self-assessment forms are compiled and tabled to the Nominating Committee for review and deliberation.

III. Remuneration

The remuneration of Directors will be formulated to be competitive and realistic with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Company effectively. For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken. The level of remuneration for the Executive Directors is assessed by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.

The determination of directors' remuneration is subject to Board's approval. The director concerned should abstain from discussing his/her own remuneration.

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The amount of Directors' fee and benefits for the new financial year proposed for the shareholders' approval at the forthcoming AGM is RM400,000.00 and RM50,000.00 respectively.

The details of remuneration paid or payable to the Directors for the Financial Year and top three Senior Management are disclosed in Practice 8.1 and 8.2 of Corporate Governance Report.

Principle B: Effective Audit and Risk Management

I. Audit and Risk Management Committee

The Board has established an effective and independent Audit and Risk Management Committee ("ARMC"). The ARMC members are financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process. Presently, the members of the ARMC comprise of fully Independent Non-Executive Directors and the Chairman of the ARMC is not the Chairman of the Board.

When considering the appointment of former key audit partner from its current External Auditor's firm, the ARMC is mindful of the minimum three (3) years cooling off period best practice under the MCCG before appointing this partner as a member of the ARMC. The Board is satisfied that, with the present composition structure and practice, the ARMC is able to objectively review and report its findings and recommendations to the Board.

The present External Auditors of the Company was engaged since the financial year 2013. Annually, the ARMC will review the appointment, performance and remuneration of the External Auditors before recommending them to the Board to approve the recommendation for seeking shareholders' approval at the forthcoming AGM for re-appointment. In assessing the External Auditors, the ARMC will consider the adequacy of resources of the firm, quality of service and competency of the staffs assigned to the audit as well as the auditors' independence and fee.

The ARMC will convene meetings with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary. As part of the ARMC review processes, the ARMC will also obtain assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

II. Risk Management and Internal Control

The Board as a whole are responsible for risk management through the oversight of the Audit and Risk Management Committee ("ARMC") while the Executive Directors together with the senior management team are primarily responsible for managing risks and implementing internal controls in the Group.

Information of the Group's internal control and risk management is presented in the Statement on Risk Management and Internal Control set out on pages 28 to 30 of the Annual Report. The Board has also commented in the said statement that they are satisfied with the effectiveness and adequacy of the existing level of systems of risk management and internal control.

The Internal Audit Function is carried out by IA Essential Sdn. Bhd. ("IA Essential") an outsourced internal audit consulting firm. The internal audit function is headed by a director who is assisted by a manager and supported by an audit executive. The Director in charge is a qualified accountant and a member of the Institute of Internal Auditors Malaysia while the rest of the team members are accounting graduates. The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders. The Audit Committee will review the engagement between the Group and IA Essential to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.

IA Essential has informed for 2023 they will step down and will not seek re-appointment as internal auditors due to their internal commitments. On 22 December 2022, Resolve IR Sdn Bhd has been appointed as internal auditors replacing IA Essential.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

I. Communication with Stakeholders

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

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

i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on the ARMC and Board of Directors;

ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;

iii. the Company website at www.samchem.com.my;

iv. engages with research analysts, fund managers, shareholders and media 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, performance and major developments; and

v. participation in surveys and research conducted by professional organisations as and when such requests arise.

Shareholders and investors are also encouraged to interact and provide feedback to the Chairman for opinions or concerns. Separately, the Company has also reported its Sustainability Statement on pages 22 to 27 of this Annual Report covering the aspects of governance, environment and social responsibility for stakeholders' reference.

II. Conduct of General Meetings

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting together with the Annual Reports are sent to shareholders 28 days prior to the meeting in line with the best practices as recommended by the MCCG and in accordance to the Company's Constitution and the provision in the Companies Act, 2016.

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

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on their behalf.

Explanation for each proposed resolution set out in the Notice of AGM will be provided, if needed during AGM to assist shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29A(1) of the MMLR, all resolutions set out in the Notice of AGM will be put to vote by poll. The Company will also appoint an independent scrutineer to validate the vote cast in the AGM. The outcome of the AGM will be announced to Bursa Securities on the same meeting day while the summary of key matters discussed during the AGM will be posted on the Company website.

This Statement is made in accordance with the approval and resolution of the Board of Directors.

Our top strategic goal as encapsulated in our Vision Statement is to be the *preferred solutions provider in the chemical & lubricant supply industry for South East Asia*. Recognizing the key role we play in the distribution value chain in the region, we are committed to achieving our vision by conducting our operations in a sustainable manner that minimizes our footprint on the environment, supports the safety, well-being of our employees and customers, as well delivering sustained value creation for our shareholders.

This Sustainability Statement provides an overview of our approach and commitment to sustainability in our operations, management culture, dealings and strategy.

Reporting Period

This Sustainability Report covers the activities in the 2022 financial year (1 January 2022 to 31 December 2022 ("FY 2022").

The Scope

This Sustainability Statement covers all the Malaysian operating subsidiaries of the Group. The operations in Vietnam and Indonesia will be given more time to set up and implement their sustainable initiatives and will align with the Group strategy in 2023.

Group Sustainability Management Structure

The Group's commitment to sustainability is reflected in a robust sustainability governance structure.

The Board of Directors is responsible for the overall sustainability performance of the Group and integrates ESG considerations in formulating the Group's strategy. The management, governance and implementation of the sustainability agenda and policies rests with the Management team, led by the Executive Director and overseen by the Board. Finally, company-wide participation is required to drive the sustainability efforts and achieve the goals.

BOARD OF DIRECTORS

- Overall responsibility for sustainability performance
- Formulates sustainability agenda in line with Group strategy

SUSTAINABILITY COMMITTEE

- The Sustainability Committee chaired by the Executive Director of the Company and is responsible for the following:
  - develop the sustainability roadmap, strategy and aligning with business objectives
  - identifying sustainability risks and opportunities
  - advising the Board and seeking Board endorsement on the sustainability agenda
  - overseeing implementation of policies and assessing effectiveness
  - identifying and implementing the stakeholder engagement process
  - report to the Board on sustainability progress

ALL BUSINESS FUNCTIONS AND EMPLOYEES

- Involvement and participation from all the employees to achieve sustainability goals

Stakeholder Engagement

The Group values stakeholders input and is committed to proactive and constructive engagement with our wide range of stakeholders. This helps us to broaden our awareness, see beyond our immediate activities and increase collaboration to build a sustainable business.

The table below summarises the areas of interest, methods and frequency of engagement with each type of stakeholder group.

STAKEHOLDER GROUP	AREAS OF INTEREST	METHODS OF ENGAGEMENT	FREQUENCY
Customers	• Business Outlook • Product pricing needs • Quality products • Technical support • Services	Meetings and site visits	Regularly
		Correspondences	Regularly
		Product launches & customer events	Regularly
		Technical Workshops & seminars	Regularly
Suppliers	• Market position • Business outlook • Collaborations and partnerships • Distribution support	Meetings and site visits	Regularly
		Correspondences	Regularly
		Product training	Regularly
		Business reviews and market feedback	Regularly
		Product launches and other events	Regularly
		Trade exhibitions	Regularly
Governmental Bodies & Authorities	• Regulatory compliance • Job creation • Nation building agenda	Correspondences	As required
		Face to face meetings	As required
		Compliance audits	As required
		Seminars and training	Regularly
Shareholders & Investors	• Business Outlook & Growth • Long-term sustainability • Company performance and return on investment • Dividends • Governance of ESG risks and opportunities	Annual General Meeting	Yearly
		Extraordinary general meetings	As required
		Investor Briefings	Regularly
		Media Release	As required
		Bursa Announcements	As required
		Company website	As required
		Face to Face meetings	
Employees	• Financial and job stability • Career Opportunities • Work-life balance • Skills development & progression • Safe working environment	Internal Communication tools (video conference, emails, townhall, physical visibility)	Regularly
		Training & competency development	Regularly
		Employee performance review	Yearly
		Safety briefings and trainings	Regularly
		Medical checkups	
		Festival celebrations & recreational activities	
Community	• Community programmes • Charitable donations and sponsorships • Environmental stewardship	CSR Programmes	Regularly

Sustainability Priorities and Materiality

For FY22, the Sustainability Working Group had assessed their material ESG factors and covered the following topics below. In determining what is deemed as material for the group for FY22, we considered strategic factors that would have economic, environmental as well as social impact on our value chain.

CATEGORIES	SUSTAINABILITY MATTERS	UN SDG ALIGNMENT
Environmental	• Environmental Impact	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
	• Responsible Product Handling	
	• Energy Management	
	• Carbon Emissions	
	• Biodiversity & Conservation	
	• Water	
Social	• Fair Employment Practices	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
	• Community Contributions	
	• Employee Relations	
	• Training & Development	
	• Talent Diversity	
	• Health & Safety	
	• Quality & Customer Satisfaction	
Governance	• Good Governance	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
	• Anti-Corruption	
	• Risk Management	
	• Compliance & Ethical Conduct	
	• Sustainable Supply Chain	
	• Data Privacy & Security	

The Process

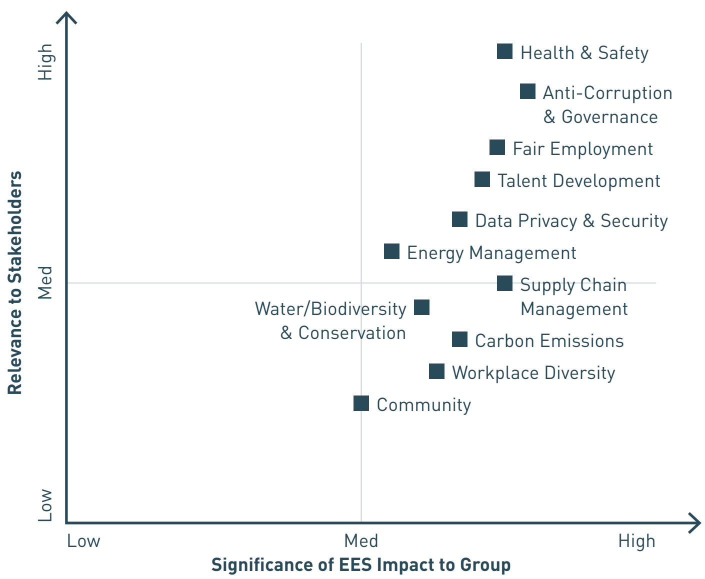
A survey was conducted by way of asking the identified stakeholder respondents to rank their priority of the above topics. Samples were picked from each of the stakeholder category. The survey also provided for comments and recommendations to be made by the respondents on their ideas on how to further improve our ESG initiatives.

The stakeholder groups that participated in the materiality assessment include:

(a) Board of Directors
(b) Employees
(c) Customers
(d) Suppliers
(e) Government and Regulators
(f) Shareholders, Investors and Business Partners

Prioritisation of Material Sustainability Matters

From the respondents reply and recommendations received, we input the feedback into a matrix chart mapping the priorities and recommendations indicated for the initiatives against the various stakeholders' choices.



Managing Material Sustainability Matters

Environmental Responsibility

Minimizing the Environmental Impact

We are committed to minimizing the environmental impact of our operations through responsible resource management, waste reduction, and pollution prevention. We are continuously seeking new ways to minimize emissions, reduce energy consumption and carbon footprint in our operations.

As part of our carbon reduction initiative, we are installing solar panels on the roof top of our headquarters in Shah Alam with a capacity of 155.52kYo with a calculated annual avoidance of 141.78 tonnes of CO_2. This installation is expected to be commissioned at the 4th quarter of 2023. We have also started gradually phasing out and replacing our lighting in all our warehouses and offices with fully energy efficient LED light bulbs.

Performance Measures Applied:
2% reduction for energy consumption (kWh) compared to FY21

YEAR	ENERGY CONSUMPTION (kWh)
2022	449,844
2021	429,551

Status:
Did not achieve reduction in energy consumption.

Responsible Product Handling

We provide regular training on product handling to our employees including how to respond to incidents, leakages or spillage in the way that is responsible to the environment, our people and the communities in which we operate and in compliance with all applicable environmental laws and regulations.

Samchem is a signatory to Responsible Care® in Malaysia (under the stewardship of the Chemical Industries Council of Malaysia) which is a commitment to continuous improvement in all aspects of health, safety and environmental protection in their operations. As a signatory, Samchem pledges to manage our business in accordance with the Guiding Principles of the Responsible Care philosophy, and in particular to operate our plants and facilities in a manner that protects the environment and the health and safety of our employees and the public.

We believe in collective responsibility and continuous improvements in the company's safety culture and take necessary and appropriate measures to prevent accidents and incidents.

Certified Management Systems

Our business and processes under Samchem Sdn Bhd have been assessed and certified with ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System). We have continued to implement, improve and comply with business process, health, environmental and safety guidelines with audits conducted annually.

Performance Measures Applied:
Maintaining ISO certification

Status: Achieved

Product Stewardship

We are also aligning our product portfolio and services with sustainability criteria by increasing our offerings for products which come from renewable sources, including bio-based chemicals. We work closely with some of the largest chemical manufacturers in the world to bring innovative solutions to our customers that meet the highest standards for safety, quality, and environmental performance. We provide our customers with comprehensive product information and support, including safety data sheets and training, to ensure that our products are used safely and responsibly.

Biodiversity

Mangrove Tree Planting Program

We continued our commitment to nature conservation in 2022 with our mangrove tree planting activity at Kuala Selangor Nature Park on 15 October 2022. 40 of our employees participated in the planting activity with 120 of seedlings planted. 85% of the survival rate was achieved after three months.

Mangroves protect shorelines from damaging storm and winds, waves and floods as well as supports of flora and fauna in the area. Mangroves also help prevent erosion by stabilising sediments with their tangled root systems, filtering pollutants and trapping sediments originating from land.

Recent studies have shown that mangroves can also function as a carbon sink that can stow away four times more carbon than rainforests can. Most of this carbon is stored in the soil beneath mangrove trees.

The objectives of this program are to develop effective protection and/or rehabilitation of mangrove ecosystems, to respond to climate change and to mitigate its effects through the protection and rehabilitation of mangrove ecosystems. By increasing mangrove cover, it contributes to overall coastal sustainability.

Social Responsibiltity

Occupational Safety and Health in the Workplace

Samchem places great importance in providing a safe and healthy workplace and taking care of our employees' wellbeing. We provide regular training as well as making sure that there is proper equipment across all our sites and facilities to ensure site safety and optimise work processes.

The Group continuously reviews its safety processes and systems through our comprehensive Health, Safety & Environment (HSE) Framework and proactively audit on our performance and promote continuous improvement. Our Emergency Response Teams (ERT) are well prepared and have regular training in key OSH competencies including first aid, evacuation and rescue, firefighting, incident/accident investigation and reporting.

In addition, Samchem also provides its employees with free health screening from time to time and health programmes to encourage healthier lifestyle.

Performance Measures Applied:

PROACTIVE KPI	FY 22 STATUS
100% annual compliance of training plan	Achieved
100% annual compliance of HSE management review meeting (annually)	Achieved
95% annual compliance of HSE inspection and audit	Achieved
Closure of internal/ external audit and incident investigation recommendation within the stipulated time frame	Achieved

REACTIVE KPI	FY 22 STATUS
Zero fatality	Achieved
Zero major non-conformances related to HSE	Achieved
Zero major environmental incidents	Achieved

Talent Diversity

Samchem embraces workplace diversity in terms of ethnic background, age, gender or religion and encourages open communication, engagement and ideas in all levels of employment. We foster an inclusive culture that recognizes and values the benefits of a diverse range of range of perspectives. The Group prioritises talent regardless of gender across all work levels.

Performance Measures Applied:
More than 30% participation of women in Senior Positions:

Position	2022	STATUS
Women in Senior Management	62.5%	Achieved
Women on Board of the Malaysian operating companies	17%	Not achieved

Community

Samchem believes in giving back to the local community in which it operates and regularly conducts CSR projects. Samchem employees took part in a number of programmes and activities in 2022 under its corporate social responsibility initiative:

i. 25 June 2022 – Sayangi Pantai Kita (Beach Cleanup) Event in Bagan Lalang

ii. 15 October 2022 – Mangrove Planting Event at Kuala Selangor Nature Park

Responsible Governance

Good governance is crucial to the long-term sustainability of a company, and helps strengthen the trust and credibility with our stakeholders.

