SAMCHEM HOLDINGS BERHAD
(797567-U)
(Incorporated in Malaysia under the Companies Act, 1965)

ANNUAL REPORT
2011

SAMCHEM HOLDINGS BERHAD

CORPORATE VISION

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

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

CORPORATE MISSION STATEMENTS

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

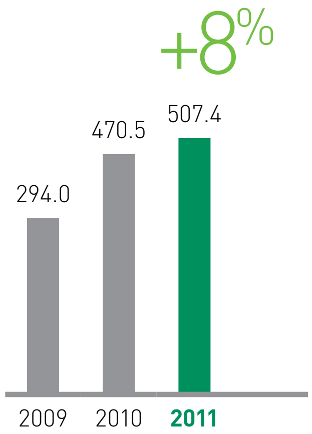
To form and govern conformance of the strategic choices and actions of the management with the intention to continously improve our future performance.

To be the preferred chemicals distributor to suppliers and customers.

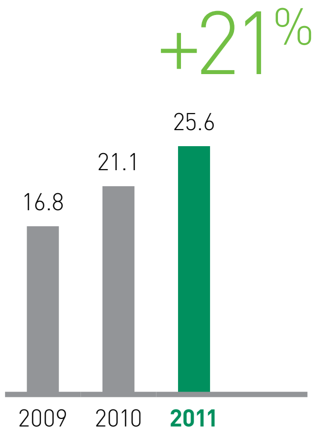
Contents

Financial Highlights

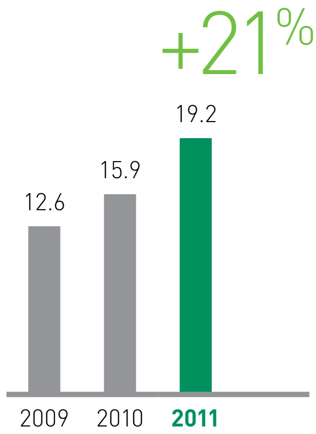
Revenues
(RM million)



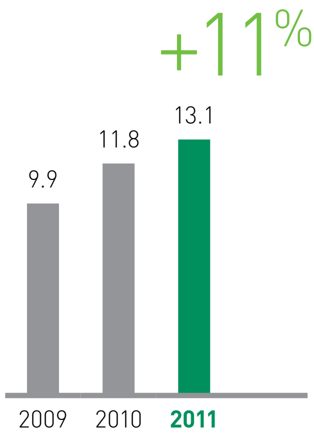
Profit Before Tax
(RM million)



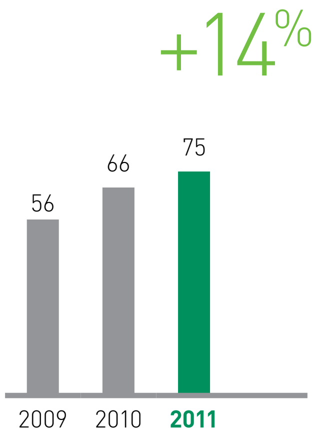
Profit After Tax
(RM million)



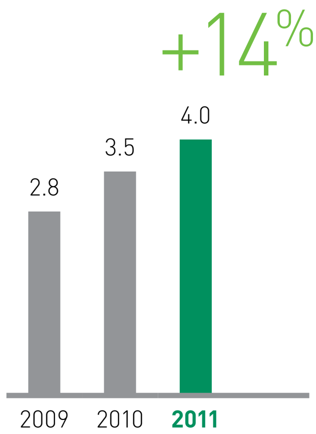
Earnings Per Share
(sen)



Net Assets Per Share
(sen)

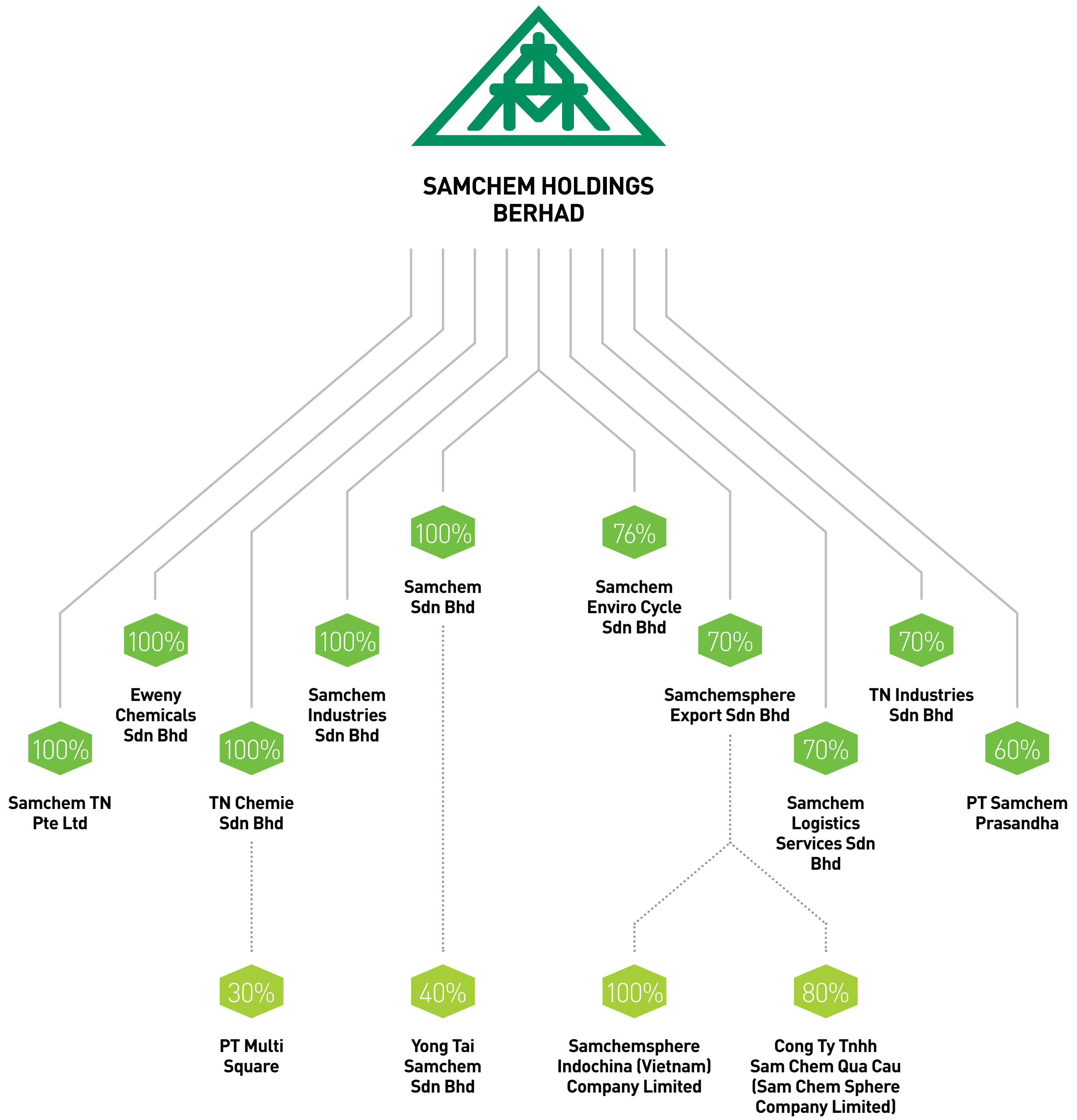


Dividend Per Share
(sen)



Financial Year ended 31 December	2009	2010	2011
Group			
Revenue (RM'000)	294,039	470,545	**507,395**
Profit Before Tax (RM'000)	16,847	21,112	**25,590**
Profit After Tax (RM'000)	12,659	15,884	**19,172**
Earnings Per Share (sen)	9.92	11.84	**13.07**
Net Assets Per Share (sen)	56	66	**75**
Dividend Per Share (sen)	2.80	3.50	**4.00**

Corporate Structure



Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Wong Tak Keong
Chairman

Dato' Theng Book

Lee Kong Hoi

REMUNERATION COMMITTEE

Dato' Theng Book
Chairman

Ng Thin Poh

Lee Kong Hoi

NOMINATION COMMITTEE

Lee Kong Hoi
Chairman

Wong Tak Keong

Dato' Theng Book

COMPANY SECRETARIES

Maisarah Tang Abdullah
(MAICSA 7039139)

Lee Seet Mei
(MAICSA 7007527)

REGISTERED OFFICE

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

CORPORATE OFFICE

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

SHARE REGISTRAR

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

AUDITORS

Moore Stephens AC
A-37-1, Level 37,
Menara UOA
5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

SOLICITORS

Lee, Perara & Tan

PRINCIPAL BANKERS

Malayan Banking Berhad

United Overseas Bank (Malaysia) Bhd

AmBank (M) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

Directors' Profile

NG THIN POH
Chairman and
Chief Executive Officer

Ng Thin Poh, a Malaysian aged 54, was appointed as our Chairman/Chief Executive Officer on 20 July 2009. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded SAMCHEM SDN BHD. He is actively involved in expanding the Group's business territory in the South East Asia region.

DATO' NG LIAN POH
Executive Director

Dato' Ng Lian Poh, a Malaysian aged 45, was appointed as our Executive Director on 29 November 2007. He obtained a Sijil Tinggi Persekolahan Malaysia from Sekolah Menengah Tunku Mohd, Kuala Pilah in 1988. In 1990, he started his career as a sales representative in API Sdn Bhd, a construction material trading company and rose through the ranks to become a Sales Executive before leaving in 1993. In 1994, he began his career in chemical distribution when he joined Thiam Joo (M) Sdn Bhd, a company trading in solvent chemicals, as a Sales Executive. In 1996, he joined SAMCHEM SDN BHD and was appointed as the Executive Director of SAMCHEM SDN BHD group. Dato' Ng Lian Poh is responsible for executing our Group's strategy and plays a pivotal role in developing our Group's business. He was instrumental in setting up and expanding our chemical distribution business in Vietnam.