Compliances and Ethical Business Practices

At Samchem, we comply with all the applicable laws and regulations and are committed to conduct our dealings with ethical business practices, transparency and accountability.

We strive to uphold the highest standards of integrity in our decision-making processes, ensuring that we comply with all legal and regulatory requirements and promote fairness and equity for all stakeholders. We also strive to be responsive to the needs and concerns of our stakeholders, actively seeking feedback and input to inform our decision-making.

Through our commitment to responsible governance practices, we aim to build a culture of trust, transparency, and accountability that supports the long-term success of our organization and contributes to the broader sustainable development goals of our society.

Samchem adopts a zero-tolerance approach to corruption and bribery. Adherence is supported and strengthened through our policies such as the Whistleblowing Policy and the Anti-Bribery and Corruption Policy.

Performance Measures Applied:
Nil incidences

Status:
For FY22 we achieved nil incidences reported of corruption or bribery

Continuous business diversification and expansion

At Samchem we believe that sustainable growth and value creation is a responsibility to our stakeholders and we have continued to invest in strengthening our infrastructure and creation of new business activities as a strategy to achieve this objective.

Samchem started out as a chemical distributor as its core business and has since expanded by acquisitions of companies and penetrating new markets. In addition to the core business, the Group has included other integrated value-added services such as blending of customised products, bulk breaking, warehousing and logistics (cargo & bulk). The Group will continue to expand into other synergistic areas of the chemical supply chain to strengthen our position in the market.

Assurances of data applied for the performance measures

The data compiled for our performance measurements were mainly derived from our internal records and had not been independently verified.

Introduction

This Statement on Risk Management and Internal Control is made in accordance with the Statement on Risk Management and Internal Control: *Guidelines for Directors of Listed Issuers* and paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, which requires Malaysian public listed companies to maintain a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets.

Board Responsibilities

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

The systems of risk management and internal control cover inter alia, governance, financial organisation, operational and compliance control. However, the Board 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, this system can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board also acknowledges the guidelines on the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which further emphasises the need for maintaining a sound system of risk management and internal control.

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

Risk Management Framework

The Audit and Risk Management Committee ("ARMC") comprises of members who are all independent directors of the Group to oversee the Company's risk management framework and policies.

The ARMC is primarily tasked to review the Risk Registers annually and to identify, evaluate and manage the significant risks faced by the core business of the Group. In discharging its duties and responsibilities during the financial year, the ARMC reviewed, deliberated and discussed the key corporate risks at its quarterly Board meetings. From the second half of 2022, the risk management framework will be evaluated on an enterprise level where sustainability issues as well as environmental and social governance matters will also be reviewed accordingly based on an enhanced enterprise risk management framework. For this endeavor, a reputable consultancy firm has been engaged to assist senior management of the Group to design a revised enterprise risk management framework in accordance to the agreed terms of reference and scope of work with ARMC. The enhanced framework will provide a more comprehensive management of risks.

A culture of risk-awareness is created to ensure greater understanding of risk management and that its principles are embedded in the Group's management and control systems. The Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are reviews of operational and financial performance at Management, ARMC and Board Meetings. Internal audit findings and opinions are also reviewed for the adequacy and effectiveness of the governance and risk control processes as well as the root causes to determine the right cause of corrective actions. The Board and Management ensure that appropriate measures are taken to address any significant risks. Other matters including proper disclosures in the financial reports, authority to carry out investigations, access to information and professional advice were also addressed.

The ARMC conducts annual review of the independence of the external auditors as well as internal auditors including their resource adequacies and competencies prior to recommendation for the appointment/re-appointment.

Internal Audit Function

The Group's Internal Audit function is outsourced to an external professional service provider (internal auditor) to assist the Board and ARMC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system and the scope of the outsourced internal audit function and internal audit plan is deliberated and determined annually by the ARMC with feedback from Management and the external auditor prior to the commencement of the internal audit work.

Under the internal audit plan the outsourced Internal Auditor will have to provide the ARMC with the human resources that has been planned to be deployed for the audit implementation. There must be at least one person who is a qualified competent auditor from a recognised and acceptable Institution to supervise the audit plan. The annual audit plan shall be a risk based plan after due assessment of the Company's risks and due evaluation of the Company's risk profile. The internal audit function shall be carried out with reference to the principles of the International Professional Practice Framework of the Institute of Internal Auditors.

For year 2022, despite the Covid challenges, 2 internal audits were conducted which focused on the Group's logistic operations and the implementation of the corporate governance issues. There were no material breaches identified.

Other Key Internal Control Processes

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

- Annual budget is prepared for the Group.
- The Executive Directors and departmental heads meet quarterly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget.
- Board Committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference. The terms of reference will soon be updated to be in line with the latest Corporate Governance Guide issued by Bursa Malaysia.
- Management organisation structure with reporting lines of accountability and authority have been defined and documented.
- There are proper procedures in place within the Group for hiring and termination of staff, training of staff, annual performance appraisals and other relevant procedures to ensure that staff are motivated, competent and adequately trained in carrying out their responsibilities.
- Continuous compliance and maintenance of the requirements of the ISO 9001:2015 and ISO 14001:2015 systems in major subsidiaries in Malaysia. This include continuous implementation, improvement and compliance to our business processes, quality control procedures, health, environmental and safety guidelines. Audits on the management systems are carried out by the Management and by a certification body. These audits are conducted periodically to provide assurance of compliance with the ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System.
- The ARMC reviews the quarterly financial results, annual report, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management. The ARMC also review the effectiveness of the internal control processes and monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors.

  To further enhance corporate governance for the review and monitoring of related party transactions, the ARMC has also requested the Internal auditor to internalise and adopt as a standard audit requirement to review related party transactions within the Group for all their internal audit scope of work to be conducted. All related party transactions are recorded and monitored.
- The outsourced internal audit function reviews the adequacy and integrity of the system of internal control according to the approved internal audit plan and reports its findings to the ARMC. During the financial year, some areas of improvement to internal control were identified and addressed accordingly. Improvements are recommended after identifying and reviewing the root cause. All recommended improvement plans and corrective actions will be followed up by monitoring the progress. Nevertheless, the identified weaknesses in the internal control have not resulted in any material losses and/or require further disclosure in this Statement.
- The ARMC has together with the senior management team reviewed the corporate liability provisions of the MACC Act 2009 and assessed the adequacy of the procedures of the Group to implement the provisions accordingly. There were no major issues or findings to be disclosed at the point of the review and improvements will be implemented to the adequate procedure requirements.
- The ARMC and the Board has also assessed and reviewed the impact of the Covid-19 pandemic including the relevant control measures to minimise the impact to the Group. Fortunately, there were no material impact on the Group arising from the Covid-19 situation. Management and the Board has conducted a review of the business continuity plan in 2022 on an enterprise level which will incorporate the latest corporate governance, sustainability, environmental and social guidelines as well as the latest regulatory requirements. This is to prepare the Group with a more robust plan to meet future challenges and any eventualities. Among some of the measures taken is the appointment of another executive director to further enhance the diversity of the top management team. As part of the succession planning, the present COO has been appointed as the new CEO with effect from April 2023.
- The ARMC has also conducted and discussed with the external and internal auditors in separate private meetings to discuss any concerns and issues that require attention. There were no material issues to be disclosed.

Assurance Provided by the Group Executive Officer and Chief Financial Officer

In line with the Guidelines, the Chief Executive Officer and Group Financial Controller have provided verbal assurance to the Board stating that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Conclusion

The Board is of the view that the systems of internal controls and risk management, are in place for the year under review and up to the date of approval of this statement and is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

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

Review of Statement on Internal Control by External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control under a limited assurance engagement. Their limited assurance engagement was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 Guidance for Auditors on Engagement to Report on Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants.

Based on their limited assurance engagement, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that this statement is not prepared in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidance for Directors of listed issuers, nor is the statement factually inaccurate.

This Statement is made in accordance with the approval and resolution of the Board of Directors.

The Audit and Risk Management Committee (ARMC) of Samchem Holdings Berhad is pleased to present the ARMC Report for the financial year ended 31 December 2022.

Composition of the ARMC and Attendance

The ARMC met five times during the financial year ended 31 December 2022. The members of the ARMC, their attendance at the ARMC Meetings held during the financial year ended 31 December 2022 are as follows:

MEMBERS OF THE ARMC	TOTAL MEETINGS ATTENDED
Hor Wai Kong (re-designated as Chairman of ARMC on 1 August 2022) *Independent Non-Executive Director*	3/3
Lok Kai Chun (Appointed as Member of ARMC on 1 August 2022) *Independent Non-Executive Director*	1/1
Dato' Razali Basri *Independent Non-Executive Director*	5/5
Cheong Chee Yun (resigned as Chairman and Member of ARMC on 1 August 2022) *Executive Director*	4/4
Dato' Theng Book (resigned as Member of ARMC on 3 November 2022) *Independent Non-Executive Director*	4/4

Mr Hor Wai Kong was appointed as Chairman of the ARMC on 1 August 2022 to replace Mr Cheong Chee Yun who has been redesignated as Executive Director on 1 August 2022. Mr Lok Kai Chun was appointed as a member of the ARMC on 1 August 2022 and Dato' Theng Book who has resigned as an Independent Director on 3 November 2022.

Top Management team comprising the CEO, COO and CFO were invited to the meetings to facilitate communication in providing clarifications for possible queries during the meeting.

Terms of Reference of ARMC

(A) Terms of Membership

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

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

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

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

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

(B) Meetings and Quorum of the ARMC

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

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

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

(C) Functions of the ARMC

The duties and responsibilities of the ARMC include the following:

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

3. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
5. To review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on:
    a. Changes in or implementation of major accounting policies and practices;
    b. Significant adjustments arising from the audit;
    c. The going concern assumption;
    d. Compliance with accounting standards and other legal requirements; and
    e. Key audit matters and related party transactions.
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. reviews 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. reviews 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. conducts appraisal or assessment of the performance of the internal auditors;
    d. approves any appointment or termination of the internal auditors; and
    e. takes cognisance of resignation of internal auditors and provide the resigning parties an opportunity to submit his reasons for resigning.
9. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group;
10. To consider the major findings of internal investigations and the management's response;
11. To consider any other functions or duties as may be agreed by the Committees and the Board.

(D) Rights of the ARMC

The ARMC wherever necessary and reasonable for the performance of its duties shall be empowered as follows:

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;
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.
7. where ARMC is of the view that there is a matter that has not been satisfactorily resolved that will result in a breach of the Main Market Listing Requirements of Bursa Malaysia, the ARMC shall promptly report such matter to the Bursa Securities.

(E) Procedure of ARMC

The ARMC regulates its own procedures by:

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

(F) Summary of Activities of the ARMC

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

I Financial Results

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

a. major judgmental areas, key audit matters as well as 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; and
f. related party transactions

II External Audit

Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2022 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. The external auditors highlighted some new MFRS developments but these are not expected to have any material impact on the Group. Key and significant audit matters such as impairments to inventories and trade receivables as well as inter-company balances were discussed, however, there were no material findings to be disclosed herein. The external auditors also recommended improvements to be made to the Group's business continuity plan and transfer pricing documentation framework. Management and the Board will be conducting a review of the business continuity plan in 2023 on an enterprise level which will incorporate the latest corporate governance, sustainability, environmental and social guidelines as well as the latest regulatory requirements. This is to prepare the Group with a more robust plan to meet future challenges. To further update the transfer pricing documentation, the Group will conduct a review of the Group's transfer pricing set up together with the Group's external consultant to ensure that they are contemporaneous and in line with the latest IRB guidelines. The external auditors also recommended for improvements to be made in the application of significant accounting estimates in the preparation of financial statements. Management will be working closely with the external auditors to improve on this.

Reviewed their performance, competencies and resource adequacies and independence before recommending to the Board for their reappointment and remuneration.

III Internal Audit

Reviewed with the internal auditor their audit plan for the financial year ended 31 December 2022 ensuring that the principal risk areas prioritise the higher significant risks identified under their risk-based assessment plan;

Reviewed the internal audit reports and the main findings that were discussed are as follows:

a. Recurrent Related Party Transaction – No matters of material concern were raised and at the point of audit the transactions were in compliance with the mandate obtained from the shareholders. A register was used to record the transactions. ARMC also noted some improvement areas that were recommended by the internal auditor. Among the improvements suggested is to have all directors declare their interests prior to approving the issuance of the shareholders circular for RRPT. This is now put into practise.

b. Corporate Governance Matters – to do a benchmark review as to the Board practices in conjunction with the latest 2021 code on corporate governance. The internal audit identified some gaps in order to meet full adoption. Among the main gaps discussed were as follows:

- The Board Charter and terms of references of the board committees needs to be reviewed to incorporate the latest changes in the Corporate Governance Guide. This has been updated accordingly.
- The separation of duties of the Group Chairman from board committees and executive functions. This has been implemented as at 3 April 2023 where a new CEO has been appointed.
- Further improvement for gender diversity to the Board. Currently the Group has met the minimum requirements and will endeavour to continue to improve over time.

c. Transfer Pricing – to review the adopted method are at arm's length and documentation are in accordance to the regulatory requirements. Internal auditor informed ARMC of the subsidiaries that are required to prepare full documentation and the management team has represented to the internal auditor that they are doing their annual contemporaneous pricing reviews for the forth coming financial periods with their transfer pricing consultant. The exercise has not been completed at the time of the internal audit. As such this audit plan will be deferred pending the new pricing reviews are being concluded. ARMC has briefed the Board of the internal audit findings and Board will be doing the necessary reviews and monitoring accordingly upon the conclusion of the contemporaneous pricing reviews.

d. **Review of the Group's logistics division** – a review was done into the operations of the logistics division of the group to ensure that policies and procedures are being adhered to and to ensure adequacy of management controls. There were some findings and these are mainly pertaining to preventive measures and lapses in following stated procedures. The management team of the logistics division has taken note of the findings and has taken measures to enhance improvements.

e. **Review on Anti-corruption and Bribery Procedures** – this review was to assess the adequacy of the procedures in ensuring compliance to all regulatory requirements and relevant legislations. Recommendations were made to improve the adequacy procedures and in communication and training. Management has noted the recommendation and shall implement for year 2023 onwards. Apart from the above there were no material findings that was of concern.

f. **Evaluate the adequacy of management controls in Sales and Marketing, Purchasing and Payment and Inventory Management in Samchem Sdn Bhd ("SCSB").** The findings were mainly on the lapse and omissions in implementing the procedures but these did not pose any material risks to the operations. Management had noted the findings and will take more vigilant steps to reduce such findings. Recommendations were also made on the inventory system such as improving the stock take by using RFID bar codes for better efficiency. Management will conduct a study on this matter in 2023.

Reviewed the competencies as well as the resources of the internal auditors to execute the plan; Ensure the engagement director of the internal auditor executing and supervising the plan is a certified Internal Auditor from an accredited Institution. Also reviewed the fees to be paid for the proposed scope of work are reasonable.

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

Other Activities

Reviewed and updated the Group's risks-based assessment model based on continuous monitoring and follow ups. To further upgrade the Group's risk management framework to an enterprise level incorporating governance, sustainability, environmental and social issues, the Group has engaged a reputable consultant to develop a more robust framework to meet future challenges. ARMC has discussed with the management team and the consultant and had agreed on the terms of reference and scope of work for the appointed consultant.

Reviewed the corporate liability provisions as required under the MACC Act 2009 and assessed whether the implemented procedures in place are adequate to comply with the provisions accordingly. There were no issues being brought up for the financial year.

Reviewed the related party transactions for the financial year as well as the "Circular to Shareholders" in connection with the recurrent related party transactions of a revenue nature to ensure that such transactions were in the ordinary course of business and on terms not more favourable to the related parties prior to recommending for Board's approval. There were no material findings to disclosed for the related party transactions review.

Conducted a meeting without the presence of executive directors and management for both the internal and external auditor. During the meeting, there were no material issues of concern that were brought up by the internal and external auditor.

Reviewed and recommended to the Board the following for approval and inclusion to the Group's annual report:

- ARMC Report;
- Statement of Risk Management and Internal Control;
- Corporate Governance Overview Statement; and
- Corporate Governance Report.

The ARMC Report was made in accordance with the approval of the Board of Directors on 11 April 2023.

1. Utilisation of Proceeds

During the financial year, there were no proceeds raised from corporate proposals.

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 2022 is RM9,000.

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 2022 was as follows:

COMPANY IN THE SAMCHEM GROUP INVOLVED	TRANSACTING PARTIES	NATURE OF TRANSACTION	TRANSACTION VALUE (RM)
Sam Chem Sphere Joint Stock Company (JSC)	Vigor Sphere Pte Ltd (VS)	Sales from VS to JSC	1,529,114
Sam Chem Sphere Joint Stock Company (JSC)	Vigor Sphere Pte Ltd (VS)	Sales from JSC to VS	197,416

10. Revaluation Policy

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

11. Material Contract

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

12. Corporate Social Responsibility

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

Safety and Health

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

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal Activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of its subsidiaries are distribution of Polyurethane (PU), intermediate, specialty and other industrial chemicals, blending of customised solvents, provision of logistics services, tank terminal storage and bulk breaking facilities.

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

Results

	GROUP RM'000	COMPANY RM'000
Profit for the financial year	45,413	19,047
Attributable to:		
Owners of the Company	42,162	19,047
Non-controlling interests	3,251	—
	45,413	19,047

Dividends

The amount of dividends declared and paid by the Company since the end of the previous financial year were as follows:

(i) a fourth interim single-tier exempt dividend of 1.5 sen per ordinary share on 544,000,000 ordinary shares amounting to RM8,160,000 in respect of the financial year ended 31 December 2021, which was paid on 17 May 2022;

(ii) a first interim single-tier exempt dividend of 1.0 sen per ordinary share on 544,000,000 ordinary shares amounting to RM5,440,000 in respect of the financial year ended 31 December 2022, which was paid on 15 July 2022;

(iii) a second interim single-tier exempt dividend of 1.0 sen per ordinary share on 544,000,000 ordinary shares amounting to RM5,440,000 in respect of the financial year ended 31 December 2022, which was paid on 12 October 2022; and

(iv) a third interim single-tier exempt dividend of 0.6 sen per ordinary share on 544,000,000 ordinary shares amounting to RM3,264,000 in respect of the financial year ended 31 December 2022, which was paid on 10 January 2023. This third interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

On 24 February 2023, the directors declared a fourth interim single-tier exempt dividend of 0.6 sen per ordinary share on 544,000,000 ordinary shares amounting to RM3,264,000 in respect of the financial year ended 31 December 2022. This fourth interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2022.

Reserves or Provisions

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

Bad and Doubtful Debts

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and Other Liabilities

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

Change of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items of Material and Unusual Nature

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Issue of Shares and Debentures

During the financial year, no new shares or debentures were issued by the Company.

Directors

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Ng Thin Poh *
Ng Ai Rene *
Cheong Chee Yun
Lok Kai Chun
Dato' Razali Bin Basri
Hor Wai Kong
Dato' Theng Book (Resigned on 3 November 2022)
Choοi Chok Khooi * (Resigned on 3 April 2023)

** Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dennis Ho Chin Chye
Eugene Chong Wee Yip
Francis Huang Low Soo Yee
Heng Kok Hui
Koh Boon Siong
Ng Bing Hong
Rindang Ayu
Wee Chai Peng
Chooi Chok Khooi (Resigned on 31 March 2023)
Cheah Sum Boon (Resigned on 30 June 2022)

Directors' Interests

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

Interest in the Company

	NUMBER OF ORDINARY SHARES			
	AT 1.1.2022 UNIT '000	TRANSFERRED IN/BOUGHT UNIT '000	TRANSFERRED OUT/SOLD UNIT '000	AT 31.12.2022 UNIT '000
Direct Interests				
Ng Thin Poh	249,028	—	(249,028)	—
Chooi Chok Khooi	18,644	—	—	18,644
Lok Kai Chun	30	—	—	30
Ng Ai Rene	2,357	—	—	2,357
Indirect Interests:*				
Ng Thin Poh	—	249,028	—	249,028

** Shares held in Continental Hallmark Sdn. Bhd.*

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act, 2016 in Malaysia, Ng Thin Poh is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

Directors' Benefits

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

The details of remuneration received by directors of the Group and of the Company during the financial year are as follows:

	GROUP RM'000	COMPANY RM'000
Directors of the Company		
Director's fees	316	316
Salaries, bonus and other emoluments	817	36
Employees Provident Fund	60	—
Directors of subsidiaries		
Salaries, bonus and other emoluments	3,058	—
	4,251	352

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Indemnity to Directors and Officers

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company and its subsidiaries were RM5,000,000 and RM6,900 respectively.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements, which also serve for the purpose of this report.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

Auditors

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The remuneration paid or payable to the auditors of the Group and the Company during the financial year were RM479,324 and RM101,000 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act, 2016 in Malaysia.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors.

NG THIN POH
Director

NG AI RENE
Director

Date: 11 April 2023

FINANCIALS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
	NOTE	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	**1,321,813**	1,405,604	**19,905**	24,320
Cost of sales		**(1,170,753)**	(1,203,605)	**—**	—
Gross profit		**151,060**	201,999	**19,905**	24,320
Other income		**7,658**	6,822	**3**	—
Selling and distribution expenses		**(24,314)**	(25,574)	**—**	—
Administrative expenses		**(59,329)**	(58,211)	**(861)**	(1,023)
Net impairment losses on receivables		**(397)**	(614)	**—**	—
Other expenses		**(7,018)**	(1,553)	**—**	—
Operating profit		**67,660**	122,869	**19,047**	23,297
Finance income		**711**	705	**—**	—
Finance costs		**(7,395)**	(5,159)	**—**	—
Profit before tax	5	**60,976**	118,415	**19,047**	23,297
Income tax expense	7	**(15,563)**	(26,565)	**—**	—
Profit for the financial year		**45,413**	91,850	**19,047**	23,297
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		**(878)**	1,474	**—**	—
		(878)	1,474	**—**	—
Total comprehensive income for the financial year		**44,535**	93,324	**19,047**	23,297
Profit attributable to:					
Owners of the Company		**42,162**	74,994	**19,047**	23,297
Non-controlling interests		**3,251**	16,856	**—**	—
		45,413	91,850	**19,047**	23,297
Total comprehensive income attributable to:					
Owners of the Company		**41,487**	76,023	**19,047**	23,297
Non-controlling interests		**3,048**	17,301	**—**	—
		44,535	93,324	**19,047**	23,297
Earnings per share attributable to ordinary shareholders of the Company (sen):					
– Basic	8	**7.75**	13.79		
– Diluted	8	**7.75**	13.79		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		GROUP		COMPANY	
	NOTE	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**64,336**	32,787	**—**	—
Right-of-use assets	10	**35,537**	35,276	**—**	—
Investment in subsidiaries	11	**—**	—	**142,155**	138,427
Deferred tax assets	12	**792**	1,048	**—**	—
Total non-current assets		**100,665**	69,111	**142,155**	138,427
Current assets					
Inventories	13	**137,409**	193,412	**—**	—
Trade receivables	14	**186,905**	282,707	**—**	—
Other receivables, deposits and prepayments	15	**17,925**	24,539	**2**	2
Current tax assets		**3,925**	519	**58**	59
Dividend receivable		**—**	—	**1,200**	8,500
Deposits with licensed banks	16	**399**	399	**—**	—
Cash and bank balances		**78,546**	85,615	**3,647**	53
		425,109	587,191	**4,907**	8,614
Non-current asset held for sale	17	**702**	910	**—**	—
Total current assets		**425,811**	588,101	**4,907**	8,614
TOTAL ASSETS		**526,476**	657,212	**147,062**	147,041

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	**136,954**	136,954	**136,954**	136,954
Reserves	19	**128,859**	108,063	**10,035**	10,028
		265,813	245,017	**146,989**	146,982
Non-controlling interests		**24,307**	30,450	**—**	—
TOTAL EQUITY		**290,120**	275,467	**146,989**	146,982
Non-current liabilities					
Borrowings	20	**17,589**	7,358	**—**	—
Lease liabilities	21	**2,720**	1,808	**—**	—
Deferred tax liabilities	12	**803**	486	**—**	—
Retirement benefit obligations	22	**1,028**	1,384	**—**	—
Total non-current liabilities		**22,140**	11,036	**—**	—
Current liabilities					
Trade payables	23	**70,906**	133,905	**—**	—
Other payables, deposits and accruals	24	**9,663**	10,222	**73**	59
Borrowings	20	**119,657**	218,728	**—**	—
Lease liabilities	21	**2,709**	1,960	**—**	—
Current tax liabilities		**2,769**	5,894	**—**	—
Dividend payable to non-controlling shareholders		**8,512**	—	**—**	—
Total current liabilities		**214,216**	370,709	**73**	59
TOTAL LIABILITIES		**236,356**	381,745	**73**	59
TOTAL EQUITY AND LIABILITIES		**526,476**	657,212	**147,062**	147,041

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		ATTRIBUTABLE TO OWNERS OF THE COMPANY								
	NOTE	SHARE CAPITAL RM'000	RETAINED EARNINGS RM'000	CAPITAL RESERVE RM'000	REVERSE ACQUISITION RESERVE RM'000	CURRENCY TRANSLATION RESERVE RM'000	TOTAL OTHER RESERVES RM'000	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
Group										
At 1 January 2022		136,954	134,100	13,355	(40,726)	1,334	(26,037)	245,017	30,450	275,467
Profit for the financial year		—	42,162	—	—	—	—	42,162	3,251	45,413
Foreign currency translation		—	—	—	—	(675)	(675)	(675)	(203)	(878)
Total comprehensive income/ (loss) for the financial year		—	42,162	—	—	(675)	(675)	41,487	3,048	44,535
Transactions with owners										
Acquisition of non-controlling interest	11	—	(1,651)	—	—	—	—	(1,651)	(553)	(2,204)
Dividend paid to non-controlling shareholders of the subsidiaries		—	—	—	—	—	—	—	(8,638)	(8,638)
Dividends	25	—	(19,040)	—	—	—	—	(19,040)	—	(19,040)
		—	(20,691)	—	—	—	—	(20,691)	(9,191)	(29,882)
At 31 December 2022		136,954	155,571	13,355	(40,726)	659	(26,712)	265,813	24,307	290,120

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		ATTRIBUTABLE TO OWNERS OF THE COMPANY								
	NOTE	SHARE CAPITAL RM'000	RETAINED EARNINGS RM'000	CAPITAL RESERVE RM'000	REVERSE ACQUISITION RESERVE RM'000	CURRENCY TRANSLATION RESERVE RM'000	TOTAL OTHER RESERVES RM'000	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
Group										
At 1 January 2021		136,954	78,146	13,355	(40,726)	305	(27,066)	188,034	15,841	203,875
Profit for the financial year		—	74,994	—	—	—	—	74,994	16,856	91,850
Foreign currency translation		—	—	—	—	1,029	1,029	1,029	445	1,474
Total comprehensive income/(loss) for the financial year		—	74,994	—	—	1,029	1,029	76,023	17,301	93,324
Transactions with owners										
Acquisition of non-controlling interest	11	—	—	—	—	—	—	—	400	400
Dividend paid to non-controlling shareholders of the subsidiaries		—	—	—	—	—	—	—	(3,092)	(3,092)
Dividends	25	—	(19,040)	—	—	—	—	(19,040)	—	(19,040)
		—	(19,040)	—	—	—	—	(19,040)	(2,692)	(21,732)
At 31 December 2021		136,954	134,100	13,355	(40,726)	1,334	(26,037)	245,017	30,450	275,467

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

	NOTE	SHARE CAPITAL RM'000	RETAINED EARNINGS RM'000	TOTAL EQUITY RM'000
Company				
At 1 January 2021		136,954	5,771	142,725
Profit for the financial year, representing total comprehensive income for the financial year		—	23,297	23,297
		136,954	29,068	166,022
Transactions with owners				
Dividends	25	—	(19,040)	(19,040)
At 31 December 2021		136,954	10,028	146,982
Profit for the financial year, representing total comprehensive income for the financial year		—	19,047	19,047
		136,954	29,075	166,029
Transactions with owners				
Dividends	25	—	(19,040)	(19,040)
At 31 December 2022		136,954	10,035	146,989

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Cash flows from operating activities					
Profit before tax		**60,976**	118,415	**19,047**	23,297
Adjustments for:					
Depreciation of:					
– property, plant and equipment		**2,816**	2,579	**—**	—
– right-of-use assets		**4,236**	4,611	**—**	—
Dividend income		**—**	—	**(19,905)**	(24,320)
Fair value loss on other investment		**—**	21	**—**	—
Gain on termination of lease		**(6)**	(63)	**—**	—
(Gain)/Loss on disposal of:					
– property, plant and equipment		**(729)**	20	**—**	—
– non-current asset held for sale		**(2,803)**	—	**—**	—
Impairment losses on trade receivables		**2,494**	1,229	**—**	—
Interest expense		**7,395**	5,159	**—**	—
Interest income		**(711)**	(705)	**—**	—
Inventories written down		**5,180**	1,731	**—**	—
Inventories written off		**—**	1,434	**—**	—
Net unrealised loss on foreign exchange		**624**	5	**—**	—
Property, plant and equipment written off		**3**	—	**—**	—
Retirement benefit obligations		**(86)**	155	**—**	—
Reversal of impairment losses on:					
– trade receivables		**(2,097)**	(613)	**—**	—
– other receivables		**—**	(2)	**—**	—
Reversal of inventories written down		**(12)**	(905)	**—**	—
Operating profit/(loss) before changes in working capital		**77,280**	133,071	**(858)**	(1,023)
Changes in working capital:					
Inventories		**50,835**	(73,553)	**—**	—
Receivables		**102,051**	(81,726)	**—**	—
Payables		**(55,670)**	56,730	**22**	(25)
Net cash generated from/(used in) operations		**174,496**	34,522	**(836)**	(1,048)
Retirement benefit paid		**(7)**	—	**—**	—
Dividend received		**—**	—	**27,205**	20,320
Income tax refunded		**2**	85	**1**	30
Income tax paid		**(21,332)**	(24,977)	**—**	—
Net cash from operating activities		**153,159**	9,630	**26,370**	19,302

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

	NOTE	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Cash flows from investing activities					
Repayment from subsidiaries		**—**	—	**—**	1,202
(Acquisition)/Disposal of non-controlling interests in subsidiaries	11	**(2,204)**	400	**(2,204)**	—
Interest received		**711**	705	**—**	—
Purchase of property, plant and equipment		**(33,721)**	(8,630)	**—**	—
Purchase of right-of-use assets	10	**—**	(16,550)	**—**	—
Net proceeds from disposal of:					
– property, plant and equipment		**792**	60	**—**	—
– right-of-use assets		**—**	364	**—**	—
– non-current asset held for sale		**3,713**	—	**—**	—
Subscription of shares in subsidiaries		**—**	—	**(1,530)**	(1,612)
Net cash used in investing activities		**(30,709)**	(23,651)	**(3,734)**	(410)
Cash flows from financing activities					
Interest paid		**(7,395)**	(5,159)	**—**	—
(Repayment to)/Advances from a subsidiary		**—**	—	**(2)**	2
Net (repayment)/drawdown of bankers' acceptances	(a)	**(14,055)**	28,429	**—**	—
Drawdown of hire purchase	(a)	**4,872**	385	**—**	—
Repayments of hire purchase	(a)	**(1,087)**	(1,025)	**—**	—
Payments of lease liabilities	(a)	**(4,284)**	(3,784)	**—**	—
Net (repayment)/drawdown of foreign currency trade loan	(a)	**(43,316)**	12,771	**—**	—
Net repayment of onshore foreign currency loans	(a)	**(2,028)**	(6,493)	**—**	—
Drawdown of term loans	(a)	**281,406**	267,712	**—**	—
Repayment of term loans	(a)	**(314,908)**	(252,656)		
Dividend paid		**(19,040)**	(19,040)	**(19,040)**	(19,040)
Dividend paid to non-controlling shareholders of the subsidiaries		**(8,638)**	(3,092)	**—**	—
Net cash (used in)/from financing activities		**(128,473)**	18,048	**(19,042)**	(19,038)
Net (decrease)/increase in cash and cash equivalents		**(6,023)**	4,027	**3,594**	(146)
Effect of exchange rate changes		**(1,046)**	2,668	**—**	—
Cash and cash equivalents at the beginning of the financial year		**85,860**	79,165	**53**	199
Cash and cash equivalents at the end of the financial year	26	**78,791**	85,860	**3,647**	53