NG SOH KIAN
Executive Director

Ng Soh Kian, a Malaysian aged 44, was appointed as our Executive Director on 27 February 2009. He graduated with a Diploma in Business Studies from Southern College, Johor in 1989. In 1990, he was employed as an Assistant Production Controller in United Plastics Sdn Bhd, a company involved in plastic injection. From 1991 to 1993, he was attached to Thiam Joo (M) Sdn Bhd, as a Sales Executive. In 1993, he started his own sole proprietorship, namely TNN Chemie, which was involved in the trading of solvent and chemicals. In 2001, he incorporated TN Chemie Sdn Bhd and has been the Managing Director of the company since its inception. He is presently responsible for the general management of TN Chemie Sdn Bhd. Over the years, he has successfully established a sales and distribution network, driven product innovation and maintained quality control as well as continuously driven the growth of the business and improved efficiency in the company, thus leading to the creation of a strong and reliable chemical company with a competitive edge.

CHOOI CHOK KHOOI
Executive Director

Chooi Chok Khooi, a Malaysian aged 55, was appointed to the Board on 27 February 2009. In 1976, he started his career at Eastern Hotel, Ipoh, Perak. He obtained a LCCI certificate in Accounting in 1977. Between 1978 and 1982, he was employed as an Assistant Manager in Chemikas Sdn Bhd, where he was responsible for handling the company's administrative, purchase, sales and collection activities. In 1982, he started his own sole proprietorship, namely Unichem Enterprise, which is involved in the dealings of chemicals. In 1990, Mr. Chooi founded Eweny Chemicals Sdn Bhd and has been the Managing Director of the company since inception. With more than 30 years experience in the chemical business, Mr Chooi is presently responsible for handling Eweny Chemicals Sdn Bhd's administrative and sales activities.

WONG TAK KEONG

Independent
Non-Executive Director

Wong Tak Keong, a Malaysian aged 42, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated from the University of Western Australia in 1991 with a Bachelor Degree in Accounting and Finance.

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

DATO' THENG BOOK

Independent
Non-Executive Director

Dato' Theng Book, a Malaysian aged 52, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated with a Bachelor of Law from the University of London, United Kingdom in 1991, and holds a Certificate of Legal Practice. He also holds a Bachelor of Science from Campbell University, United States of America awarded in 1984, Diploma in Science from Tunku Abdul Rahman College awarded in 1984 and a Diploma of Business Studies from Institute of Commercial Management, United Kingdom awarded in 1986. He began his career in the chemical business as a sales executive to the Chief Executive Officer of a foreign company involved in chemical manufacturing/trading, from 1984 to 1994. Since 1995, he has been practicing as an advocate and solicitor under the partnership known as Messrs Ling & Theng Book, Advocates & Solicitors. He is presently a Chairman of Managepay System Berhad and also an independent non-executive Director of Ajiya Berhad.

LEE KONG HOI

Independent
Non-Executive Director

Lee Kong Hoi, a Malaysian aged 48, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated from Tafe College Randwick, New South Wales, Australia in 1990 with a Diploma in Travel Tourism. After graduation, Mr. Lee commenced his career as Post-Sale Supervisor with Sanyo Australia Pty Ltd. for big retail giants such as Grace Brothers, David Jones, Harvey Norman and Dick Smith Electronics in Australia. His responsibilities included conducting training for pre-sales, managing inventories of spare parts, attending to product complaints, planning after-sales repairs and managing a team of eight (8) merchandisers.

Between 1994 and 1998, he joined Reapfield Property Sdn Bhd, where he served as Project Sales Manager. Within this duration, he was in-charge of sales launches of several high-end properties such as Phileo Damansara and Phileo Avenue.

In 1999, he joined Dancom TT&L Telecommunication Sdn Bhd ("Dancom") as Corporate Sales Manager. Dancom is a dealer for office automation and IT products. His responsibilities include conducting market studies as well as developing new and existing brands represented by Dancom's 12 branches and 300 dealers nationwide.

In 2006, he moved on to join MCM Technology Berhad as General Manager. In 2009, Mr Lee started his own multimedia & web interoperability services company providing consultancy, project management, software customization, system integration and open source development.

NOTES:

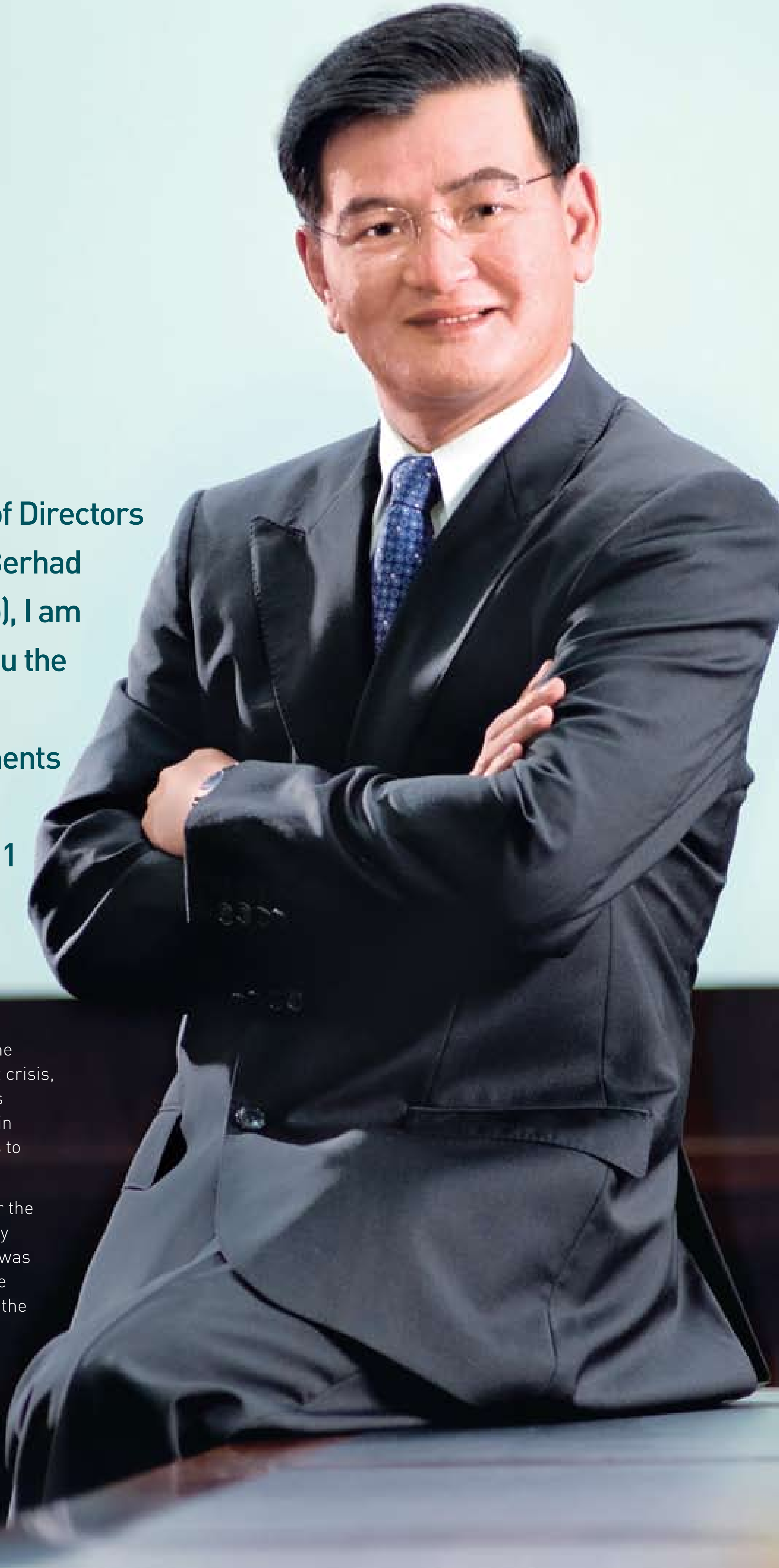
i. Ng Thin Poh and Dato' Ng Lian Poh are brothers. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.

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

iii. Other than the related party transactions disclosed in Note 33 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.

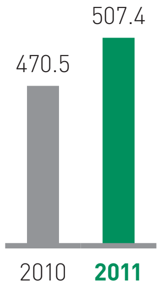


Dear Shareholders,

On behalf of the Board of Directors of Samchem Holdings Berhad (Samchem or the Group), I am pleased to present to you the 2011 Annual Report and audited financial statements for the financial year ended 31 December 2011 (FY2011).

Overall, 2011 was an eventful year for the global economy, with the Eurozone debt crisis, Japan's earthquake and tsunami, floods in Thailand, and inflationary pressures in emerging markets causing the markets to take a turn for the worse.

As a result, it was a challenging year for the manufacturing sector as a whole and, by default, the industrial chemicals space was impacted as well. Yet, in spite of this, the Group stayed on course and weathered the storms relatively well.



Group Revenues
(RM million)

FINANCIAL PERFORMANCE

Notwithstanding the tough operating landscape, Samchem recorded group revenues of RM507.4 million in FY2011, rising 7.8% year-on-year from RM470.5 million in the previous financial year, driven primarily by commendable sales growth from our overseas subsidiaries.

Our operations in Vietnam posted a 63.9% higher revenue to RM70.5 million from RM43.0 million previously, while Indonesia saw a 50.8% sales growth to RM84.3 million from RM55.9 million a year ago.

These commendable figures indicate that Samchem has made considerable headway into these emerging economies since FY2010, which bodes well for our overseas operations going forward.

At the same time, Malaysia still remained a major source of revenue for the Group, bringing in RM313.4 million, or 61.8% of total revenue in FY2011. By comparison, Indonesia and Vietnam accounted for 18.1% and 18.6% of group revenue respectively in FY2011.