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

(a) Reconciliation of liabilities arising from financing activities:

GROUP	1 JANUARY 2022 RM'000	CASH FLOWS RM'000	NON-CASH ACQUISITION RM'000	NON-CASH TERMINATION OF LEASE RM'000	NON-CASH FOREIGN EXCHANGE MOVEMENT RM'000	31 DECEMBER 2022 RM'000
Banker acceptances	**90,235**	**(14,055)**	**—**	**—**	**—**	**76,180**
Foreign currency trade loan	**45,555**	**(43,316)**	**—**	**—**	**—**	**2,239**
Hire purchase payables	**1,265**	**3,785**	**—**	**—**	**(9)**	**5,041**
Lease liabilities	**3,768**	**(4,284)**	**6,090**	**(109)**	**(36)**	**5,429**
Onshore foreign currency loans	**2,028**	**(2,028)**	**—**	**—**	**—**	**—**
Short term loans	**79,691**	**(41,380)**	**—**	**—**	**285**	**38,596**
Term loans	**7,312**	**7,878**	**—**	**—**	**—**	**15,190**
	229,854	**(93,400)**	**6,090**	**(109)**	**240**	**142,675**

GROUP	1 JANUARY 2021 RM'000	CASH FLOWS RM'000	NON-CASH ACQUISITION RM'000	NON-CASH TERMINATION OF LEASE RM'000	NON-CASH FOREIGN EXCHANGE MOVEMENT RM'000	31 DECEMBER 2021 RM'000
Banker acceptances	61,806	28,429	—	—	—	90,235
Foreign currency trade loan	32,784	12,771	—	—	—	45,555
Hire purchase payables	2,351	(1,025)	—	—	(61)	1,265
Lease liabilities	5,316	(3,784)	3,837	(834)	(767)	3,768
Onshore foreign currency loans	8,521	(6,493)	—	—	—	2,028
Short term loans	61,889	15,827	—	—	1,975	79,691
Term loans	8,083	(771)	—	—	—	7,312
	180,750	44,954	3,837	(834)	1,147	229,854

COMPANY

Changes in liabilities arising from financing activities are changes arising from cash flows.

(b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM12,854,000 (2021: RM11,806,000).

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

1. Corporate Information

Samchem Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these 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 11 April 2023.

2. Significant Accounting Policies

2.1 Basis of preparation

(i) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

(ii) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

(iii) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 2.4.

(iv) Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas where assumptions and major sources of estimation uncertainty at the end of the reporting period that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, or areas involving judgements that have most effect on the amounts recognised in the financial statements are disclosed in Note 3 to the financial statements.

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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

2. Significant Accounting Policies (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but are yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but are yet to be effective:

		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/1 January 2023#/1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

2. Significant Accounting Policies (continued)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but are yet to be effective (continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (continued)

Amendments to MFRS 101 Presentation of Financial Statements (continued)
The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

2.3.2 The initial application of the above applicable new MFRS and amendments/improvements to MFRSs is not expected to have material impact to the current and prior years financial statements of the Group and the Company.

2.4 Significant accounting policies

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(i) Subsidiaries and business combination
Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

2. Significant Accounting Policies (continued)

2.4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries and business combination (continued)

The accounting policy for goodwill is set out in Note 2.4(k).

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(ii) Reverse acquisition

Pursuant to the share sales agreement signed between Samchem Sdn. Bhd. and Samchem Holdings Berhad on 16 June 2008, the Company had on 20 February 2009 completed the acquisition of a total of 8 companies ("Acquired Group") namely Samchem Sdn. Bhd., Samchem Logistics Services Sdn. Bhd., Samchem Industries Sdn. Bhd., Samchem Nusajaya Sdn. Bhd., Samchem Lubricants Sdn. Bhd., Eweny Chemicals Sdn. Bhd., Samchemsphere Export Sdn. Bhd. and Samchem Enviro Cycle Sdn. Bhd.. The Group's consolidated statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows are prepared and presented as a continuation of the Acquired Group (the acquirer for reverse acquisition accounting purposes).

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

2. Significant Accounting Policies (continued)

2.4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Reverse acquisition (continued)

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

(a) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amount;

(b) the retained earnings and the other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Acquired Group immediately before the business combination; and

(c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (the Company), including the equity instruments issued by the Company to reflect the combination.

Reverse acquisition applies only in the consolidated financial statements. In the legal parent (the Company's) separate financial statements, the investment in the legal subsidiary (the Acquired Group) is accounted for in accordance with the requirements of MFRS 10 *Consolidated Financial Statements*.

(iii) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency transactions and operations

(i) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2. Significant Accounting Policies (continued)

2.4 Significant accounting policies (continued)

(b) Foreign currency transactions and operations (continued)

(ii) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests.

(c) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year in which the employees have rendered their services to the Group.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund, the national defined contribution plan and the Central Provident Fund, Singapore's defined contribution plan. Such contributions are recognised as an expense as incurred.

(iii) Defined benefit plans

A subsidiary of the Company in Indonesia operates an unfunded defined benefit scheme. The subsidiary's net obligation under the scheme is determined by estimating the amount of benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value of the liability. The subsidiary's obligation is calculated using the projected unit credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(d) Revenue recognition

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax and value-added tax ("VAT"), adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer, if any.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

2. Significant Accounting Policies (continued)

2.4 Significant accounting policies (continued)

(d) Revenue recognition (continued)

Financing components
The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a financing component if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(i) Sales of goods
Revenue from the sale of goods is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of any discounts.

Where consideration is collected from customer in advance for sale of good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of good to the customer.

(ii) Blending services
Revenue from blending services is recognised at a point in time when services are rendered.

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present.

(iii) Transportation charges
Transportation charges are recognised over time, using an output method, based on time elapsed, to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present.

(iv) Rental income
Rental income from investment property is recognised on a straight-line basis over the term of the lease.

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

(vi) Interest income
Interest income is recognised using the effective interest method.

(vii) Management fees
Management fees are recognised over time as services are rendered, using an output method, based on time elapsed, to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Fees are billed with a credit term of 30 days.

(e) Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

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

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

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(e) Borrowing costs (continued)

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its 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.

(f) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future 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 differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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 and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(f) Income tax (continued)

(iii) Sales and services tax and Value-added tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of sales and services tax and VAT except:

- where the sales and services tax and VAT incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax and VAT included.

The amount of sales and services tax and VAT payable to the taxation authority is included as part of payables whilst VAT refundable is included as part of receivables in the statements of financial position.

(g) Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

(i) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, the Group and the Company classify their financial assets in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

The classification depends on the Group's and the Company's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(l)(i). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(i) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows (continued):

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through profit or loss ("FVPL")**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at Fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(ii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(l)(ii).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 2.4(e).

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

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(h) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(iii) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated over the lease term of 99 years. Building-in-progress is not depreciated as the asset is not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

The principal annual rates used for this purpose are:

Buildings	2% – 5%
Motor vehicles	10% – 25%
Plant and machinery	10% – 25%
Renovation and office equipment	10% – 33.3%
Signboard, furniture and fittings	10% – 15%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

(i) Leases

(i) Definition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

(ii) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(i) Leases (continued)

(ii) Lessee accounting (continued)

Right-of-use asset (continued)
The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(l)(ii).

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Short-term leases and leases of low value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(iii) Lessor accounting
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(j) Inventories
Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store.

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

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(k) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

(l) Impairment of assets

(i) Impairment of financial assets

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(l) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(ii) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such an indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced 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.

Impairment losses are recognised in profit or loss.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(l) Impairment of assets (continued)

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(m) Non-current assets or disposal groups held for sale

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. The criteria for held for sale classification is regarded as met only when:

- the asset is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on the assets is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets that is measured at fair value, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Property, plant and equipment once classified as held for sale are not depreciated.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(n) Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(o) Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

2. Significant Accounting Policies (continued)

2.4 Significant Accounting Policies (continued)

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(q) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

(r) Fair value measurements

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

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

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

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

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

(s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities or assets are not recognised in the statements of financial position.

3. Significant Accounting Judgements, Estimates and Assumptions

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect in determining the amount recognised in the financial statements include the following:

(a) Inventories (Note 13)

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

(b) Impairment of trade receivables (Note 14)

The provisions of expected credit losses for receivables are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the expected credit losses ("ECL") calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group individually assessed and also grouped receivables based on the number of days that a trade receivable is past due to calculate ECL for trade receivables. The individually assessed ECL may be based on indicators such as changes in financial capability of the receivable, payment trends of the receivable and default or significant delay in payments. The group assessment is initially based on the Group's historical observed default rates and calibrate to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions over the expected settlement period of the trade receivables. The Group's assessment of the indicators, historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4. Revenue

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contract customers:				
Sales of goods	**1,292,208**	1,382,654	**—**	—
Blending services	**22,576**	15,060	**—**	—
Transportation charges	**7,029**	7,890	**—**	—
	1,321,813	1,405,604	**—**	—
Revenue from other sources:				
Dividend income	**—**	—	**19,905**	24,320
	1,321,813	1,405,604	**19,905**	24,320

4. Revenue (continued)

(a) Disaggregation of revenue

The Group reports the following major segments: chemical distribution and blending, and audio video and ICT distribution in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure of disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

GROUP	CHEMICAL DISTRIBUTION AND BLENDING RM'000	AUDIO VIDEO AND ICT DISTRIBUTION RM'000	TOTAL RM'000
2022			
Major goods or services			
Chemical products	**1,292,192**	**—**	**1,292,192**
Blending services	**22,576**	**—**	**22,576**
Audio Video and ICT products	**—**	**16**	**16**
Transportation charges	**7,029**	**—**	**7,029**
	1,321,797	**16**	**1,321,813**
2021			
Major goods or services			
Chemical products	1,382,646	—	1,382,646
Blending services	15,060	—	15,060
Audio Video and ICT products	—	8	8
Transportation charges	7,890	—	7,890
	1,405,596	8	1,405,604

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Timing of revenue recognition:				
At a point in time	**1,314,784**	1,397,714	**—**	—
Over time	**7,029**	7,890	**—**	—
	1,321,813	1,405,604	**—**	—

(b) Transactions price allocated to the remaining performance obligation

The Group does not have performance obligations that are unsatisfied for contracts that have an original duration of more than one year at the reporting date.

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and accordingly, do not disclose information about remaining performance obligations that have original expected durations of one year or less.

5. Profit Before Tax

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

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration:				
– current year	**470**	423	**92**	80
– other services by auditors of the Company	**9**	8	**9**	8
Depreciation of:				
– property, plant and equipment	**2,816**	2,579	**—**	—
– right-of-use assets	**4,236**	4,611	**—**	—
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**1,953**	1,893	**—**	—
– retirement benefit obligations	**(86)**	155	**—**	—
– wages, salaries and others	**28,112**	29,525	**36**	32
– directors' fees	**316**	280	**316**	280
Expenses relating to short term leases	**8,252**	7,888	**—**	—
Fair value loss on other investment	**—**	21	**—**	—
(Gain)/Loss on disposal of:				
– property, plant and equipment	**(729)**	20	**—**	—
– non-current asset held for sale	**(2,803)**	—	**—**	—
Gain on termination of lease	**(6)**	(63)	**—**	—
Impairment losses on trade receivables	**2,494**	1,229	**—**	—
Insurance compensation for flood-damaged inventories	**(1,369)**	—	**—**	—
Interest expense	**7,395**	5,159	**—**	—
Interest income	**(711)**	(705)	**—**	—
Inventories written down	**5,180**	1,731	**—**	—
Inventories written off	**—**	1,434	**—**	—
Net (gain)/loss on foreign exchange:				
– realised	**(171)**	(4,742)	**—**	—
– unrealised	**624**	5	**—**	
Property, plant and equipment written off	**3**	—	**—**	—
Rental income	**(76)**	(72)	**—**	—
Reversal of impairment losses on trade receivables	**(2,097)**	(613)	**—**	—
Reversal of impairment losses on other receivables	**—**	(2)	**—**	—
Reversal of inventories written down	**(12)**	(905)	**—**	—

6. Directors' Remuneration

	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Directors of the Company				
Executive directors				
– fees	**97**	60	**97**	60
– other emoluments	**853**	1,627	**12**	10
	950	1,687	**109**	70
Non-executive directors				
– fees	**219**	220	**219**	220
– other emoluments	**24**	22	**24**	22
	243	242	**243**	242
	1,193	1,929	**352**	312
Directors of subsidiaries				
Executive directors				
– other emoluments	**3,058**	3,575	**—**	—
	4,251	5,504	**352**	312

7. Income Tax Expense

	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Current tax:				
Malaysian income tax				
– current year	**11,740**	10,720	**—**	—
– prior year	**597**	(402)	**—**	—
– real property gain tax	**277**	—	**—**	—
	12,614	10,318	**—**	—
Foreign income tax				
– current year	**2,449**	16,281	**—**	—
	15,063	26,599	**—**	—
Deferred tax:				
– current year	**367**	114	**—**	—
– prior year	**133**	(148)	**—**	—
	500	(34)	**—**	—
Income tax expense	**15,563**	26,565	**—**	—

Income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial year.

7. Income Tax Expense (continued)

The reconciliations of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	**60,976**	118,415	**19,047**	23,297
Tax at applicable tax rate of 24% (2021: 24%)	**14,634**	28,420	**4,571**	5,591
Effect of different tax rates in foreign jurisdiction	**(420)**	(2,750)	**—**	—
Effect of real property gain tax	**277**	—	**—**	—
Tax effects arising from:				
– non-deductible expenses	**920**	2,869	**206**	246
– non-taxable income	**(730)**	(1,237)	**(4,777)**	(5,837)
Deferred tax assets not recognised in the financial statements	**155**	64	**—**	—
Utilisation of previously unrecognised deferred tax assets	**(3)**	(251)	**—**	—
Under/(Over) provision of current tax in prior financial year	**597**	(402)	**—**	—
Under/(Over) provision of deferred tax liabilities in prior financial year	**133**	(148)	**—**	—
Income tax expense	**15,563**	26,565	**—**	—

8. Earnings Per Share Attributable to Ordinary Shareholders of the Company

Basic earnings share

Basic earnings per share are based on the profit for the financial year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	2022	2021
Profit attributable to owners/ordinary shareholders of the Company (RM'000)	**42,162**	74,994
Weighted average number of ordinary shares for basic earnings per share (Unit'000)	**544,000**	544,000
Basic earnings per ordinary share (sen)	**7.75**	13.79

Diluted earnings per share

The diluted earnings per share of the Company for the financial year ended 2022 and 2021 is same as the basic earnings per ordinary share of the Company as there were no potential dilutive ordinary shares.