While Samchem's enlarged operations resulted in the corresponding expansion in operating expenses and finance costs, stronger operating income helped drive profit before tax upwards 21.3% to RM25.6 million from RM21.1 million a year ago. Taking into account the larger minority interest in Indonesia, FY2011 net profits grew 10.6% to RM17.8 million from RM16.1 million a year ago.

Similarly, earnings per share rose to 13.10 sen in FY2011, versus 11.84 sen in FY2010, based on share capital of 136 million shares of RM0.50 par each.

With this encouraging report card, Samchem has continued to chart a positive uptrend over the years, with group revenues marking 11.3% in compound annual growth rate (CAGR) from FY2006 to FY2011 and net profits charting 11.8% CAGR over the same period.

As at end-FY2011, group borrowings amounted to RM122.3 million, versus RM118.9 million previously. Cash and cash equivalents stood at RM45.4 million as at end-FY2011 compared to RM38.6 million in FY2010. As a result, net gearing improved to 0.75 from 0.89 a year ago; which puts us in a stronger position as we look to further consolidate our operations overseas.

Yes, FY2011 was a turbulent year for the global economy and, within the sector that we support, there were some impacts felt. However, our fundamentals remained strong, we believe Samchem can ascend to the next level of operations.

DIVIDEND

With the Group's positive financial performance in the year under review, the Board has recommended a first and final dividend of 4 sen per share. If approved by shareholders at the upcoming Annual General Meeting, this will translate into a dividend payout of RM5.4 million or 28.4% of FY2011 net profits.

FUTURE OUTLOOK

In 2012, Bank Negara Malaysia has forecasted the Malaysian economy to grow by 4% to 5%, having taken into consideration the impending impact of various external events like the financial and economic restructuring in many countries around the world.

Locally, the economy is expected to be spurred by Malaysian Government initiatives like the Economic Transformation Programme (ETP) and the various economic development corridors. This bodes well for the domestic manufacturing sector and for firms like ours that support the industry.

To capture the anticipated rise in demand for chemicals, we invested RM5 million in capital expenditure (CAPEX) in FY2011 to acquire additional land and expand our factories in Johor Baru, Johor, and Ipoh, Perak, adjacent to our existing

"Samchem recorded group revenues of RM507.4 million in FY2011, rising 7.8% year-on-year from RM470.5 million in the previous financial year, driven primarily by commendable sales growth from our overseas subsidiaries."

operations there. This would enable us to serve a bigger customer base and ride the growth momentum of the local economy in FY2012.

In the overseas arena, the domestic growth potential of booming regional markets like Indonesia and Vietnam translates into better opportunities for Samchem to grow our business in those nations. Furthermore, their large population and pro-business policies are beneficial in sustaining long-term prospects.

The Group will continue to obtain more distributorships and leverage on our foundation to secure more customers.

All said, the initiatives that Samchem has put into place in FY2011, the growth opportunities within the Malaysian market and the tremendous potential in the booming regional economies, paint a compelling picture for FY2012. We are optimistic on the Group's prospects going forward.

CORPORATE GOVERNANCE

Samchem is steadfast in implementing the best practices of corporate governance as a core pillar to protect shareholders' value by facilitating business sustainability and prosperity.

These measures are highlighted in the Corporate Governance Statement in this Annual Report.

APPRECIATION

On behalf of the Board, I would like to thank my fellow Directors, management and all Samchem employees for having contributed tirelessly to the Group's efforts in FY2011. The successes achieved thus far is attributed to this collective effort.

I would also like to take this opportunity to thank Tan Teck Beng who resigned as Executive Director of Samchem on 29 November 2011 to pursue other interests. His contributions over the years are appreciated and we wish him well in his new endeavours.

Lastly, I would like to offer my deepest appreciation to our valued shareholders, business partners, regulatory authorities and customers for their steadfast support to Samchem. We look forward to our continuing collaboration going forward.

Thank you.

Ng Thin Poh
Chairman and Chief Executive Officer

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

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

SECTION 1: THE BOARD OF DIRECTORS

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

Composition of the Board and Board Balance

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

The Board currently consists of seven (7) members, comprising of four (4) Executive Directors and three (3) independent Non-executive Directors. This is in line with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which require that at least two (2) or one-third (1/3) of the Board members, whichever is the higher, to be Independent Directors.

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

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

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

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

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

Board Responsibilities

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

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

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

Name of Director	Designation	Directorship
Lee Kong Hoi	Chairman	Independent Non-Executive
Wong Tak Keong	Member	Independent Non-Executive
Dato' Theng Book	Member	Independent Non-Executive

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

The Nomination Committee's primary responsibilities include:

a) leading the process for Board appointments and making recommendations to the Board.

b) assessing Directors on an on-going basis.

c) annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarization with the Company's operations.

Re-Election of Directors

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

Directors' Training

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

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

Supply of Information

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

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

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

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

Board Meetings

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were five (5) Board meetings held during the financial year ended 31 December 2011 and the details of attendance are as follows:

Directors	Meetings attended by the Directors / Total Number of Meeting held during the Financial Year Ended 31 December 2011	% of Attendance
Chairman/Chief Executive Officer:		
Ng Thin Poh	5/5	100
Executive Directors:		
Dato' Ng Lian Poh	5/5	100
Ng Soh Kian	5/5	100
Tan Teck Beng	4/5	80
Chooi Chok Khooi	5/5	100
Independent Non-Executive Directors:		
Wong Tak Keong	5/5	100
Dato' Theng Book	4/5	80
Lee Kong Hoi	5/5	100

During the financial year ended 31 December 2011, five Board meetings were convened on 22/2/2011, 22/4/2011, 26/5/2011, 19/8/2011 and 18/11/2011 respectively.

Restriction on Directorships

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

Board Committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

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

1) Nomination Committee

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

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

2) Remuneration Committee

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

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

SECTION 2: DIRECTORS' REMUNERATION

a) Remuneration Procedure

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

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

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

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

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

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

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

b) Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2011 are as follows:

	Executive Directors	Non-Executive Directors
Emoluments	RM2,948,090	–
Fees	–	RM84,000

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

Range of Remuneration	Executive Directors	Non-Executive Directors
< RM100,000	–	3
RM100,001-RM200,000	1	–
RM200,001-RM500,000	1	–
RM500,001-RM1,000,000	3	–

SECTION 3: SHAREHOLDERS

Dialogue between Company and Investors

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

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

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

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

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

iv) regular meetings with research analysts and fund managers to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; and

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

The Annual General Meeting

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

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

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control and Risk Management

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

Relationship with Auditors

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

SECTION 5: RESPONSIBILITY STATEMENT BY DIRECTORS

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

In preparing the financial statements, the Directors have:

i) Adopted the appropriate accounting policies and applied them consistently;

ii) Made judgements and estimates that are reasonable and prudent;

iii) Ensure applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and

iv) Ensure the financial statements have been prepared on a going concern basis.

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

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

INTRODUCTION

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their annual report.

BOARD RESPONSIBILITIES

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

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

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

RISK MANAGEMENT FRAMEWORK

Risk management is embedded in the Group's management systems. The identification, evaluation and management of significant risks faced by the core business of the Group is an on-going process. The on-going process is reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

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

INTERNAL AUDIT FUNCTION

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

The internal audit scope has been agreed with the Audit Committee and the outsourced internal audit function is currently in the process of executing as per the approved internal audit plan.

OTHER KEY INTERNAL CONTROL PROCESSES

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

- Annual performance budget is prepared for the Group and approved in the quarterly management meeting;
- 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 Committee, Executive Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- Continuous compliance and maintenance of the requirements of ISO 9001:2008 and ISO 14001:2004 since February 2008 in major subsidiaries in Malaysia. This includes continuous implementation, improvement and compliance to our business process, 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 annually to provide assurance of compliance with ISO 9001:2008 Quality Management System and ISO 14001:2004 Environmental Management System;
- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements, Group's risk profile and internal control issues identified by the External Auditors, Internal Auditors and the management. The Audit Committee also monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors; and
- The outsourced internal audit function reviews the adequacy and integrity of the system of internal control and reports its findings to the Audit Committee on a quarterly basis. During the financial year, some areas of improvement to internal control were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal control have not resulted in any material losses and/or require further disclosure in this Statement.

CONCLUSION

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

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

The Audit Committee of Samchem Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE

The Audit Committee met five times during the financial year ended 31 December 2011. The members of the Audit Committee, their attendance at the Audit Committee Meetings held during the financial year ended 31 December 2011 are as follows:

Members of the Audit Committee	Total Meetings Attended
Wong Tak Keong – Chairman (Independent Non-Executive Director)	5/5
Dato' Theng Book – Member (Independent Non-Executive Director)	4/5
Lee Kong Hoi – Member (Independent Non-Executive Director)	5/5

TERMS OF REFERENCE OF AUDIT COMMITTEE

(A) Terms of Membership

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

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

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

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

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

(B) Meetings and Quorum of the Audit Committee

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

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

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

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

(C) Functions of the Audit Committee

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

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

(D) Rights of the Audit Committee

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

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

(E) Procedure of Audit Committee

The Audit Committee regulates its own procedures by:

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

(F) Summary of Activities of the Audit Committee

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

I Financial Results

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

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

II External Audit

Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2011 to ensure that their scope of work adequately covers the activities of the Group;

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

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

III Internal Audit

Reviewed with the internal auditor, their audit plan for the financial year ended 31 December 2011 ensuring that principal risk areas were adequately identified and covered in the plan;

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

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

The internal auditor fees incurred for the financial year ended 31 December 2011 amounts to RM48,000/-.

Additional Compliance Information

1. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (IPO)

The status of utilisation of proceeds from the IPO as at the end of the financial year ended 31 December 2011 is as follows:

Utilisation	Proceeds Raised RM'000	Amounts Utilised RM'000	Amounts Unutilised RM'000
Working capital	8,168	8,168	–
Construction of plant and acquisition of machinery	3,000	3,000	–
Purchase of trucks	500	500	–
Listing expenses	3,500	3,500	–
Total Proceeds from the Issue	**15,168**	**15,168**	**–**

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 2011 is Nil.

7. PROFIT FORECAST OR PROJECTIONS

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

8. PROFIT GUARANTEE

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

9. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The recurrent related party transactions for the financial year ended 31 December 2011 are as follows:

Company in the Samchem Group Involved	Transacting Parties	Nature of Transaction	Transaction Value (RM)
PT Samchem Prasandha (PTSP)	PT Prasandha Byantara Abadi (PBA)	Sales from PTSP to PBA	840,258
Samchemsphere Export Sdn Bhd (SSE)	Vigor Sphere Pte Ltd (VS)	Sales from SSE to VS	1,372,057
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	SCSB purchase from VS	1,236,520
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	TNC purchase from VS	403,522
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	Sales from TNC to VS	288,036
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	Sales from SCSB to VS	102,463
Samchem Sdn Bhd (SCSB)	Across Horizon Enterprise (ACHZ)	SCSB purchase from ACHZ	52,730
Cong Ty Tnhh Sam Chem Qua Cau (SQC)	Vigor Sphere Pte Ltd (VS)	SQC purchase from VS	4,775,896

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

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Profit for the year	**19,172,017**	**4,788,696**
Profit attributable to:		
Owners of the parent	**17,778,109**	**4,788,696**
Non-controlling interests	**1,393,908**	**–**
	19,172,017	**4,788,696**

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final single-tier exempt dividend of 3.5 sen per share on 136,000,000 ordinary shares of RM0.50 each amounting to RM4,760,000 on 23 June 2011 in respect of the financial year ended 31 December 2010 as reported in the directors' report of that financial year.

At the forthcoming Annual General Meeting, a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2011 of 4 sen on 136,000,000 ordinary shares of RM0.50 each, amounting to RM5,440,000 will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

RESERVES AND 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 statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

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

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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; or

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

No contingent or other liability of the Group and 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, in the opinion of the directors, will or may affect the ability of the Group and 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 AN 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) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:

NG THIN POH

DATO' NG LIAN POH

NG SOH KIAN

CHOOI CHOK KHOOI

DATO' THENG BOOK

LEE KONG HOI

WONG TAK KEONG

TAN TECK BENG (resigned on 29 November 2011)

DIRECTORS' INTERESTS

The interests of the directors in office at the end of the financial year in the shares of the Company during the financial year are as follows:

	Number of Ordinary Shares of RM0.50 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
Direct Interest				
Ng Thin Poh	57,514,302	1,494,300	–	**59,008,602**
Dato' Ng Lian Poh	8,261,763	–	–	**8,261,763**
Ng Soh Kian	9,797,279	–	–	**9,797,279**
Chooi Chok Khooi	4,361,046	300,000	–	**4,661,046**
Lee Kong Hoi	2,000	–	–	**2,000**
Wong Tak Keong	300,000	–	–	**300,000**
Indirect Interest*				
Ng Thin Poh	100,000	–	–	**100,000**
Dato' Ng Lian Poh	527,100	–	–	**527,100**
Ng Soh Kian	684,000	–	–	**684,000**

* Held through spouse and/or child of director.

By virtue of their interests in the shares of the Company, the above-mentioned directors are deemed to have interests in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The other director in office at the end of the financial year did not have any interest in shares in 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 the emoluments received or due and receivable by the directors as disclosed in Note 6 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with 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.

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

SIGNIFICANT EVENTS

Details of significant events during the financial year are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2012.

NG THIN POH

DATO' NG LIAN POH

Statement By Directors

Persuant to Section 169(15) of the Companies Act, 1965

We, Ng Thin Poh and Dato' Ng Lian Poh, being two of the directors of the Company, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 28 to 83 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 41 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2012.

NG THIN POH

DATO' NG LIAN POH

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Ng Thin Poh, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 28 to 83 are to the best of my knowledge and belief, 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 at
Kuala Lumpur in the Federal Territory
on 19 April 2012. **NG THIN POH**

Before me

FAUZILAWATI BINTI ISHAK (W 561)
Commissioner for Oaths

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 83.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, except for the unaudited financial statements of certain subsidiaries and we have considered their unaudited financial statements thereon, which are indicated in Note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

OTHER MATTERS

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

MOORE STEPHENS AC
Chartered Accountants
AF 001826

LEE KONG WENG
2967/07/13(J)
Chartered Accountant

Kuala Lumpur
Date: 19 April 2012

Statements of Comprehensive Income

For the Year Ended 31 December 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Revenue	4	**507,395,386**	470,544,960	**9,745,501**	3,889,448
Cost of sales		**(447,203,842)**	(416,936,295)	**–**	–
Gross profit		**60,191,544**	53,608,665	**9,745,501**	3,889,448
Other income		**5,228,264**	2,768,791	**636,643**	472,964
Selling and distribution expenses		**(8,259,733)**	(7,824,375)	**–**	–
Administrative expenses		**(20,253,021)**	(18,363,713)	**(3,296,896)**	(3,613,213)
Other expenses		**(4,246,128)**	(3,759,214)	**(227,053)**	(668,032)
		(32,758,882)	(29,947,302)	**(3,523,949)**	(4,281,245)
Profit from operations		**32,660,926**	26,430,154	**6,858,195**	81,167
Finance costs		**(6,883,756)**	(6,158,344)	**(622,417)**	(496,695)
Share of (loss/)/profit of associates		**(186,951)**	840,144	**–**	–
Profit/(Loss) before tax	5	**25,590,219**	21,111,954	**6,235,778**	(415,528)
Tax expense	7	**(6,418,202)**	(5,227,711)	**(1,447,082)**	(44,145)
Profit/(Loss) for the year		**19,172,017**	15,884,243	**4,788,696**	(459,673)
Other comprehensive income:					
Net fair value changes on available-for-sale financial assets		**(3,364)**	16,680	**–**	–
Net fair value gain reclassified to profit or loss upon disposal of available-for-sale financial assets		**(9,600)**	–	**–**	–
Foreign currency translation		**349,936**	(346,579)	**–**	–
		336,972	(329,899)	**–**	–
Total comprehensive income for the year		**19,508,989**	15,554,344	**4,788,696**	(459,673)
Profit/(Loss) attributable to:					
Owners of the parent		**17,778,109**	16,098,594	**4,788,696**	(459,673)
Non-controlling interests		**1,393,908**	(214,351)	**–**	–
		19,172,017	15,884,243	**4,788,696**	(459,673)
Total comprehensive income attributable to:					
Owners of the parent		**18,033,040**	15,758,140	**4,788,696**	(459,673)
Non-controlling interests		**1,475,949**	(203,796)	**–**	–
		19,508,989	15,554,344	**4,788,696**	(459,673)
Earnings per share attributable to owners of the parent:					
Basic earnings per share (sen)	8	**13.07**	11.84		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Financial Position

As at 31 December 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	**35,451,784**	32,749,770	**–**	–
Investment properties	10	**2,195,220**	2,730,417	**–**	–
Prepaid land lease payments	11	**621,983**	686,791	**–**	–
Investments in subsidiaries	12	–	–	**71,504,942**	69,884,257
Investments in associates	13	**3,607,034**	3,606,659	**–**	–
Other investments	14	**38,634**	152,398	**–**	–
Goodwill	15	**557,455**	557,455	**–**	–
Other receivables, deposits and prepayments	16	**743,981**	715,366	**–**	–
Deferred tax assets	17	**325,377**	499,263	**–**	–
		43,541,468	41,698,119	**71,504,942**	69,884,257
Current assets					
Inventories	18	**50,286,467**	46,995,786	**–**	–
Trade receivables	19	**119,335,318**	113,976,768	**–**	–
Other receivables, deposits and prepayments	16	**6,268,766**	7,813,909	**7,237,720**	10,217,727
Derivative financial assets	20	–	48,199	**–**	–
Tax recoverable		**1,419,655**	427,662	**124,782**	–
Deposits with licensed banks	21	**30,018,790**	31,099,894	**–**	–
Cash and bank balances		**15,354,287**	7,499,472	**57,308**	139,267
		222,683,283	207,861,690	**7,419,810**	10,356,994
TOTAL ASSETS		**266,224,751**	249,559,809	**78,924,752**	80,241,251

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	**68,000,000**	68,000,000	**68,000,000**	68,000,000
Share premium		**954,444**	954,444	**954,444**	954,444
Reserves	23	**33,785,726**	20,512,686	**(110,880)**	(139,576)
		102,740,170	89,467,130	**68,843,564**	68,814,868
Non-controlling interests		**2,974,302**	658,763	**–**	–
Total Equity		**105,714,472**	90,125,893	**68,843,564**	68,814,868
Liabilities					
Non-current liabilities					
Borrowings	24	**8,318,298**	9,671,860	**–**	–
Deferred tax liabilities	17	**630,979**	104,700	**–**	–
Retirement benefit obligations	26	**108,493**	32,221	**–**	–
		9,057,770	9,808,781	**–**	–
Current liabilities					
Trade payables	27	**32,533,293**	36,426,659	**–**	–
Other payables and accruals	28	**4,499,674**	3,175,319	**10,081,188**	11,391,834
Derivative financial liabilities	20	**178,345**	–	**–**	–
Tax payable		**281,088**	746,566	**–**	34,549
Borrowings	24	**113,960,109**	109,276,591	**–**	–
		151,452,509	149,625,135	**10,081,188**	11,426,383
Total Liabilities		**160,510,279**	159,433,916	**10,081,188**	11,426,383
TOTAL EQUITY AND LIABILITIES		**266,224,751**	249,559,809	**78,924,752**	80,241,251