9. Property, Plant and Equipment

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	BUILDINGS UNDER CONSTRUCTION RM'000	MOTOR VEHICLES RM'000	PLANT AND MACHINERY RM'000	RENOVATION AND OFFICE EQUIPMENT RM'000	SIGNBOARD, FURNITURE AND FITTINGS RM'000	TOTAL RM'000
Cost								
At 1 January 2022	7,766	17,601	5,728	11,552	7,514	7,872	773	58,806
Additions	—	12	25,780	5,734	1,633	542	20	33,721
Disposals	—	—	—	(1,867)	—	(22)	—	(1,889)
Written off	—	—	—	—	—	(447)	(26)	(473)
Transfer of construction related cost from leasehold land	—	—	1,556	—	—	—	—	1,556
Transfer to non-current asset held for sale	(490)	(379)	—	—	—	—	—	(869)
Effect of movement in exchange rate	—	(88)	(59)	(91)	(57)	(26)	—	(321)
At 31 December 2022	7,276	17,146	33,005	15,328	9,090	7,919	767	90,531
Accumulated depreciation								
At 1 January 2022	—	4,958	—	7,907	6,410	6,042	702	26,019
Charge for the financial year	—	384	—	1,575	290	546	21	2,816
Disposals	—	—	—	(1,814)	—	(12)	—	(1,826)
Written off	—	—	—	—	—	(444)	(26)	(470)
Transfer to non-current asset held for sale	—	(167)	—	—	—	—	—	(167)
Effect of movement in exchange rate	—	(39)	—	(63)	(53)	(22)	—	(177)
At 31 December 2022	—	5,136	—	7,605	6,647	6,110	697	26,195
Carrying amount								
At 31 December 2022	7,276	12,010	33,005	7,723	2,443	1,809	70	64,336

9. Property, Plant and Equipment (continued)

GROUP	FREEHOLD LAND RM'000	BUILDINGS RM'000	BUILDINGS UNDER CONSTRUCTION RM'000	MOTOR VEHICLES RM'000	PLANT AND MACHINERY RM'000	RENOVATION AND OFFICE EQUIPMENT RM'000	SIGNBOARD, FURNITURE AND FITTINGS RM'000	TOTAL RM'000
Cost								
At 1 January 2021	8,456	17,897	131	10,451	6,873	7,405	769	51,982
Additions	—	48	5,597	1,746	594	641	4	8,630
Disposals	—	—	—	(706)	—	(150)	—	(856)
Written off	—	—	—	—	—	(55)	—	(55)
Transfer to non-current asset held for sale	(690)	(379)	—	—	—	—	—	(1,069)
Effect of movement in exchange rate	—	35	—	61	47	31	—	174
At 31 December 2021	7,766	17,601	5,728	11,552	7,514	7,872	773	58,806
Accumulated depreciation								
At 1 January 2021	—	4,713	—	6,758	6,140	5,680	681	23,972
Charge for the financial year	—	391	—	1,445	239	483	21	2,579
Disposals	—	—	—	(325)	—	(87)	—	(412)
Written off	—	—	—	—	—	(55)	—	(55)
Transfer to non-current asset held for sale	—	(159)	—	—	—	—	—	(159)
Effect of movement in exchange rate	—	13	—	29	31	21	—	94
At 31 December 2021	—	4,958	—	7,907	6,410	6,042	702	26,019
Carrying amount								
At 31 December 2021	7,766	12,643	5,728	3,645	1,104	1,830	71	32,787

9. Property, Plant and Equipment (continued)

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

	GROUP	
	2022 RM'000	2021 RM'000
Freehold land	**7,276**	7,766
Buildings	**10,861**	11,383
Building under construction	**17,365**	5,728
Motor vehicles	**5,260**	1,536
	40,762	26,413

(b) Interest expense of RM340,465 (2021: RM nil) were capitalised in buildings under construction during the financial year.

10. Right-Of-Use Assets

Information about leases for which the Group is lessees is presented below:

GROUP	Land RM'000	Buildings RM'000	Storage tank RM'000	Total RM'000
Cost				
At 1 January 2022	**32,485**	**9,468**	**6,495**	**48,448**
Additions	**232**	**1,979**	**3,879**	**6,090**
Termination of lease	**—**	**(3,105)**	**(398)**	**(3,503)**
Transfer of construction related cost to property, plant and equipment	**(1,556)**	**—**	**—**	**(1,556)**
Effect of movement in exchange rate	**(74)**	**77**	**717**	**720**
At 31 December 2022	**31,087**	**8,419**	**10,693**	**50,199**
Accumulated depreciation	**778**	**6,719**	**5,675**	**13,172**
At 1 January 2022				
Depreciation charge for the financial year	**202**	**1,868**	**2,166**	**4,236**
Termination of lease	**—**	**(3,002)**	**(398)**	**(3,400)**
Effect of movement in exchange rate	**(1)**	**(323)**	**978**	**654**
At 31 December 2022	**979**	**5,262**	**8,421**	**14,662**
Carrying amount				
At 31 December 2022	**30,108**	**3,157**	**2,272**	**35,537**

10. Right-Of-Use Assets (continued)

Information about leases for which the Group is lessees is presented below: (continued)

GROUP	Land RM'000	Buildings RM'000	Storage tank RM'000	Total RM'000
Cost				
At 1 January 2021	15,912	7,776	6,239	29,927
Additions	16,550	2,240	1,212	20,002
Termination of lease	—	(828)	(1,015)	(1,843)
Effect of movement in exchange rate	23	280	59	362
At 31 December 2021	32,485	9,468	6,495	48,448
Accumulated depreciation				
At 1 January 2021	615	4,385	4,120	9,120
Depreciation charge for the financial year	158	2,228	2,225	4,611
Termination of lease	—	(373)	(699)	(1,072)
Effect of movement in exchange rate	5	479	29	513
At 31 December 2021	778	6,719	5,675	13,172
Carrying amount				
At 31 December 2021	31,707	2,749	820	35,276

The Group leases land, buildings and storage tank for their office use and operations. The leases for office space and operations generally have lease term between 1 to 99 years, including the renewed terms.

Land includes land use rights with carrying amount of RM15,400,639 (2021: RM17,074,096) over certain parcels of land located in the Republic of Indonesia and the Socialist Republic of Vietnam with remaining tenure of 18 years to 35 years (2021: 19 years to 36 years) respectively.

Land with carrying amount of RM12,324,472 (2021: RM12,217,974) is pledged as security for borrowings as disclosed in Note 20.

11. Investments in Subsidiaries

	COMPANY	
	2022 RM'000	2021 RM'000
At cost		
Unquoted shares	**88,695**	85,267
Less: Accumulated impairment losses	**(3,147)**	(3,447)
	85,548	81,820
Capital contributions to subsidaries	**56,607**	56,607
	142,155	138,427

Capital contributions represent unsecured, interest free, non-trade balances with subsidiaries. As these balances are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss, if any. The settlement of these balances is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat them as long-term source of capital to the subsidiaries.

11. Investments in Subsidiaries (continued)

The details of subsidiaries are as follows:

NAME OF COMPANY	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2022	OWNERSHIP INTEREST 2021	PRINCIPAL ACTIVITIES
Held by the Company				
Samchem Logistics Services Sdn. Bhd.	Malaysia	**70%**	70%	Provision of logistics services
Samchem Industries Sdn. Bhd.	Malaysia	**100%**	100%	Distribution of specialty chemicals
Samchem Lubricants Sdn. Bhd.	Malaysia	**100%**	100%	Distribution of industrial lubricants
Samchem Nusajaya Sdn. Bhd.	Malaysia	**100%**	100%	Distribution of intermediate and specialty chemicals and blending of customised solvents
Eweny Chemicals Sdn. Bhd.	Malaysia	**100%**	100%	Ceased operation
Samchemsphere Export Sdn. Bhd.	Malaysia	**100%**	100%	Export of intermediate and specialty chemicals
Samchem Sdn. Bhd.	Malaysia	**100%**	100%	Distribution of Polyurethane (PU), intermediate and specialty chemicals and investment holding
* My Online AV Sdn.Bhd.	Malaysia	**—**	60%	Ceased operation
* Samserv Services Sdn. Bhd.	Malaysia	**—**	60%	Ceased operation
Sampro Distribution Sdn. Bhd.	Malaysia	**60%**	60%	Ceased operation
Samsentosa Chemicals Sdn. Bhd.	Malaysia	**100%**	60%	Distribution of industrial chemicals
Samchem Inorganic Chemicals Sdn. Bhd.	Malaysia	**100%**	100%	Distribution of industrial chemicals
SC Udes Sdn. Bhd.	Malaysia	**80%**	80%	Provision of logistics services
SC Terminals Sdn. Bhd.	Malaysia	**100%**	100%	Dormant
^ PT Samchem Prasandha	Republic of Indonesia	**96.5%**	96.5%	Distribution of industrial chemicals
# Samchem (Singapore) Pte. Ltd.	Republic of Singapore	**100%**	100%	Distribution of intermediate and specialty chemicals and blending of customised solvents
Held through Samchem Sdn. Bhd.				
^ PT Samchem Prasandha	Republic of Indonesia	**3.5%**	3.5%	Distribution of industrial chemicals
Held through Samchemsphere Export Sdn. Bhd.				
# Sam Chem Sphere Joint Stock Company	Socialist Republic of Vietnam	**63.25%**	63.25%	Distribution of PU, intermediate and specialty chemicals
Held through Sam Chem Sphere Joint Stock Company				
# Samchemsphere Indochina (Vietnam) Company Limited	Socialist Republic of Vietnam	**100%**	100%	Blending of PU and intermediate chemicals
@ Samm Sphere (Cambodia) Company Limited	Cambodia	**100%**	100%	Distribution of PU, intermediate and specialty chemicals

11. Investments in Subsidiaries (continued)

The details of subsidiaries are as follows (continued):

NAME OF COMPANY	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2022	OWNERSHIP INTEREST 2021	PRINCIPAL ACTIVITIES
Held through Sam Chem Sphere Joint Stock Company (continued)				
@ Samchem Sphere (Myanmar) Company Limited	Myanmar	**100%**	100%	Dormant
# Meridian Chemicals (Vietnam) Company Limited	Socialist Republic of Vietnam	**100%**	100%	Blending and distribution of chemicals

 # Audited by a firm of auditors other than Baker Tilly Monteiro Heng PLT.
^ Audited by an independent member firm of Baker Tilly International.
** Subsidiaries were struck off on 10 January 2022.*
@ Consolidated using unaudited management accounts, no statutory requirement for the financial statements to be audited at financial year end.

2022

Acquisition of non-controlling interests

On 7 June 2022, the Company acquired the remaining 40% equity interest in Samsentosa Chemicals Sdn. Bhd. ("SCSB") for a total consideration of RM2,200,000. Consequently, SCSB became wholly-owned subsidiary of the Company.

	SCSB RM'000
Cash consideration paid to non-controlling interest	2,204
Carrying amount of additional interest acquired	(553)
Excess charged directly to equity	1,651

Subscription in subsidiaries

On 12 May 2022, the Company subscribed for 30,000 ordinary shares in SC Terminals Sdn. Bhd. for a total cash consideration of RM30,000.

On 13 September 2022, the Company subscribed for 1,499,900 ordinary shares in SCSB for a total cash consideration of RM1,499,900.

2021

On 7 May 2021, the Company disposed of its 20% equity investment in SC Udes Sdn. Bhd. for a total consideration of RM400,000. Consequently, the Company's effective ownership in SC Udes Sdn. Bhd. decreased from 100% to 80%.

Non-controlling interests ("NCI") in subsidiaries

(a) The subsidiaries of the Group that have material NCI are as follows:

	SAM CHEM SPHERE JOINT STOCK COMPANY RM'000	OTHER INDIVIDUALLY IMMATERIAL SUBSIDIARIES RM'000	TOTAL RM'000
2022			
NCI effective ownership interest and voting interest	**36.75%**		
Carrying amount of NCI	**25,442**	**(1,135)**	**24,307**
Profit allocated to NCI	**2,564**	**687**	**3,251**
Total other comprehensive income/(loss) allocated to NCI	**298**	**(501)**	**(203)**
Total comprehensive income allocated to NCI	**2,862**	**186**	**3,048**

11. Investments in Subsidiaries (continued)

Non-controlling interests ("NCI") in subsidiaries (continued)

(a) The subsidiaries of the Group that have material NCI are as follows (continued):

	SAM CHEM SPHERE JOINT STOCK COMPANY RM'000	OTHER INDIVIDUALLY IMMATERIAL SUBSIDIARIES RM'000	TOTAL RM'000
2021			
NCI effective ownership interest and voting interest	36.75%		
Carrying amount of NCI	31,092	(642)	30,450
Profit allocated to NCI	16,656	200	16,856
Total other comprehensive income allocated to NCI	436	9	445
Total comprehensive income allocated to NCI	17,092	209	17,301

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at each reporting date are as follows:

	SAM CHEM SPHERE JOINT STOCK COMPANY	
	2022 RM'000	2021 RM'000
Assets and liabilities		
Non-current assets	**29,281**	19,033
Current assets	**132,191**	212,181
Non-current liabilities	**—**	—
Current liabilities	**(92,242)**	(146,609)
Net assets	**69,230**	84,605
Results		
Revenue	**542,045**	654,039
Profit for the financial year	**6,978**	45,323
Other comprehensive income	**810**	1,185
Total comprehensive income for the financial year	**7,788**	46,508
Cash flows generated from/(used in):		
– operating activities	**57,925**	53
– investing activities	**(9,555)**	(12,998)
– financing activities	**(40,919)**	7,862
Net increase/(decrease) in cash and cash equivalents	**7,451**	(5,083)
Dividends paid to NCI	**8,638**	3,092

(c) There are no restrictions in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

12. Deferred Tax Assets/(Liabilities)

	GROUP	
	2022 RM'000	2021 RM'000
At 1 January	**562**	541
Recognised in profit or loss	**(500)**	34
Effect of movements in exchange rate	**(73)**	(13)
At 31 December	**(11)**	562

Presented after appropriate offsetting as follows:

	2022 RM'000	2021 RM'000
Deferred tax assets	**792**	1,048
Deferred tax liabilities	**(803)**	(486)
	(11)	562

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

GROUP	AT 1 JANUARY 2021 RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 7) RM'000	EXCHANGE DIFFERENCES RM'000	AT 31 DECEMBER 2021 RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 7) RM'000	EXCHANGE DIFFERENCES RM'000	AT 31 DECEMBER 2022 RM'000
Deductible temporary differences in respect of expenses	962	209	(13)	1,158	(48)	(73)	1,037
Taxable temporary differences in respect of income	82	(141)	—	(59)	59	—	—
Difference between the carrying amounts of property, plant and equipment and their tax base	(503)	(34)	—	(537)	(511)	—	(1,048)
	541	34	(13)	562	(500)	(73)	(11)

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

	GROUP	
	2022 RM'000	2021 RM'000
Deductible temporary differences in respect of expenses	**1,465**	919
Unutilised tax losses	**9,597**	9,508
Unabsorbed capital allowances	**188**	188
	11,250	10,615

The unutilised tax losses are available for offset against future taxable profits of the subsidiaries up to the following financial years:

	GROUP	
	2022 RM'000	2021 RM'000
2028	**7,973**	7,995
2029	**926**	926
2030	**295**	295
2031	**292**	292
2032	**111**	—
	9,597	9,508

13. Inventories

	GROUP	
	2022 RM'000	**2021 RM'000**
At cost:		
Trading goods	**134,468**	173,495
Goods-in-transit	**2,738**	19,311
Packaging materials	**203**	606
	137,409	193,412

(i) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM1,170,753,096 (2021: RM1,147,970,489).

(ii) The amount recognised as an expense in other expenses during the financial year in respect of write down of inventories to net realisable value was RM5,179,787 (2021: RM1,730,650).

(iii) The amount recognised as an expense in other expenses in the previous financial year in respect of inventories written off, which were mainly damaged by flood, was RM1,434,444.

(iv) During the financial year, the Group reversed inventories written down previously amounting to RM12,453 (2021: RM905,390). The amount is included in other income.

14. Trade Receivables

	GROUP	
	2022 RM'000	**2021 RM'000**
Trade receivables	**193,541**	288,978
Less: Allowance for impairment losses	**(6,636)**	(6,271)
	186,905	282,707

Trade receivables are non-interest bearing and normal credit terms offered by the Group and ranging from 30 to 90 days (2021: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

The movement in the allowance for impairment losses of trade receivables is as follows:

	GROUP	
	2022 RM'000	**2021 RM'000**
At 1 January	**6,271**	5,586
Charge for impairment losses (Note 5)	**2,494**	1,229
Reversal of impairment losses (Note 5)	**(2,097)**	(613)
Effect of movement in exchange rate	**(32)**	69
At 31 December	**6,636**	6,271

The information about the credit exposures is disclosed in Note 30(b)(i).