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

		Attributable to Owners of the Parent											
		Distributable		Non-Distributable									
	Note	Share Capital RM	Retained Earnings RM	Share Premium RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Balance at 1 January 2010		68,000,000	48,822,466	954,444	82,264	–	(40,725,742)	224,617	(40,418,861)	77,358,049	521,059	77,879,108
Effect of adopting FRS 139		–	158,941	–	–	–	–	–	–	158,941	–	158,941
Balance at 1 January 2010 (restated)		68,000,000	48,981,407	954,444	82,264	–	(40,725,742)	224,617	(40,418,861)	77,516,990	521,059	78,038,049
Comprehensive income												
Profit for the year		–	16,098,594	–	–	–	–	–	–	16,098,594	(214,351)	15,884,243
Other comprehensive income												
Net fair value changes on available-for-sale financial assets		–	–	–	–	16,680	–	–	16,680	16,680	–	16,680
Foreign currency translation		–	–	–	–	–	–	(357,134)	(357,134)	(357,134)	10,555	(346,579)
Total other comprehensive income		–	–	–	–	16,680	–	(357,134)	(340,454)	(340,454)	10,555	(329,899)
Total comprehensive income for the year		–	16,098,594	–	–	16,680	–	(357,134)	(340,454)	15,758,140	(203,796)	15,554,344
Transactions with owners												
Issuance of shares by a subsidiary to non-controlling shareholders		–	–	–	–	–	–	–	–	–	341,500	341,500
Dividend	29	–	(3,808,000)	–	–	–	–	–	–	(3,808,000)	–	(3,808,000)
		–	(3,808,000)	–	–	–	–	–	–	(3,808,000)	341,500	(3,466,500)
Balance at 31 December 2010		68,000,000	61,272,001	954,444	82,264	16,680	(40,725,742)	(132,517)	(40,759,315)	89,467,130	658,763	90,125,893

Consolidated Statement of Changes in Equity

		Attributable to Owners of the Parent										
		Distributable		Non-Distributable								
	Note	Share Capital RM	Retained Earnings RM	Share Premium RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Balance at 1 January 2011		68,000,000	61,272,001	954,444	82,264	16,680	(40,725,742)	(132,517)	(40,759,315)	89,467,130	658,763	90,125,893
Comprehensive income												
Profit for the year		–	17,778,109	–	–	–	–	–	–	17,778,109	1,393,908	19,172,017
Other comprehensive income												
Net fair value changes on available-for-sale financial assets		–	–	–	–	(3,364)	–	–	(3,364)	(3,364)	–	(3,364)
Net fair value gain reclassified to profit or loss upon disposal of available-for-sale financial assets		–	–	–	–	(9,600)	–	–	(9,600)	(9,600)	–	(9,600)
Foreign currency translation		–	–	–	–	–	–	267,895	267,895	267,895	82,041	349,936
Total other comprehensive income		–	–	–	–	(12,964)	–	267,895	254,931	254,931	82,041	336,972
Total comprehensive income for the year, balance carried down		–	17,778,109	–	–	(12,964)	–	267,895	254,931	18,033,040	1,475,949	19,508,989

		Attributable to Owners of the Parent										
		Distributable		Non-Distributable								
	Note	Share Capital RM	Retained Earnings RM	Share Premium RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Total comprehensive income for the year, balance brought down		–	17,778,109	–	–	(12,964)	–	267,895	254,931	18,033,040	1,475,949	19,508,989
Transactions with owners												
Issuance of shares by a subsidiary to non-controlling shareholders		–	–	–	–	–	–	–	–	–	920,590	920,590
Dividend paid to non-controlling shareholders of the subsidiaries		–	–	–	–	–	–	–	–	–	(81,000)	(81,000)
Dividend	29	–	(4,760,000)	–	–	–	–	–	–	(4,760,000)	–	(4,760,000)
		–	(4,760,000)	–	–	–	–	–	–	(4,760,000)	839,590	(3,920,410)
Balance at 31 December 2011		**68,000,000**	**74,290,110**	**954,444**	**82,264**	**3,716**	**(40,725,742)**	**135,378**	**(40,504,384)**	**102,740,170**	**2,974,302**	**105,714,472**

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2011

	Note	Share Capital RM	Share Premium RM	Distributable Retained Earnings/ (Accumulated Losses) RM	Total Equity RM
Balance at 1 January 2010		68,000,000	954,444	4,128,097	73,082,541
Loss for the year, representing total comprehensive income for the year		–	–	(459,673)	(459,673)
Dividend	29	–	–	(3,808,000)	(3,808,000)
Balance at 31 December 2010		68,000,000	954,444	(139,576)	68,814,868
Loss for the year, representing total comprehensive income for the year		–	–	4,788,696	4,788,696
Dividend	29	–	–	(4,760,000)	(4,760,000)
Balance at 31 December 2011		**68,000,000**	**954,444**	**(110,880)**	**68,843,564**

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Cash Flows from Operating Activities			
Profit before tax		**25,590,219**	21,111,954
Adjustments for:			
Amortisation of prepaid land lease payments		**80,620**	13,437
Bad debts written off		**45,908**	23,086
Depreciation of property, plant and equipment		**2,630,748**	2,523,347
Depreciation of investment properties		**32,168**	33,991
Property, plant and equipment written off		**20,158**	5,551
Impairment loss on trade receivables		**211,885**	316,886
Interest expense		**6,883,756**	6,158,344
Retirement benefit obligations		**76,272**	32,221
Dividend income from other investments		**(456)**	(456)
Unrealised (gain)/loss on foreign exchange		**(1,170,702)**	2,220,876
Fair value gain on quoted shares		**–**	(19,246)
Reversal of impairment loss on trade receivables		**(31,262)**	(1,351)
Gain on disposal of quoted shares		**(32,624)**	–
Fair value loss/(gain) on derivative financial instruments		**226,544**	(48,199)
Gain on disposal of investment properties		**(919,622)**	–
Gain on disposal of property, plant and equipment		**(337,712)**	(1,177,129)
Interest income		**(952,590)**	(851,351)
Share of loss/(profit) of associates		**186,951**	(840,144)
Operating profit before working capital changes		**32,540,261**	29,501,817
Increase in inventories		**(3,290,681)**	(14,673,024)
Increase in receivables		**(4,407,960)**	(35,860,514)
(Decrease)/Increase in payables		**(1,398,309)**	7,655,045
Cash generated from/(used in) operations		**23,443,311**	(13,376,676)
Tax refunded		**–**	41,527
Tax paid		**(7,182,425)**	(3,636,196)
Net cash from/(used in) operating activities carried down		**16,260,886**	(16,971,345)

Consolidated Statement of Cash Flows

	Note	2011 RM	2010 RM
Net cash from/(used in) operating activities brought down		**16,260,886**	(16,971,345)
Cash Flows from Investing Activities			
Acquisition of subsidiary, net of cash acquired	30	**–**	96,653
Additions in prepaid land lease payments		**–**	(725,978)
Dividend received		**456**	456
Interest received		**952,590**	851,351
Purchase of quoted shares		**–**	(302,800)
Purchase of property, plant and equipment	9	**(3,779,669)**	(7,422,981)
Proceeds from disposal of investment properties		**1,422,651**	–
Proceeds from disposal of property, plant and equipment		**361,128**	2,508,592
Proceeds from disposal of quoted shares		**133,424**	221,246
Net cash used in investing activities		**(909,420)**	(4,773,461)
Cash Flows from Financing Activities			
Payments of finance lease payables		**(1,063,940)**	(841,556)
Interest paid		**(6,883,756)**	(6,158,344)
(Repayment)/Drawdown of bankers' acceptances		**(39,444,000)**	15,151,000
(Repayment)/Drawdown of revolving credit		**(1,240,000)**	1,240,000
Drawdown of term loans		**–**	500,000
Repayment of term loans		**(1,311,081)**	(2,410,635)
Drawdown of trade time loans		**16,682,825**	–
Drawdown of onshore foreign currency loans		**18,381,352**	–
Drawdown of structure commodity financing-i		**3,020,144**	–
Drawdown of trade commodity financing-i		**5,032,135**	–
Proceeds from issuance of shares by a subsidiary to non-controlling shareholders		**920,590**	341,500
Dividend paid to non-controlling shareholders		**(81,000)**	–
Dividend paid		**(4,760,000)**	(3,808,000)
Net cash (used in)/from financing activities		**(10,746,731)**	4,013,965
Net increase/(decrease) in cash and cash equivalents		**4,604,735**	(17,730,841)
Effect of exchange rate fluctuations		**58,242**	265,602
Cash and cash equivalents at beginning of the year		**29,305,647**	46,770,886
Cash and cash equivalents at end of the year	31	**33,968,624**	29,305,647

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2011

	Note	2011 RM	2010 RM
Cash Flows from Operating Activities			
Profit/(Loss) before tax		**6,235,778**	(415,528)
Adjustments for:			
Interest expense		**622,417**	496,695
Dividend income		**(6,509,000)**	–
Interest income		**(340,793)**	(471,712)
Unrealised (gain)/loss on foreign exchange		**(295,850)**	588,694
Operating (loss)/profit before working capital changes		**(287,448)**	198,149
Decrease in receivables		**725,088**	36,202
(Decrease)/Increase in payables		**(1,241,120)**	1,345,901
Cash (used in)/generated from operations		**(803,480)**	1,580,252
Dividend received		**6,509,000**	–
Tax paid		**(1,606,413)**	(49,888)
Net cash from operating activities		**4,099,107**	1,530,364
Cash Flows from Investing Activities			
Repayment from/(Advances to) subsidiaries		**2,891,562**	(4,734,411)
Interest received		**–**	311
Subscription of shares in subsidiaries		**(1,620,685)**	(512,252)
Net cash from/(used in) investing activities		**1,270,877**	(5,246,352)
Cash Flows from Financing Activities			
(Repayment to)/Advances from a subsidiary		**(691,943)**	7,003,960
Dividend paid		**(4,760,000)**	(3,808,000)
Net cash (used in)/from financing activities		**(5,451,943)**	3,195,960
Net decrease in cash and cash equivalents		**(81,959)**	(520,028)
Cash and cash equivalents at beginning of the year		**139,267**	659,295
Cash and cash equivalents at end of the year	31	**57,308**	139,267

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at No. 6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur and Lot 6, Jalan Sungai Kayu Ara 32/39, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan respectively.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 12. There have been no significant changes in the nature of these activities during the year.