15. Other Receivables, Deposits and Prepayments

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	**620**	619	**2**	2
Advance payments to suppliers	**1,764**	5,749	**—**	—
GST/VAT refundable	**12,748**	16,081	**—**	—
Deposits	**1,248**	1,076	**—**	—
Prepayments	**1,545**	1,014	**—**	—
	17,925	24,539	**2**	2

(i) Included in GST/VAT refundable of the Group is an amount of RM12,691,000 (2021: RM15,526,000) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

(ii) The movement in the allowance for impairment losses of other receivables is as follows:

	GROUP	
	2022 RM'000	2021 RM'000
At 1 January	**—**	2
Reversal of impairment losses (Note 5)	**—**	(2)
At 31 December	**—**	—

16. Deposits with Licensed Banks

The deposits with licensed banks of the Group bear effective interest rates ranging from 0.80% to 1.60% (2021: 0.60% to 2.35%) per annum and mature between one month to one year.

Deposits amounting to RM154,034 (2021: RM154,034) are pledged for bank borrowings granted to the subsidiaries (Note 20). As such, these deposits are not available for general use.

17. Non-Current Asset Held for Sale

	GROUP	
	2022 RM'000	2021 RM'000
Freehold land	**490**	690
Buildings	**212**	220
	702	910

2022

On 12 April 2022, Samchem Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with MTIS Industrial Supplies Sdn. Bhd. for the disposal of factory erected on a freehold land for a total cash consideration of RM3,150,000 ("Building Disposal"). The Building Disposal is expected to be completed in year 2023. Accordingly, the freehold land and building have been classified as non-current asset held for sale.

2021

On 8 June 2021, Samchem Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sky & Sanders Holdings Sdn. Bhd. for the disposal of factory erected on a freehold land for a total cash consideration of RM3,800,000 ("Building Disposal"). The Building Disposal was completed in year 2022. Accordingly, the freehold land and building have been classified as non-current asset held for sale.

Non-current asset held for sale relate to property which had been pledged to a licensed bank as security for banking facilities granted to a subsidiary as disclosed in Note 20 to the financial statements.

18. Share Capital

	GROUP AND COMPANY			
	2022		2021	
	NO. OF SHARES RM'000	AMOUNT RM'000	NO. OF SHARES RM'000	AMOUNT RM'000
Issued and fully paid up (no par value):				
At 1 January	**544,000**	**136,954**	272,000	136,954
Issued during the financial year	**—**	**—**	272,000	—
At 31 December	**544,000**	**136,954**	544,000	136,954

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

In the previous financial year, the Company issued a total of 272,000,000 new ordinary shares pursuant to the bonus issue on the basis of one bonus share for each existing ordinary shares held in the Company.

The new ordinary shares issued in the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

19. Reserves

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capital reserve	**13,355**	13,355	**—**	—
Reverse acquisition reserve	**(40,726)**	(40,726)	**—**	—
Currency translation reserve	**659**	1,334	**—**	—
Retained earnings	**155,571**	134,100	**10,035**	10,028
	128,859	108,063	**10,035**	10,028

(a) Capital reserve

Capital reserve relates to reserve arising from bonus issue in subsidiary.

(b) Reverse acquisition reserve

Reverse acquisition reserve relates to the difference between the issued equity of the Company together with the deemed business combination costs and the issued equity of Samchem Sdn. Bhd..

(c) Currency translation reserve

The currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. Borrowings

	GROUP 2022 RM'000	GROUP 2021 RM'000
Non-current:		
Secured:		
Hire purchase payables		
– RM	**3,614**	639
– IDR	**56**	16
Term loans		
– RM	**13,919**	6,703
Total non-current borrowings	**17,589**	7,358
Current:		
Secured:		
Bankers' acceptances		
– RM	**76,180**	90,235
Hire purchase payables		
– RM	**1,254**	584
– IDR	**117**	26
Short term loans		
– VND	**38,596**	79,691
Foreign currency trade loan		
– RM	**—**	13,619
– USD	**—**	9,858
Onshore foreign currency loans		
– USD	**—**	2,028
Term loans		
– RM	**1,271**	609
	117,418	196,650
Unsecured:		
Foreign currency trade loans – USD	**2,239**	22,078
	2,239	22,078
Total current borrowings	**119,657**	218,728
Total borrowings	**137,246**	226,086

	GROUP 2022 RM'000	GROUP 2021 RM'000
Total borrowings		
Bankers' acceptances	**76,180**	90,235
Hire purchase payables	**5,041**	1,265
Short term loans	**38,596**	79,691
Foreign currency trade loan	**2,239**	45,555
Onshore foreign currency loans	**—**	2,028
Term loans	**15,190**	7,312
	137,246	226,086

20. **Borrowings** (continued)

The secured borrowings of the Group are secured by the following:

(i) letter of set-off over the deposits with licensed banks of subsidiaries (Note 16);
(ii) legal charge over the freehold land, leasehold land and buildings of subsidiaries (Notes 9, 10 and 17); and
(iii) corporate guarantee from the Company and a subsidiary.

The borrowings bear interest at rates as follows:

	GROUP	
	2022 % PER ANNUM	**2021 % PER ANNUM**
Bankers' acceptances	**3.40 to 4.40**	2.02 to 2.89
Hire purchase payables	**2.03 to 11.75**	1.60 to 6.89
Short term loans	**6.62**	1.05 to 2.63
Foreign currency trade loan	**5.64**	1.04 to 1.11
Onshore foreign currency loans	**Nil**	0.98 to 1.58
Term loans	**3.79 to 4.80**	2.95

The maturity profile of term loans is as follows:

	GROUP	
	2022 RM'000	**2021 RM'000**
Repayable within 1 year	**1,271**	609
Repayable after 1 year but not later than 2 years	**1,316**	609
Repayable after 2 years but not later than 3 years	**1,316**	609
Repayable after 3 years but not later than 4 years	**1,316**	609
Repayable after 4 years but not later than 5 years	**1,316**	609
Repayable after 5 years	**8,655**	4,267
	15,190	7,312

Certain motor vehicles of the Group as disclosed in Note 9 are pledged for hire purchase.

The maturity profile of hire purchase is as follows:

	GROUP	
	2022 RM'000	**2021 RM'000**
Future minimum payments		
– within 1 year	**1,607**	660
– between 2 and 5 years	**3,973**	699
	5,580	1,359
Future finance charaes on hire purchase	**(539)**	(94)
Present value of minimum payments	**5,041**	1,265
Payable within 1 year (included under current liabilities)	**(1,371)**	(610)
Payable between 2 and 5 years (included under non-current liabilities)	**3,670**	655

21. Lease Liabilities

	GROUP	
	2022 RM'000	2021 RM'000
Non-current		
Lease liabilities	**2,720**	1,808
Current		
Lease liabilities	**2,709**	1,960
	5,429	3,768

The weighted average incremental borrowing rate applied to the lease liabilities was 4.29% (2021: 3.02%) per annum.

	GROUP	
	2022 RM'000	2021 RM'000
Future minimum lease payments	**5,733**	3,885
Less: Future finance charges	**(304)**	(117)
Total present value of minimum lease payments	**5,429**	3,768
Current liabilities		
Payable within one year		
Future minimum lease payments	**2,919**	2,026
Less: Future finance charges	**(210)**	(66)
Present value of minimum lease payments	**2,709**	1,960
Non-current liabilities		
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**2,814**	1,859
Less: Future finance charges	**(94)**	(51)
Present value of minimum lease payments	**2,720**	1,808
Total present value of minimum lease payments	**5,429**	3,768

22. Retirement Benefit Obligations

A subsidiary of the Company in Indonesia operates an unfunded defined benefit scheme, as required under the Labour Law of the Republic of Indonesia.

	GROUP	
	2022 RM'000	2021 RM'000
At 1 January	**1,384**	1,295
(Reversal)/Provision made during the financial year	**(86)**	155
Utilised during the financial year	**(7)**	—
Effect of exchange rate difference	**(263)**	(66)
At 31 December	**1,028**	1,384

22. Retirement Benefit Obligations (continued)

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

	GROUP	
	2022 RM'000	**2021 RM'000**
Present value obligations	**1,028**	1,384

The expenses recognised in profit or loss are as follows:

	GROUP	
	2022 RM'000	**2021 RM'000**
Current service costs	**157**	169
Interest on obligation	**100**	92
Actual benefit payment	**(343)**	(106)
	(86)	155

The defined benefit obligation expense was determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions as at the reporting date are as follows:

	GROUP	
	2022	**2021**
Normal retirement age	**60 years old**	55 years old
Discount rate	**7.23%**	7.05%
Future salary increases	**9.00%**	9.00%
Withdrawal rate	**2.5% at age 15 and linearly decreasing up to age 59**	1% at age 20 and linearly decreasing up to age 54
Mortality rate	**TMI IV**	TMI IV

23. Trade Payables

	GROUP	
	2022 RM'000	**2021 RM'000**
External parties	**70,906**	133,905

The normal trade credit term granted by the suppliers to the Group ranges from 30 to 90 days (2021: 30 to 90 days).

Included in trade payables is an amount of RM145,199 (2021: RM125,076) due to a company in which a director of certain subsidiaries have financial interest.

24. Other Payables, Deposits and Accruals

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sundry payables	**6,153**	4,142	**4**	—
Subsidiary	**—**	—	**—**	2
GST/VAT payable	**78**	—	**—**	—
Depositsreceived	**—**	79	**—**	—
Contract liabilities	**292**	1,026	**—**	—
Accruals	**3,140**	4,975	**69**	57
	9,663	10,222	**73**	59

The contract liabilities relate to the advances received from contract customers for sale of goods.

Significant changes to contract liabilities balance during the year are as follows:

	GROUP	
	2022 RM'000	2021 RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	**(1,026)**	(1,516)
Increase due to cash received, excluding amounts recognised as revenue during the year	**292**	1,026

25. Dividends

	GROUP	
	2022 RM'000	2021 RM'000
Recognised during the financial year		
Dividends on ordinary shares:		
– Single-tier fourth interim dividend for the financial year ended 31 December 2021: 1.5 sen (2020: 2.0 sen) per ordinary share	**8 ,160**	5 ,440
– Single-tier first interim dividend for the financial year ended 31 December 2022: 1.0 sen (2021: 1.0 sen) per ordinary share	**5 ,440**	2,720
– Single-tier second interim dividend for the financial year ended 31 December 2022: 1.0 sen (2021: 1.0 sen) per ordinary share	**5 ,440**	5,440
– Single-tier third interim dividend for the financial year ended 31 December 2021:1.0 sen per ordinary share	**—**	5,440
	19,040	19,040

On 2 December 2022, the directors declared a third interim single-tier exempt dividend of 0.6 sen per ordinary share on 544,000,000 ordinary shares amounting to RM3,264,000 in respect of the financial year ended 31 December 2022. This third interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

On 24 February 2023, the directors declared a fourth interim single-tier exempt dividend of 0.6 sen per ordinary share on 544,000,000 ordinary shares amounting to RM3,264,000 in respect of the financial year ended 31 December 2022. This fourth interim dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2022.

26. Cash and Cash Equivalents

	GROUP 2022 RM'000	GROUP 2021 RM'000	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Cash and bank balances	**78,546**	85,615	**3,647**	53
Deposits with licensed banks (Note 16)	**399**	399	**—**	—
Less: Fixed deposit pledged (Note 16)	**(154)**	(154)	**—**	—
	78,791	85,860	**3,647**	53

27. Capital Commitment

The Group has made commitments for the following capital expenditures:

	GROUP 2022 RM'000	GROUP 2021 RM'000
Building under construction	**8,962**	9,994
Plant and machinery	**228**	—
	9,190	9,994

28. Related Party Disclosures

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:
(i) Subsidiaries;
(ii) Entities in which the directors of the subsidiaries have substantial financial interests; and
(iii) Key management personnel of the Group and the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	GROUP 2022 RM'000	GROUP 2021 RM'000
Transactions with companies in which certain directors of subsidiaries have financial interests:		
Purchases of products	**197**	1,995
Sales of products	**(1,529)**	(755)

	COMPANY 2022 RM'000	COMPANY 2021 RM'000
Transactions with subsidiaries:		
Dividend income	**(19,905)**	(24,320)

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 23 and 24 to the financial statements.

28. Related Party Disclosures (continued)

(c) Compensation of key management personnel

The remuneration of the key management personnel is as follows:

	GROUP		COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company and subsidiaries:				
Non-executive director				
– Fees	**219**	220	**219**	220
– Other emoluments	**24**	22	**24**	22
	243	242	**243**	242
Executive directors				
– Short term employee benefits	**3,623**	4,895	**—**	—
– Post-employment benefits	**275**	297	**—**	—
– Fees	**97**	60	**97**	60
– Other emoluments	**13**	10	**12**	10
	4,008	5,262	**109**	70
	4,251	5,504	**352**	312
Other key management personnel:				
– Short term employee benefits	**1,184**	1,271	**—**	—
– Post-employment benefits	**142**	156	**—**	—
	1,326	1,427	**—**	—
	5,577	6,931	**352**	312

29. Segment Information

The Group prepared the geographical segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The reportable operating segments are as follows:

(i) Malaysia
(ii) Republic of Indonesia
(iii) Socialist Republic of Vietnam
(iv) Republic of Singapore

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.4. Segment results represents profit or loss before tax of the respective business segments. There are no transactions between the reportable segments. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets and liabilities

Segment assets and liabilities are measured based on all assets and liabilities of segment other than those activities that are not part of any reportable segments.

29. Segment Information (continued)

Information about major customers

There is no single customer with revenue equal or more than 10% of the Group revenue.

	MALAYSIA RM'000	REPUBLIC OF INDONESIA RM'000	SOCIALIST REPUBLIC OF VIETNAM RM'000	REPUBLIC OF SINGAPORE RM'000	ELIMINATION RM'000	TOTAL RM'000
2022						
Revenue						
External revenue	647,697	99,684	542,045	32,387	—	1,321,813
Inter-segment revenue (Note a)	217,220	—	—	23,509	(240,729)	—
Total segment revenue	864,917	99,684	542,045	55,896	(240,729)	1,321,813
Results						
Segment results/Profit before tax	49,493	1,234	8,964	1,285	—	60,976
Income tax expense						(15,563)
Profit for the financial year						45,413
Assets						
Total assets	300,444	51,704	162,725	11,603	—	526,476
Liabilities						
Total liabilities	122,469	6,867	94,050	12,970	—	236,356
Other segment information						
Depreciation	3,921	1,761	1,276	94	—	7,052
Interest income (Note b)	(818)	(127)	(18)	(5)	257	(711)
Interest expense (Note b)	4,131	245	3,082	194	(257)	7,395
Impairment loss on trade receivables	1,117	—	955	422	—	2,494
Reversal of impairment loss on trade receivables	(478)	(33)	(1,586)	—	—	(2,097)
Inventories written down	74	1,184	3,922	—	—	5,180
Reversal of inventories written down	(12)	—	—	—	—	(12)
Additions to non-current assets other than financial instruments and deferred tax assets	20,621	3,813	15,372	5	—	39,811

29. Segment Information (continued)

	MALAYSIA RM'000	REPUBLIC OF INDONESIA RM'000	SOCIALIST REPUBLIC OF VIETNAM RM'000	REPUBLIC OF SINGAPORE RM'000	ELIMINATION RM'000	TOTAL RM'000
2021						
Revenue						
External revenue	549,782	178,544	654,039	23,239	—	1,405,604
Inter-segment revenue (Note a)	270,940	—	—	36,427	(307,367)	—
Total segment revenue	820,722	178,544	654,039	59,666	(307,367)	1,405,604
Results						
Segment result/Profit before tax	48,316	16,725	51,756	1,618	—	118,415
Income tax expense						(26,565)
Profit for the financial year						91,850
Assets						
Total assets	350,030	82,380	213,369	11,433	—	657,212
Liabilities						
Total liabilities	111,079	95,327	145,337	30,002	—	381,745
Other segment information						
Depreciation	3,786	1,639	1,638	127	—	7,190
Interest income (Note b)	(605)	(46)	(138)	(3)	87	(705)
Interest expense (Note b)	3,111	28	1,977	130	(87)	5,159
Impairment loss on trade receivables	515	12	702	—	—	1,229
Reversal of impairment loss on trade receivables	(185)	—	(428)	—	—	(613)
Inventories written down	817	914	—	—	—	1,731
Inventories written off	1,434	—	—	—	—	1,434
Reversal of inventories written down	(905)	—	—	—	—	(905)
Additions to non-current assets other than financial instruments and deferred tax assets	26,095	127	2,144	266	—	28,632

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

29 Segment Information (continued)

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	2022 RM'000	2021 RM'000
Malaysia	**647,697**	549,782
Republic of Indonesia	**99,684**	178,544
Socialist Republic of Vietnam	**542,045**	654,039
Republic of Singapore	**32,387**	23,239
	1,321,813	1,405,604

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

	2022 RM'000	2021 RM'000
Malaysia	**61,885**	62,498
Republic of Indonesia	**4,028**	2,418
Socialist Republic of Vietnam	**33,809**	2,923
Republic of Singapore	**151**	224
	99,873	68,063

30. Financial Instruments

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost

GROUP	AMORTISED COST RM'000	Total RM'000
2022		
Financial assets		
Receivables and deposits *(exclude advance payment to suppliers, GST/VAT refundable and prepayments)*	**188,773**	**188,773**
Deposits with licensed banks	**399**	**399**
Cash and bank balances	**78,546**	**78,546**
	267,718	**267,718**
Financial liabilities		
Payables and accruals *(exclude GST/VAT payable and contract liabilities)*	**80,199**	**80,199**
Loans and borrowings	**137,246**	**137,246**
	217,445	**217,445**

30. Financial Instruments (continued)

(a) Categories of financial instruments:

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (continued):

GROUP	AMORTISED COST RM'000	Total RM'000
2021		
Financial assets		
Receivables and deposits *(exclude advance payment to suppliers, GST/VAT refundable and prepayments)*	284,402	284,402
Deposits with licensed banks	399	399
Cash and bank balances	85,615	85,615
	370,416	370,416
Financial liabilities		
Payables and accruals *(exclude GST/VAT payable and contract liabilities)*	143,101	143,101
Loans and borrowings	226,086	226,086
	369,187	369,187

COMPANY	AMORTISED COST RM'000	Total RM'000
2022		
Financial assets		
Dividend receivable	**1,200**	**1,200**
Receivables	**2**	**2**
Cash and bank balances	**3,647**	**3,647**
	4,849	**4,849**
Financial liabilities		
Other payable and accruals	73	73
2021		
Financial assets		
Dividend receivable	8,500	8,500
Receivables	2	2
Cash and bank balances	53	53
	8,555	8,555
Financial liabilities		
Accruals	59	59

30. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Executive Directors, the Financial Controller, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables), including deposits with banks and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The Group has in place its debts recovery procedures including initiate legal proceedings to recover long overdue balances.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

<u>Credit risk concentration profile</u>

The exposure of credit risk for trade receivables before impairment loss as at the end of the financial year by geographic region are as follows:

	GROUP			
	2022		2021	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	**124,569**	**64.36%**	137,236	47.49%
Indonesia	**10,371**	**5.36%**	35,600	12.32%
Vietnam	**53,530**	**27.66%**	107,812	37.31%
Singapore	**5,071**	**2.62%**	8,330	2.88%
	193,541	**100.00%**	288,978	100.00%

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due which were estimated to be immaterial to the Group. The Group also individually assessed ECL of individual customers based on indicators such as changes in financial capability of the receivables, payment trends of the receivable and default or significant delay in payments. The determination of ECL also incorporate economic conditions during the period of historical data, current conditions and forward-looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

30. Financial Instruments (continued)

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

(i) Credit Risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables as follows:

GROUP	GROSS CARRYING AMOUNT RM'000	ECL ALLOWANCE RM'000	NET BALANCE RM'000
2022			
Current (not past due)	**132,038**	**—**	**132,038**
1 – 30 days past due	**36,542**	**—**	**36,542**
31 – 60 days past due	**11,317**	**—**	**11,317**
61 – 90 days past due	**2,895**	**—**	**2,895**
91 – 120 days past due	**3,460**	**—**	**3,460**
more than 120 days past due	**653**	**—**	**653**
Individually assessed (credit impaired)	**6,636**	**(6,636)**	**—**
	193,541	**(6,636)**	**186,905**
2021			
Current (not past due)	226,597	—	226,597
1 – 30 days past due	43,071	—	43,071
31 – 60 days past due	7,596	—	7,596
61 – 90 days past due	4,015	—	4,015
91 – 120 days past due	927	—	927
more than 120 days past due	501	—	501
Individually assessed (credit impaired)	6,271	(6,271)	—
	288,978	(6,271)	282,707

Other receivables and other financial assets

For other receivables and other financial assets (including deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward–looking information.

The Group and the Company consider these financial assets to have low credit risk and any loss allowance would be negligible. The Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 2.4(l)(i) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for credit term granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on–going basis. The maximum exposure to credit risks amounts to RM168,457,495 (2021: RM300,237,778) representing the outstanding banking facilities and certain trade payables of the subsidiaries at the reporting date. Generally, the Company considers the financial guarantees have low credit risk. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as most guarantees are provided as credit enhancements to the subsidiary companies' secured borrowings.

30. Financial Instruments (continued)

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand–by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

GROUP	CARRYING AMOUNT RM'000	CONTRACTUAL CASH FLOWS RM'000	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 2 YEARS RM'000	2 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
2022						
Financial liabilities						
Trade payables	**70,906**	**70,906**	**70,906**	**—**	**—**	**—**
Other payables, deposits and accruals *	**9,293**	**9,293**	**9,293**	**—**	**—**	**—**
Bankers' acceptances	**76,180**	**76,180**	**76,180**	**—**	**—**	**—**
Hire purchase payables	**5,041**	**5,580**	**1,607**	**1,366**	**2,607**	**—**
Lease liabilities	**5,429**	**5,733**	**2,919**	**2,807**	**7**	**—**
Foreign currency trade loan	**2,239**	**2,239**	**2,239**	**—**	**—**	**—**
Short term loans	**38,596**	**38,596**	**38,596**	**—**	**—**	**—**
Term loans	**15,190**	**18,845**	**1,874**	**1,864**	**5,266**	**9,841**
	222,874	**227,372**	**203,614**	**6,037**	**7,880**	**9,841**
2021						
Financial liabilities						
Trade payables	133,905	133,905	133,905	—	—	—
Other payables, deposits and accruals *	9,196	9,196	9,196	—	—	—
Bankers' acceptances	90,235	90,235	90,235	—	—	—
Hire purchase payables	1,265	1,359	660	550	149	—
Lease liabilities	3,768	3,886	2,026	1,860	—	—
Onshore foreign currency loans	2,028	2,028	2,028	—	—	—
Foreign currency trade loan	45,555	45,555	45,555	—	—	—
Short term loans	79,691	79,691	79,691	—	—	—
Term loans	7,312	8,649	823	804	2,302	4,720
	372,955	374,504	364,119	3,214	2,451	4,720

** Exclude GST/VAT payable and contract liabilities*

2022/2021 Company

The Company's financial liabilities and its financial guarantee contracts as disclosed in Note 30(b)(i) at the reporting date either matures within one year or repayable on demand.

30. Financial Instruments (continued)

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

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks, amounts due from or to subsidiaries and borrowings. The deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk.

Borrowings at floating rate amounting to RM93,609,440 (2021: RM224,820,480) expose the Group to cash flow interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

The Group does not have any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2022 would decrease/increase by RM355,716 (2021: RM884,181) as a result of exposure to floating rate borrowings.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currencies of the Group entities, primarily United States Dollar ("USD"), Vietnam Dong ("VND") and Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are mainly denominated are USD, Singapore Dollar ("SGD"), Euro and IDR.

Forward currency contracts may be used by certain subsidiaries to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Republic of Indonesia, Socialist Republic of Vietnam and Republic of Singapore.

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

	GROUP FUNCTIONAL CURRENCIES					COMPANY FUNCTIONAL CURRENCY	
GROUP	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	VIETNAM DONG RM'000	INDONESIAN RUPIAH RM'000	TOTAL RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
At 31 December 2022							
Financial assets and liabilities not held in functional currencies:							
Trade receivables							
US Dollar	10,360	—	5,504	99	15,963	—	—
Singapore Dollar	13	3,355	—	—	3,368	—	—
	10,373	3,355	5,504	99	19,331	—	—
Cash and short term deposits							
US Dollar	7,319	—	3,436	677	11,432	3	3
Indonesian Rupiah	2	—	—	—	2	—	—
Singapore Dollar	106	1,376	—	—	1,482	—	—
	7,427	1,376	3,436	677	12,916	3	3

30. Financial Instruments (continued)

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

(iv) Foreign Currency Risk (continued)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (continued):

GROUP	GROUP FUNCTIONAL CURRENCIES					COMPANY FUNCTIONAL CURRENCY	
	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	VIETNAM DONG RM'000	INDONESIAN RUPIAH RM'000	TOTAL RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
At 31 December 2022							
Financial assets and liabilities not held in functional currencies:							
Trade receivables							
US Dollar	**(18,541)**	**—**	**(9,926)**	**(465)**	**(28,932)**	**—**	**—**
Singapore Dollar	**—**	**(92)**	**—**	**—**	**(92)**	**—**	**—**
	(18,541)	**(92)**	**(9,926)**	**(465)**	**(29,024)**	**—**	**—**
Borrowings							
US Dollar	**(2,239)**	**—**	**(2,742)**	**—**	**(4,981)**	**—**	**—**
Total							
US Dollar	**(3,101)**	**—**	**(3,728)**	**311**	**(6,518)**	**3**	**3**
Indonesian Rupiah	**2**	**—**	**—**	**—**	**2**	**—**	**—**
Singapore Dollar	**119**	**4,639**	**—**	**—**	**4,758**	**—**	**—**
	(2,980)	**4,639**	**(3,728)**	**311**	**(1,758)**	**3**	**3**

GROUP	GROUP FUNCTIONAL CURRENCIES					COMPANY FUNCTIONAL CURRENCY	
	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	VIETNAM DONG RM'000	INDONESIAN RUPIAH RM'000	TOTAL RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
At 31 December 2021							
Financial assets and liabilities not held in functional currencies:							
Trade receivables							
US Dollar	8,025	—	4,409	13,183	25,617	—	—
Singapore Dollar	25	2,596	—	—	2,621	—	—
	8,050	2,596	4,409	13,183	28,238	—	—
Cash and short term deposits							
US Dollar	13,901	—	2,155	1,425	17,481	2	2
Indonesian Rupiah	2	—	—	—	2	—	—
Singapore Dollar	87	1,165	—	—	1,252	—	—
	13,990	1,165	2,155	1,425	18,735	2	2

31. Financial Instruments (continued)

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

(iv) Foreign Currency Risk (continued)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (continued):

GROUP	GROUP FUNCTIONAL CURRENCIES					COMPANY FUNCTIONAL CURRENCY	
	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	VIETNAM DONG RM'000	INDONESIAN RUPIAH RM'000	TOTAL RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
At 31 December 2021							
Financial assets and liabilities not held in functional currencies:							
Trade payables							
US Dollar	(58,730)	—	(48,152)	(45,192)	(152,074)	—	—
Euro	(61)	—	—	—	(61)		
Singapore Dollar	—	(43)	—	—	(43)	—	—
	(58,791)	(43)	(48,152)	(45,192)	(152,178)	—	—
Borrowings							
US Dollar	(37,725)	—	—	—	(37,725)	—	—
Singapore Dollar	—	(218)	—	—	(218)	—	—
	(37,725)	(218)	—	—	(37,943)	—	—
Total							
US Dollar	(74,529)	—	(41,588)	(30,584)	(146,701)	2	2
Euro	(61)	—	—	—	(61)		
Indonesian Rupiah	2	—	—	—	2	—	—
Singapore Dollar	112	3,500	—	—	3,612	—	—
	(74,476)	3,500	(41,588)	(30,584)	(143,148)	2	2

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's profit for the financial year to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	GROUP 2022 RM'000	GROUP 2021 RM'000
USD/RM		
– strengthened 5%	**(120)**	(2,800)
– weakened 5%	**120**	2,800
USD/VND		
– strengthened 5%	**(150)**	(1,700)
– weakened 5%	**150**	1,700
USD/IDR		
– strengthened 5%	**10**	(1,200)
– weakened 5%	**(10)**	1,200

31. Fair Value of Financial Instruments

The methods and assumptions used to determine the fair value of the following classes of financial assets and liabilities are as follows:

(a) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

(b) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of long term floating rate loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

32. Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the financial years ended 31 December 2022 and 2021, there was no transfer between fair value hierarchy.

33. Capital Management

The Group manages its capital to ensure that it maintains healthy capital ratios to support its business whilst maximising the return to its shareholders through the optimisation of the debt-to-equity ratio to reduce cost of capital. The Group's strategy in capital management remains unchanged from 2021.

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. Net debts comprise bank borrowings and lease liabilities less cash and bank balances whilst total capital is the total equity of the Group. The debt-to-equity ratio as at 31 December 2022 and 2021, which are within the Group's objectives of capital management are as follows:

	GROUP	
	2022 RM'000	**2021 RM'000**
Total interest-bearing borrowings and lease liabilities (RM'000)	**142,675**	229,854
Less: Deposits, cash and bank balances (RM'000)	**(78,945)**	(86,014)
Total net debts (RM'000)	**63,730**	143,840
Total equity (RM'000)	**290,120**	275,467
Debt-to-equity ratio (%)	**22**	52

Certain subsidiaries of the Group are required to maintain certain level of capital requirements on gearing ratio, leverage ratio and net worth in respect of their bank borrowings requirements.

STATEMENT BY DIRECTORS

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

We, **NG AI RENE** and **NG THIN 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 40 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

NG AI RENE
Director

NG THIN POH
Director

Date: 11 April 2023

STATUTORY DECLARATION

(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016)

I, **EILEEN NG LIEW CHIN**, being the officer primarily responsible for the financial management of SAMCHEM HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 40 to 99 are correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at
Shah Alam in the State of Selangor Darul Ehsan
on 11 April 2023.

EILEEN NG LIEW CHIN
MIA Membership No.: 9723

Before me

LEONG YUE CHOW (B480)
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 40 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventory (Note 3(a) and 13 to the Financial Statements)

The Group's inventories, comprise mainly trading goods, are measured at the lower of cost or net realisable value. Significant judgement is required in estimating their net realisable values and in identifying any allowance required for slow-moving inventories.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring, detection and write down of slow-moving inventories or to net realisable value as at 31 December 2022;
- observing year end physical inventory count to examine physical existence and condition of the trading goods and understanding the design and implementation of controls during the count;
- comparing the estimated net realisable value of selected trading goods against their unit cost;
- evaluating the Group's assessment of write down of inventories; and
- reviewing the work papers of the component auditors in assessing inventory valuation of significant subsidiaries not audited by us.

Trade receivables (Note 3(b) and 14 to the financial statements)

The Group has significant trade receivables as at 31 December 2022 which include certain amounts which were long outstanding. We focused on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the Group selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- understanding the design and controls associated with monitoring and assessment on recoverability of outstanding receivables;
- developing an understanding of significant credit exposures of receivables that were significantly overdue or deemed to be in default through analysis of ageing reports prepared by the Group;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering the level of activity with the customer and management explanation on recoverability of significantly past due balances;
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period; and
- reviewing the work papers of the component auditors in assessing expected credit losses of significant subsidiaries not audited by us.

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 11 to the financial statements.