The financial statements were authorised for issue by the Board of Directors on 19 April 2012.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and complied with the provisions of the Companies Act, 1965 in Malaysia.

New and Revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR") Adopted

On 1 January 2011, the Group and the Company adopted the following new and revised FRSs, Amendments to FRSs, IC Interpretations and TR as follows:

FRS 1 First-time Adoption of Financial Reporting Standards

FRS 3 Business Combinations (Revised)

FRS 127 Consolidated and Separate Financial Statements (Revised)

Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)

Additional Exemptions for First-time Adopters (Amendments to FRS 1)

Improving Disclosures about Financial Instruments (Amendments to FRS 7)

Amendments to FRS 2 Share-based Payment

Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 138 Intangible Assets

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

IC Interpretation 4 Determining whether an Arrangement contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

TR i-4 Shariah Compliant Sale Contracts

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TR does not have any effect on the financial statements of the Group and of the Company except for those discussed below.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (cont'd)

FRS 3, Business Combinations (Revised) and FRS 127, Consolidated and Separate Financial Statements (Revised)

The revised FRS 3 introduces a number of significant changes to the accounting for business combinations with greater use of fair value. These changes include recognising all acquisition-related costs as expense, measuring any pre-existing interest at fair value and allowing measurement of non-controlling interest (previously known as minority interest) at either fair value or at its proportionate share of the acquiree's net identifiable assets. The revised FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by minority shareholders instead of by the parent even if the losses exceed the non-controlling interests in the subsidiary's equity. The Group has applied the changes of revised FRS 3 and FRS 127 prospectively. There is no financial impact on the financial statements of the Group for the current financial year other than changes in accounting policies.

Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The amendments to FRS 107 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The amendment to FRS 107 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Notes 38 and 36 respectively. The Group has elected not to provide comparative information for these expanded disclosures in current year in accordance with the transitional reliefs offered in these amendments.

Amendments to FRS 3 [Improvements to FRSs (2010)]

The amendment clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

The amendment also clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

Amendments to FRS 7 [Improvements to FRSs (2010)]

The amendment clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group expects to improve the disclosures on maximum exposure to credit risk upon adoption of these amendments.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (cont'd)

Amendments to FRS 101 [Improvements to FRSs (2010)]

The amendment clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There is no financial impact on the financial statements of the Group for the current financial year other than the presentation of statement of changes in equity.

MFRS Framework Issued but not yet Effective

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework") in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and new/revised Standards that will be effective after 1 January 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

As such, the Group and the Company will prepare their first financial statements using the MFRS framework for the financial year ending 31 December 2012. In presenting their first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The Group is currently in the process of determining the financial impact arising from the initial adoption of the MFRS Framework.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the significant accounting policies note.

(c) 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 the entity operates ("the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Significant Accounting Estimates and Judgements

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) Useful lives of property, plant and equipment and investment properties (Note 9 and 10) – The cost of property, plant and equipment and investment properties is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 5 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Deferred tax assets (Note 17) – Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiaries.

2. BASIS OF PREPARATION (CONT'D)

(d) Significant Accounting Estimates and Judgements (cont'd)

(iii) Impairment loss on trade receivables (Note 19) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(iv) Income tax expense (Note 7) – Significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the company and all of its subsidiaries which are disclosed in Note 12 made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Subsidiaries are consolidated using the purchase method, from the date of acquisition being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases. The assets, liabilities and contingent liabilities assumed from a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Where the present ownership interests in the acquiree entitles the holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects for each individual business combination, whether non-controlling interests in the acquisition is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

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

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributable to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The Group has applied the revised FRS 127 prospectively on 1 January 2011 in accordance with the transitional provisions. Accordingly, transactions with non-controlling interests prior to the respective effective date have not been restated to comply with the Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (cont'd)

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

(b) Reverse Acquisition

Pursuant to the share sales agreement signed between Samchem Sdn. Bhd. and Samchem Holdings Berhad on 16 June 2008, the Company had on 20 February 2009 completed the acquisition of a total of 8 companies ("Acquired Group") from Samchem Sdn. Bhd.. The Group's consolidated 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.

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 FRS 127 Consolidated and Separate Financial Statements.

(c) Foreign Currencies

(i) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign Currencies (cont'd)

(i) Foreign Currency Transactions (cont'd)

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

(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary company, the cumulative amount of translation differences at the date of disposal of the subsidiary company is taken to the consolidated profit or loss.

(d) Revenue Recognition

(i) Goods Sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Transportation Charges

Transportation charges are recognised upon performance of services, net of discounts.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Dividend Income

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

(v) Interest Income

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

(vi) Management Fees

Management fees are recognised when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense as incurred.

(iii) Defined Benefit Plans

A subsidiary of the Company 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.

(f) Borrowing Costs

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

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(g) Tax Expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. 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 be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land is depreciated over the lease term ranges from 60 years to 94 years. Freehold land is not depreciated. Building-in-progress is not depreciated as the asset is not available for use. All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Buildings	2% – 5%
Motor vehicles	12.5% – 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 method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(i) Investment Properties

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

Freehold land is not depreciated. Building is depreciated on a straight line basis at 2% per annum to write off the cost of the asset to its residual value over the estimated useful life.

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of investment properties. These are adjusted prospectively, if appropriate.

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

(j) Subsidiaries

A subsidiary is an entity in which the Company has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are taken into account.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Associate Company

An associate company is defined as a company, not being a subsidiary company, in which the Company has a long term equity interest and where it exercises significant influence over the financial and operating policies.

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

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

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

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

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

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

(l) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(m) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of Non-Financial Assets (cont'd)

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

(n) Inventories

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

(o) Financial Assets

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and has categorised the financial assets as loans and receivables and available-for-sale financial assets.

(i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables comprise trade and other receivables including deposits and amount due from subsidiaries and cash and cash equivalents.

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available-for-sale Financial Assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. Available-for-sales financial assets include investments in quoted shares.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Assets (cont'd)

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

(p) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

(ii) Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Share Capital

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

(s) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits, amount due to subsidiary and accruals, and borrowings.

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

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) Leases

(i) Finance Lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating Lease – the Group as Lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

(v) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(w) Provisions

A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(x) 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 positions.

4. REVENUE

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Management fees	**223,523**	–	**3,236,501**	3,889,448
Dividend income	**–**	–	**6,509,000**	–
Chemical sales	**507,071,331**	470,544,960	**–**	–
Transportation charges	**100,532**	–	**–**	–
	507,395,386	470,544,960	**9,745,501**	3,889,448

5. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Auditors' remuneration				
– Audit services: current year	**157,616**	153,754	**15,000**	12,000
prior year	**–**	400	**–**	–
– Other services by auditors of the company	**5,000**	5,000	**5,000**	5,000
Amortisation of prepaid land lease payments	**80,620**	13,437	**–**	–
Bad debts written off	**45,908**	23,086	**–**	–
Depreciation of investment properties	**32,168**	33,991	**–**	–
Depreciation of property, plant and equipment	**2,630,748**	2,523,347	**–**	–
Direct operating expenses for investment properties				
– generated rental income	**2,859**	23,226	**–**	–
– did not generate rental income	**826**	924	**–**	–
Impairment loss on trade receivables	**211,885**	316,886	**–**	–
Interest expense	**6,883,756**	6,158,344	**622,417**	496,695
Property, plant and equipment written off	**20,158**	5,551	**–**	–
Rental of premises	**614,040**	681,855	**–**	–
Rental of motor vehicle	**72,863**	–	**23,604**	23,604
Rental of storage tank	**855,476**	483,089	**–**	–
Loss/(Gain) on foreign exchange				
– realised	**3,778,322**	1,023,896	**227,053**	79,338
– unrealised	**(1,170,702)**	2,220,876	**(295,850)**	588,694
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**710,615**	703,484	**207,900**	329,316
– retirement benefit obligations	**76,272**	32,221	**–**	–
– wages, salaries and others	**10,156,435**	10,446,607	**2,549,449**	2,858,823
Bad debts recovered	**(1,000)**	(640)	**–**	–
Dividend income from other investments	**(456)**	(456)	**–**	–
Fair value gain on quoted shares	**–**	(19,246)	**–**	–
Fair value loss/(gain) on derivative financial instruments	**226,544**	(48,199)	**–**	–
Gain on disposal of investment properties	**(919,622)**	–	**–**	–
Gain on disposal of property, plant and equipment	**(337,712)**	(1,177,129)	**–**	–
Gain on disposal of quoted shares	**(32,624)**	–	**–**	–
Interest income	**(952,590)**	(851,351)	**(340,793)**	(471,712)
Rental income	**(274,951)**	(252,532)	**–**	–
Reversal of impairment loss on trade receivables	**(31,262)**	(1,351)	**–**	–

6. DIRECTORS' REMUNERATION

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company				
Executive Directors				
– Other emoluments	**2,412,340**	2,787,281	**2,412,340**	2,787,281
Non-Executive Directors				
– Fees	**84,000**	84,000	**84,000**	84,000
– Other emoluments	**8,500**	7,500	**8,500**	7,500
	92,500	91,500	**92,500**	91,500
	2,504,840	2,878,781	**2,504,840**	2,878,781
Directors of Subsidiaries				
Executive Directors				
– Other emoluments	**1,304,254**	1,537,511	**–**	–
	3,806,094	4,416,292	**2,504,840**	2,878,781

7. TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current Tax:				
Malaysian income tax				
– Current year	**5,669,146**	6,116,942	**1,485,500**	53,300
– Under/(Over) provision in prior year	**55,808**	(316,423)	**(38,418)**	(9,155)
	5,724,954	5,800,519	**1,447,082**	44,145
Deferred Tax:				
Origination and reversal of temporary differences	**666,648**	(618,271)	**–**	–
Under provision in prior year	**26,600**	45,463	**–**	–
	693,248	(572,808)	**–**	–
Tax expense	**6,418,202**	5,227,711	**1,447,082**	44,145

7. TAX EXPENSE (CONT'D)

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Profit/(Loss) before tax	**25,590,219**	21,111,954	**6,235,778**	(415,528)
Tax at the Malaysian statutory income tax rate of 25%	**6,397,600**	5,278,000	**1,558,900**	(103,900)
Tax effects arising from:				
– non-deductible expenses	**699,794**	921,371	**106,900**	250,400
– non-taxable income	**(723,000)**	(389,500)	**(180,300)**	(93,200)
– double deduction	**–**	(8,600)	**–**	–
– utilisation of reinvestment allowances	**(38,600)**	(35,500)	**–**	–
Recognition of deferred tax assets previously not recognised	**–**	(57,100)	**–**	–
Share of results of associates	**–**	(210,000)	**–**	–
(Over)/Under provision in prior years:				
– current tax	**55,808**	(316,423)	**(38,418)**	(9,155)
– deferred tax	**26,600**	45,463	**–**	–
Income tax expense	**6,418,202**	5,227,711	**1,447,082**	44,145

The Group has estimated unutilised tax losses of RM352,000 (2010: RM nil) and unabsorbed capital allowances of RM4,800 (2010: RM nil) carried forward available for set off against future taxable profits.

The Finance Act 2007 introduced a single-tier company income tax system with effect from year of assessment 2008. The Company may distribute dividends out of its entire retained earnings under the single-tier system.

8. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the Group's profit for the year attributable to equity holders of the Company of RM17,778,109 (2010: RM16,098,594) by the weighted average number of ordinary shares in issue during the year of 136,000,000 (2010: 136,000,000) ordinary shares of RM0.50 each. Diluted earnings per share are not disclosed as the Group does not have any dilutive instrument.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Building in Progress RM	Total RM
Cost										
At 1.1.2011	7,276,336	3,556,034	650,000	14,919,486	7,259,675	3,472,724	3,516,002	629,609	322,438	41,602,304
Additions	-	-	-	-	1,637,450	22,022	176,298	7,947	3,437,146	5,280,863
Disposals	-	-	-	-	(835,259)	(34,500)	(40,862)	-	-	(910,621)
Written off	-	-	-	-	(378,000)	-	(4,005)	(7,727)	-	(389,732)
Effect of movement in exchange rate	-	-	-	61,777	35,800	26,567	6,601	-	-	130,745
At 31.12.2011	7,276,336	3,556,034	650,000	14,981,263	7,719,666	3,486,813	3,654,034	629,829	3,759,584	45,713,559
Accumulated Depreciation										
At 1.1.2011	-	109,141	45,587	1,148,275	4,127,574	1,241,340	1,916,624	263,993	-	8,852,534
Charge for the year	-	55,006	17,647	357,798	1,102,763	598,029	437,171	62,334	-	2,630,748
Disposals	-	-	-	-	(820,078)	(34,499)	(32,628)	-	-	(887,205)
Written off	-	-	-	-	(365,400)	-	(890)	(3,284)	-	(369,574)
Effect of movement in exchange rate	-	-	-	3,549	14,952	12,141	4,630	-	-	35,272
At 31.12.2011	-	164,147	63,234	1,509,622	4,059,811	1,817,011	2,324,907	323,043	-	10,261,775
Net Carrying Amount										
At 31.12.2011	7,276,336	3,391,887	586,766	13,471,641	3,659,855	1,669,802	1,329,127	306,786	3,759,584	35,451,784

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Building in Progress RM	Total RM
Cost										
At 1.1.2010	7,609,669	–	–	13,207,266	5,345,092	2,428,854	3,485,597	664,417	839,810	33,580,705
Effect of adopting Amendments to FRS 117	–	2,297,147	650,000	–	–	–	–	–	–	2,947,147
At 1.1.2010 (restated)	7,609,669	2,297,147	650,000	13,207,266	5,345,092	2,428,854	3,485,597	664,417	839,810	36,527,852
Reclassification	–	661,561	–	–	–	–	–	–	(661,561)	–
In respect of subsidiary acquired	–	–	–	–	–	–	79	–	–	79
Additions	–	597,326	–	2,557,148	2,744,727	1,229,545	525,904	6,880	144,189	7,805,719
Disposals	(333,333)	–	–	(754,227)	(766,795)	(122,191)	(474,963)	(41,688)	–	(2,493,197)
Written off	–	–	–	–	–	(20,958)	(8,900)	–	–	(29,858)
Effect of movement in exchange rate	–	–	–	(90,701)	(63,349)	(42,526)	(11,715)	–	–	(208,291)
At 31.12.2010	7,276,336	3,556,034	650,000	14,919,486	7,259,675	3,472,724	3,516,002	629,609	322,438	41,602,304
Accumulated Depreciation										
At 1.1.2010	–	–	–	971,426	3,630,972	741,238	1,852,443	236,229	–	7,432,308
Effect of adopting Amendments to FRS 117	–	70,850	27,940	–	–	–	–	–	–	98,790
At 1.1.2010	–	70,850	27,940	971,426	3,630,972	741,238	1,852,443	236,229	–	7,531,098
Charge for the year	–	38,291	17,647	300,566	1,029,700	622,156	453,922	61,065	–	2,523,347
Disposals	–	–	–	(123,057)	(525,213)	(99,275)	(380,888)	(33,301)	–	(1,161,734)
Written off	–	–	–	–	–	(16,805)	(7,502)	–	–	(24,307)
Effect of movement in exchange rate	–	–	–	(660)	(7,885)	(5,974)	(1,351)	–	–	(15,870)
At 31.12.2010	–	109,141	45,587	1,148,275	4,127,574	1,241,340	1,916,624	263,993	–	8,852,534
Net Carrying Amount										
At 31.12.2010	7,276,336	3,446,893	604,413	13,771,211	3,132,101	2,231,384	1,599,378	365,616	322,438	32,749,770

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Net carrying amount of motor vehicles, plant and machinery of the Group held under finance lease arrangements are as follows:

	Group	
	2011 RM	**2010 RM**
Motor vehicles	**2,195,693**	1,646,234
Plant and machinery	**743,153**	1,073,443
	2,938,846	2,719,677

Net carrying amounts of property, plant and equipment pledged as security for borrowings (Note 24) are as follows:

	Group	
	2011 RM	**2010 RM**
Freehold land	**7,276,336**	7,276,336
Long term leasehold land	**3,391,887**	3,446,893
Short term leasehold land	**586,766**	604,413
Buildings	**13,471,641**	13,771,211
Building in progress	**3,759,584**	322,438
	28,486,214	25,421,291

Building in progress is in respect of construction of factory buildings on freehold and leasehold land of the Group.

During the financial year, the Company made the following cash payments to purchase property, plant and equipment:

	2011 RM	**2010 RM**
Additions of property, plant and equipment	**5,280,863**	7,805,719
Deposits paid in prior year	**(339,407)**	–
Financed by finance lease arrangement	**(1,161,787)**	(382,738)
	3,779,669	7,422,981

10. INVESTMENT PROPERTIES

	Group	
	2011 RM	**2010 RM**
Costs		
At beginning of the year	**3,076,741**	2,727,423
Effect of adopting Amendments to FRS 117	**–**	349,318
At beginning of the year (restated)	**3,076,741**	3,076,741
Disposals	**(688,343)**	–
At end of the year	**2,388,398**	3,076,741
Accumulated Depreciation		
At beginning of the year	**346,324**	215,362
Effect of adopting Amendments of FRS 117	–	96,971
At beginning of the year (restated)	**346,324**	312,333
Depreciation charge for the year	**32,168**	33,991
Disposals	**(185,314)**	–
At end of the year	**193,178**	346,324
Net carrying amount	**2,195,220**	2,730,417
Fair value of investment properties	**4,500,000**	5,727,241

The fair value of investment properties was arrived at by reference to market evidence of transaction prices for similar properties.

Net carrying amount of investment properties pledged as security for borrowings (Note 24) is RM2,195,220 (2010: RM2,297,667).

11. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 RM	**2010 RM**
At beginning of the year	**686,791**	3,100,704
Effect of adopting Amendments to FRS 117	**–**	(3,100,704)
At beginning of the year (restated)	**686,791**	–
Additions	**–**	725,978
Amortisation for the year	**(80,620)**	(13,437)
Effect of movement in exchange rate	**15,812**	(25,750)
	621,983	686,791

The Group has acquired land and buildings use rights over certain parcels of land located in the Republic of Indonesia with remaining tenure ranging from 15 years to 30 years.

The land is pledged as security for bank borrowings (Note 24).

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Unquoted shares, at cost		
At beginning of the year	**69,884,257**	69,884,257
Additions	**1,620,685**	–
At end of the year	**71,504,942**	69,884,257

The details of subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2011	Effective Equity Interest 2010
Held by the Company				
Samchem Logistics Services Sdn. Bhd.	Malaysia	Provision of logistics services	**70%**	70%
Samchem Industries Sdn. Bhd.	Malaysia	Distribution of specialty chemicals	**100%**	100%
TN Industries Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents.	**70%**	70%
TN Chemie Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents.	**100%**	100%
Eweny Chemicals Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals	**100%**	100%
Samchemsphere Export Sdn. Bhd.	Malaysia	Export of intermediate and specialty chemicals	**70%**	70%
Samchem Enviro Cycle Sdn. Bhd.	Malaysia	Dormant	**76%**	76%
Samchem Sdn. Bhd.	Malaysia	Distribution of PU, intermediate and specialty chemicals and investment holding	**100%**	100%
# PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	**60%**	60%
@ Samchem TN Pte. Ltd.	Republic of Singapore	Dormant	**100%**	100%
Held through Samchemsphere Export Sdn. Bhd.				
@ Samchemsphere Indochina (Vietnam) Company Limited	Socialist Republic of Vietnam	Dormant	**70%**	70%
# Sam Chem Sphere Company Limited	Socialist Republic of Vietnam	Distribution of PU, intermediate and specialty chemicals	**56%**	56%

\# The financial statements of these subsidiaries are audited by independent member firms of Moore Stephens International Limited.