Other Matters

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
& AF 0117

Chartered Accountants

Kuala Lumpur
Date: 11 April 2023

Lee Kong Weng
02967/07/2023 J
Chartered Accountant

POSTAL ADDRESS/ TITLE DETAILS	DESCRIPTION/ EXISTING USE	TENURE/ DATE OF EXPIRY OF LEASE	RESTRICTION IN INTEREST/ ENCUMBRANCES	DATE OF ISSUANCE OF CERTIFICATE OF FITNESS FOR OCCUPATION	LAND AREA AND/OR BUILT UP AREA	APPROXI-MATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2022 (RM)	COST OF INVESTMENT (RM)
Samchem Sdn Bhd								
Lot 6 Jalan Sungai Kayu Ara 32/39 Seksyen 32, 40460 Shah Alam Selangor Darul Ehsan H.S.(D) 57951 Lot no. 18, PT 57359 Mukim and Daerah Kelang Selangor Darul Ehsan	Single storey detached warehouse annexed with a 3 storey office building and a guard house/ Industrial	Freehold	Nil/ Charges in favour of Maybank Berhad ("MBB") vide presentation no. 34391/2004, 34392/2004, 34393/2004 all dated 04.06.2004, 4087/2005 dated 31.01.2005, 9549/2006 and 9550/2006 dated 21.02.2006, 118146/2006 dated 27.12.2006 and 81512/2008 dated 26.08.2008	29.01.2007	103,431 sq.ft/ (78,470 sq.ft)	15 years	8,094,599	10,576,993
No. 3, Jalan Biola Satu 33/1A, Elite Industrial Park Seksyen 33 40350 Shah Alam State of Selangor Darul Ehsan (Rented out/ semi-detached factory) H.S.(D) 51789, PT 43437 Mukim and Daerah Klang Selangor Darul Ehsan	Two adjoining 1½ storey semi-detached factories/ Industrial	Freehold	Nil/ Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51868/2000 dated 30.08.2000 • MBB vide presentation no. 118130/2006 dated 27.12.2006	29.10.1998	10,887 sq.ft/ (6,678 sq.ft)	24 years	702,330	869,259
16 Jalan Utarid U5/29 Seksyen U5, 40150 Shah Alam Selangor Darul Ehsan	A 1½ storey terraced factory	Leasehold – 99 years expiring on 11.12.2096	Cash		3,000 sq. ft/ (3,120 sq. ft)	26 years	1,191,876	1,289,967
18 Jalan Utarid U5/29 Seksyen U5, 40150 Shah Alam Selangor Darul Ehsan	A 1½ storey terraced factory	Leasehold – 99 years expiring on 11.12.2096	Cash		3,000 sq. ft/ (3,120 sq. ft)	26 years	1,191,876	1,289,967

POSTAL ADDRESS/ TITLE DETAILS	DESCRIPTION/ EXISTING USE	TENURE/ DATE OF EXPIRY OF LEASE	RESTRICTION IN INTEREST/ ENCUMBRANCES	DATE OF ISSUANCE OF CERTIFICATE OF FITNESS FOR OCCUPATION	LAND AREA AND/OR BUILT UP AREA	APPROXI-MATE AGE OF BUILDING	NET BOOK VALUE AS AT 31.12.2022 (RM)	COST OF INVESTMENT (RM)
Samchem Sdn Bhd								
Lot No.35 Pulau Indah Industrial Park Phase 3C HSD 164239, No. PT 152661 Mukim Klang, Klang Selangor Darul Ehsan	Vacant Land	Leasehold – 99 years expiring on 30.03.2097	Charges in favour of HLBB vide reference no.002611004704 dated 02.02.2018	31.01.2020	200,376 sq.ft	—	12,273,696	12,454,181
Samchem Nusajaya Sdn Bhd								
PTD 152691, Jalan SILC 2 SILC, 81550 Gelang Patah Johor Darul Takzim H.S. (D) 440468 Lot No. PTD 152691 Mukim Pulai, Johor Bahru Johor Darul Takzim	4 Block of single-storey factory and 1 Block of 3-storey office building	Freehold	Charges in favour of HLBB vide presentation no. 66343/2008 dated 19.08.2008	03.03.2009	200,000 sq.ft/ (81,064 sq.ft)	13 years	10,042,531	11,807,824
Meridian Chemicals (Vietnam) Company Limited								
Lot A3, Road No.1 Duc Hoa 3 Industrial Park Tan A Dai Thanh Group Duc Hanh 2 Hamlet Duc Lap Ha Commune Duc Hoa District Long An Province Vietnam	Single storey warehouse, 1 block of office building and a staff quarter	Leasehold –expiring on 31.12.2057	Charges in favour of OCBC	—	29,408 sqm/ 13,380 sqm	—	—	14,938,417 [VND81,694, 532,824]

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

Number of Total Issued and Paid Up Share Capital: 544,000,000
Class of Shares: Ordinary Share
Voting Rights: One vote per ordinary share
Number of Shareholders: 5,463

Analysis of Shareholdings

	NO. OF HOLDERS		NO. OF SHARES		% OF SHARES	
SIZE OF HOLDINGS	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less than 100	8	0	136	0	0.00	0.00
100 – 1,000	464	2	284,224	900	0.05	0.00
1,001 – 10,000	2,676	19	15,087,000	120,000	2.77	0.02
10,001 – 100,000	1,970	19	67,035,160	739,900	12.32	0.14
100,001 and below 5%	294	9	178,681,928	5,676,500	32.85	1.04
5% and above	2	0	276,374,252	0	50.80	0.00
Total	**5,414**	**49**	**537,462,700**	**6,537,300**	**98.80**	**1.20**

Substantial Shareholders

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Ng Thin Poh	—	—	249,027,608	45.78
Tan Teck Beng	27,346,644	5.03	120,000*	0.02

* Indirect interest held by spouse and children

Directors' Shareholdings

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Ng Thin Poh	—	—	249,027,608	45.78
Ng Ai Rene	2,556,800	0.47	—	—
Cheong Chee Yun	—	—	—	—
Lok Kai Chun	29,200	0.01	—	—
Dato' Razali Basri	—	—	—	—
Hor Wai Kong	—	—	—	—

* Indirect interest held by spouse and children

List of Top 30 Shareholders

NO.	NAME	SHAREHOLDINGS	%
1	Continental Hallmark Sdn. Bhd.	249,027,608	45.78
2	Tan Teck Beng	27,346,644	5.03
3	Chooi Chok Khooi	18,644,184	3.43
4	Michael Lee Fook Soon	8,900,000	1.64
5	HLB Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Wong Yee Hui*	7,500,000	1.38
6	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Chen Tam Chai*	7,197,200	1.32
7	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Beneficiary: Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund*	6,400,000	1.18
8	Louis Lee Pershung	6,000,000	1.10
9	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Erwin Selvarajah A/L Peter Selvarajah*	5,185,000	0.95
10	Ng Hoi Peng	5,063,600	0.93
11	Maybank Nominees (Tempatan)Sdn Bhd *Beneficiary: Maybank Trustees Berhad for Areca Equitytrust Fund (211882)*	4,569,300	0.84
12	Maybank Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for See Kok Wah*	4,563,900	0.84
13	UOB Kay Hian Nominees (Asing) Sdn Bhd *Beneficiary: Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)*	3,216,500	0.59
14	HSBC Nominees (Tempatan) Sdn Bhd *Beneficiary: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)*	3,089,800	0.57
15	Public Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Ng Hoi Peng (E-SJA)*	3,000,000	0.55
16	Ong Eng Mun	2,800,000	0.51
17	Cimsec Nominees (Tempatan) Sdn Bhd *Beneficiary: CIMB for Ng Ai Rene (PB)*	2,556,800	0.47
18	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Yoong Kah Yin*	2,410,000	0.44
19	Susy Ding	2,200,000	0.40
20	Cheong Yuen Lai	2,022,000	0.37
21	Ng Gan Hooi	1,867,800	0.34
22	Louisa Lee Pernee	1,800,000	0.33
23	CIMB Group Nominees (Tempatan) Sdn Bhd *Beneficiary: Hong Leong Asset Management Bhd for Hong Leong Capital Berhad (ED106)*	1,650,000	0.30
24	Wendy Ng Ai Hoon	1,582,800	0.29
25	Nahoorammah A/P Sithamparam Pillay	1,500,000	0.28
26	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Beneficiary: Hong Leong Asset Management Berhad for Gibraltar BSN Life Berhad (Lifefund-Parpif)*	1,440,000	0.26
27	Phillip Nominees (Tempatan) Sdn Bhd *Beneficiary: Exempt AN for Phillip Capital Management Sdn Bhd*	1,369,400	0.25
28	Maybank Securities Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Heng Tek Kai @ Heng Tek Chat (REM 166)*	1,290,000	0.24
29	Ng Lee Peng	1,222,600	0.22
30	Chong Kon Chong	1,203,900	0.22
Total		**386,619,036**	**71.07**

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Samchem Holdings Berhad at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan, Wednesday, 31 May 2023 at 10.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2022 and the Report of the Directors and Auditors thereon. **(Note A)**

2. To approve the payment of Directors' Fees amounting to RM340,000/– and benefits of RM11,500/– in respect of the year ended 31 December 2022. **(Resolution 1)**

3. To approve the payment of Directors' Fees amounting to RM400,000/– and benefits of up to RM50,000/– from 1 January 2023 until the next Annual General Meeting. **(Resolution 2)**

4. To re-elect the following Directors who retire pursuant to Clause 97(b) of the Company's Constitution:
   (i) NG THIN POH **(Resolution 3)**
   (ii) DATO' RAZALI BASRI **(Resolution 4)**

5. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following resolutions:

6. **ORDINARY RESOLUTION**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT, 2016 **(Resolution 6)**

   "THAT subject to the Companies Act, 2016, the Constitution of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, if applicable, the Directors of the Company be and are hereby empowered pursuant to Section 75 and 76 of the Companies Act, 2016 to issue shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company.

   THAT pursuant to Section 85 of the Companies Act, 2016, read together with Clause 13(d) of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares pursuant to Sections 75 & 76 of the Companies Act, 2016."

7. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY **(Resolution 7)**

"THAT subject always to the provisions of the Companies Act, 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant statutory and/or regulatory requirements, the Company be authorised, to the fullest extent permitted by law, to buy-back such amount of Shares in the Company as may be determined by the Directors of the Company from time to time, through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company, provided that:

(i) the aggregate number of Shares bought-back does not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any time;

(ii) the maximum amount of funds to be allocated for the shares buy-back shall not exceed the Company's audited retained earnings and/or share premium account at any point in time;

(iii) the Shares purchased shall be treated in the following manner:
- (a) the purchased Shares shall be cancelled; or
- (b) the purchased Shares shall be retained as treasury shares for distribution as dividend to the shareholders and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or
- (c) part of the purchased Shares shall be retained as treasury shares and the remainder shall be cancelled; or
- (d) in such other manner as Bursa Securities and other relevant authorities may allow from time to time.
- (e) any combination of (a), (b), (c) and (d) above.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by resolution passed by the Company in general meeting;

whichever occurs first.

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as may be necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities (Central Depository) Industry Act, 1991, and the entering into and execution of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the Shares bought-back) in accordance with the provisions of the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all other relevant statutory and/or regulatory requirements."

8 **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE **(Resolution 8)**

"THAT subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant statutory and/or regulatory requirements, the Company be authorised, to the fullest extent permitted by law, to enter into and to give effect to the specified Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties as set in Part A of the Circular to Shareholders dated 28 April 2023 which are necessary for its day-to-day operations, to be entered into by the Company on the basis that these transactions are entered into on transaction prices and terms which are not more favourable to the Related Parties than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed Renewal of Shareholders' Mandate is subject to annual renewal. AND THAT any authority conferred by the Proposed Renewal of Shareholders' Mandate, shall only continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(iii) revoked or varied by resolution passed by the Company in general meeting;

whichever occurs first.

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Reneral of Shareholders' Mandate."

ANY OTHER BUSINESS

9. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board

WONG YOUN KIM (F) (MAICSA 7018778) (SSM PC No.: 201908000410)
LEE CHIN WEN (F) (MAICSA 7061168) (SSM PC No.: 202008001901)
Company Secretaries

28 April 2023

NOTES

(A) THE AGENDA ITEM IS MEANT FOR DISCUSSION ONLY AS THE PROVISION OF SECTION 340(1)(a) OF THE COMPANIES ACT, 2016 DOES NOT REQUIRE A FORMAL APPROVAL OF THE SHAREHOLDERS FOR THE AUDITED FINANCIAL STATEMENTS. HENCE, THIS AGENDA ITEM IS NOT PUT FORWARD FOR VOTING.

(B) PROXY

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(ii) Subject to Note B (v) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

(iv) To be valid, the instrument appointing a proxy or by an officer and the power of attorney or other authority (if any) must be completed and deposited at the Registered Office of the Company at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) Only a depositor whose name appears on the Record of Depositors as at 24 May 2023 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(vii) Pursuant to Clause 62 of the Constitution of the Company, all resolutions set out in this Notice will be put to vote by way of poll.

(C) EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 6 – Renewal of Authority to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016.

The proposed Resolution 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

THAT pursuant to Section 85 of the Companies Act, 2016, read together with Clause 13(d) of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares pursuant to Sections 75 & 76 of the Companies Act, 2016.

As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Fifteenth Annual General Meeting held on 27 May 2022 and which will lapse at the conclusion of the Sixteenth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Resolution 7 – Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 7 if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting,

Further information on the Proposed Renewal of Authority for Purchase of Own Shares by the Company is set out in Part B of the Circular to Shareholders of the Company which can be downloaded from our Corporate Website at www.samchem.com.my

Resolution 8 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 8 if passed, will empower the Company and its subsidiaries ("the Group") to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the Related Parties than generally available to the public and are not detrimental to the minority shareholders of the Company.

Further information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions is set out in Part A of the Circular to Shareholders of the Company which can be downloaded from our Corporate Website at www.samchem.com.my

STATEMENT ACCOMPANYING NOTICE OF THE 16TH 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 16th Annual General Meeting of the Company are:

a)	NG THIN POH	(Resolution 3)
b)	DATO' RAZALI BASRI	(Resolution 4)

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 14 to 16 of the Annual Report 2022.

3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 18 of the Annual Report 2022.

4. The 16th Annual General Meeting of the Company will be held at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 31 May 2023 at 10.30 a.m.

SAMCHEM HOLDINGS BERHAD
Registration No. 200701039535 (797567-U)
(Incorporated in Malaysia)

PROXY FORM

*I/*We .... NRIC No: ....
(Full Name in Block Capitals)

of ....
(Address)

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

1) Name of proxy: .... NRIC No: ....
(Full Name in Block Capitals)

Address: .... No. of shares Represented: ....

2) Name of proxy: .... NRIC No: ....

Address: .... No. of shares Represented: ....

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Sixteenth Annual General Meeting of the Company at Level 3, Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 31 May 2023 at 10.30 a.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR*	AGAINST*
1.	To approve the payment of Directors fees amounting to RM340,000 and benefits of RM11,500 for the financial year ended 31 December 2022.		
2.	To approve the payment of Directors' fees amounting to RM400,000 and benefits of up to RM50,000 from 1 January 2023 until the next Annual General Meeting.		
3.	To re-elect Ng Thin Poh as Director.		
4.	To re-elect Dato' Razali Basri as Director.		
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6.	**Special Business** – Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016.		
7.	**Special Business** –Proposed renewal of authority for purchase of own shares by the Company		
8.	**Special Business** – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(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 .... 2023.

NUMBER OF SHARES HELD	

....
Signature/Seal of Shareholders
(*Delete if not applicable)

....
CDS Account No.

STAMP

To:

Samchem Holdings Berhad
Registration No. 200701039535 (797567-U)

Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 32, 40460 Shah Alam
Selangor Darul Ehsan, Malaysia

NOTES

(a) A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(b) Subject to (e) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(c) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal signed on behalf of the corporation by its attorney or by an officer duly authorised.

(d) Duly completed form of proxy should be deposited with the Company's Registered Office at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Only a depositor whose name appears on the Record of Depositors as at 24 May 2023 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(g) Pursuant to Clause 62 of the Constitution of the Company, all resolutions set out in this Notice will be put to vote by way of poll.

samchem.com.my