@ Unaudited and was consolidated using management financial statements.

13. INVESTMENTS IN ASSOCIATES

	Group	
	2011 RM	2010 RM
Unquoted shares, at cost	**1,253,346**	1,253,346
Foreign currency translation differences	**26,293**	(161,033)
Share of post-acquisition reserves	**2,327,395**	2,514,346
	3,607,034	3,606,659

The details of associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2011	Effective Equity Interest 2010
Held through Samchem Sdn. Bhd.				
Yong Tai Samchem Sdn. Bhd.	Malaysia	Investment holding	**40%**	40%
Held through TN Chemie Sdn. Bhd.				
PT Multi Square	Republic of Indonesia	Manufacturing of paint, varnish and lacquer	**30%**	30%

The financial statements of the above associates are coterminous with those of the Group, except for Yong Tai Samchem Sdn. Bhd. which has a financial year end of 30 June to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the financial statements of Yong Tai Samchem Sdn. Bhd. for the year ended 30 June 2011 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 June 2011 to 31 December 2011.

The summarised financial information of the associates are as follows:

	Group	
	2011 RM	2010 RM
Assets and Liabilities		
Current assets	**10,611,462**	39,128,149
Non-current assets	**243,807**	324,051
Total assets	**10,855,269**	39,452,200
Current liabilities, representing total liabilities	**1,717,882**	26,424,587
Results		
Revenue	**112,684,057**	111,964,132
Profit for the year	**(513,144)**	2,103,412

14. OTHER INVESTMENTS

	Group	
	2011 RM	2010 RM
Available-for-sale financial assets:		
Quoted shares in Malaysia	**38,634**	152,398
Market value of quoted shares	**38,634**	152,398

15. GOODWILL

	Group	
	2011 RM	2010 RM
At cost		
At beginning of the year	**557,455**	303,754
Additions during the year (Note 30)	**–**	253,701
At end of the year	**557,455**	557,455

Impairment Test for Goodwill

Goodwill on acquisition is allocated to the Group's cash-generating units ("CGUs"), geographical segments as follows:

	Group	
	2011 RM	2010 RM
Malaysia	**303,754**	303,754
Socialist Republic of Vietnam	**253,701**	253,701
	557,455	557,455

Key Assumptions Used in Value-in-use Calculations

The recoverable amount is determined based on value-in-use calculations using cash flow forecast based on one-year financial budget approved by management.

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

Sensitivity to Change in Assumptions

With regard to the assessment of value-in-use calculation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed their recoverable amounts.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-current:				
Insurance policy	**743,981**	715,366	**–**	–
Current:				
Sundry receivables	**1,775,152**	2,627,369	**–**	–
Subsidiaries	**–**	–	**7,237,720**	10,217,727
Deposits	**1,555,528**	698,386	**–**	–
Prepayments	**2,938,086**	4,488,154	**–**	–
	6,268,766	7,813,909	**7,237,720**	10,217,727

Insurance policy of the Group is held in trust by a director. The insurance policy has a minimum guaranteed 4% per annum return and is pledged as security for bank borrowings (Note 24).

Included in sundry receivables of the Group is an amount of RM1,669,012 (2010: RM2,366,884) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at a rate of 6.0% (2010: 6.0%) per annum, repayable on demand and expected to be settled in cash.

Included in deposits of the Group are amounts of RM1,345,684 (2010: RM527,898) being down payment for acquisition of land and motor vehicles.

Included in prepayments of the Group are:

(a) advances of RM2,223,904 (2010: RM2,907,482) paid to suppliers for purchase of trading goods; and

(b) advance of RM nil (2010: RM339,407) paid to a contractor for construction of a factory building.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2011 RM	2010 RM
Deferred Tax Assets		
At beginning of the year	**499,263**	140,712
Effect of adopting FRS 139	**–**	(47,898)
At beginning of the year (restated)	**499,263**	92,814
Recognised in profit or loss	**(166,969)**	407,685
Effect of movements in exchange rate	**(6,917)**	(1,236)
At end of the year	**325,377**	499,263
Deferred Tax Liabilities		
At beginning of the year	**(104,700)**	(269,823)
Recognised in profit or loss	**(526,279)**	165,123
At end of the year	**(630,979)**	(104,700)

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:

	Group	
	2011 RM	**2010 RM**
Deferred Tax Assets		
Deductible temporary differences in respect of Expenses	**287,819**	628,463
Taxable temporary differences in respect of income	**–**	(12,000)
Difference between the carrying amounts of property, plant and equipment and their tax base	**37,558**	(117,200)
	325,377	499,263
Deferred Tax Liabilities		
Deductible temporary differences in respect of expenses	**8,200**	1,900
Taxable temporary differences in respect of income	**(580,679)**	–
Difference between the carrying amounts of property, plant and equipment and their tax base	**(147,700)**	(106,600)
Unutilised capital allowances	**1,200**	–
Unutilised tax losses	**88,000**	–
	(630,979)	(104,700)

18. INVENTORIES

	Group	
	2011 RM	**2010 RM**
Trading goods	**49,736,456**	46,299,172
Packaging materials	**550,011**	696,614
	50,286,467	46,995,786

Inventories of a subsidiary amounting to RM7,326,276 (2010: RM8,877,560) are pledged as security for bank borrowings (Note 24).

19. TRADE RECEIVABLES

	Group	
	2011 RM	**2010 RM**
External parties	**119,802,839**	114,280,024
Less: Allowance for impairment loss	**(467,521)**	(303,256)
	119,335,318	113,976,768

Included in trade receivables is an amount of RM937,036 (2010: RM4,471,788) due from a company in which a director of a subsidiary has substantial financial interest.

Trade receivables of a subsidiary amounting to RM19,504,810 (2010: RM15,959,550) are pledged as security for bank borrowings (Note 24).

19. TRADE RECEIVABLES (CONT'D)

(a) Credit Term of Trade Receivables

The Group's normal trade credit term extended to customers ranges from 30 to 120 days.

(b) Ageing Analysis of Trade Receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2011 RM	**2010 RM**
Neither past due nor impaired	**70,909,080**	58,638,499
1 to 30 days past due not impaired	**27,963,565**	26,638,320
31 to 60 days past due not impaired	**10,148,729**	10,862,562
61 to 90 days past due not impaired	**4,476,776**	10,512,550
91 to 120 days past due not impaired	**3,595,143**	1,448,750
More than 121 days past due not impaired	**2,242,025**	5,876,087
	48,426,238	55,338,269
Impaired	**467,521**	303,256
	119,802,839	114,280,024

Receivables that are neither past due nor Impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the year.

Receivables that are past due but not Impaired

Trade receivables amounting to RM48,426,238 (2010: RM55,338,269) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances except for trade receivables amounting to RM3,863,927 (2010: RM3,100,552) which are supported by third party guarantees.

Receivables that are Impaired

The movement of allowance accounts used to record the impairment is as follows:

	Group	
	2011 RM	**2010 RM**
At beginning of the year	**303,256**	1,287,385
Effect of adopting FRS 139	**–**	(191,592)
At beginning of the year (restated)	**303,256**	1,095,793
Charge for the year (Note 5)	**211,885**	316,886
Written off	**(16,358)**	(1,108,072)
Reversal of impairment loss (Note 5)	**(31,262)**	(1,351)
At end of the year	**467,521**	303,256

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

20. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group	
	2011 RM	2010 RM
Non-hedging Derivatives		
Current (liabilities)/assets		
Forward foreign exchange contract	**(178,345)**	48,199
Contract notional amount	**4,606,521**	7,141,100

The Group uses forward foreign exchange contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward foreign exchange contracts are entered into to hedge the Group's sales denominated in United States Dollar ("USD") and to limit exposure to potential changes in foreign exchange rate in respect to the foreign currency denominated trade receivables at the reporting date extending to 20 March 2012.

At the reporting date, the Group recognised a loss of RM226,544 (2010: gain RM48,199) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward exchange rates. The method and assumptions applied determining the fair value of derivatives is disclosed in Note 37.

21. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group bear effective interest rates ranging from 2.00% to 3.05% (2010: 2.70% to 2.80%) per annum and mature within one year. Deposits amounting to RM29,291,117 (2010: RM30,598,322) are pledged for bank borrowings granted to the subsidiaries (Note 24). As such, these deposits are not available for general use.

22. SHARE CAPITAL

	2011		2010	
	Number of shares	Amount RM	Number of shares	Amount RM
Ordinary shares of RM0.50 each				
Authorised:				
At beginning/end of the year	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid:				
At beginning/end of the year	**136,000,000**	**68,000,000**	136,000,000	68,000,000

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.

23. RESERVES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-distributable				
Capital reserve	**82,264**	82,264	**–**	–
Fair value reserve	**3,716**	16,680	**–**	–
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	**–**	–
Currency translation reserve	**135,378**	(132,517)	**–**	–
Distributable				
Retained earnings/(accumulated losses)	**74,290,110**	61,272,001	**(110,880)**	(139,576)
	33,785,726	20,512,686	**(110,880)**	(139,576)

(a) Capital Reserve

Capital reserve relates to certain portion of profits of the subsidiary of an associate which were transferred to a non-distributable statutory reserve pursuant to the relevant laws and regulations in the People's Republic of China.

(b) Fair Value Reserve

Fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

(c) 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..

(d) 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.

24. BORROWINGS

	Group	
	2011 RM	**2010 RM**
Non-current:		
Secured:		
Finance lease payables (Note 25)		
– RM	**1,272,992**	1,227,293
– Indonesian Rupiah	**16,202**	37,672
Term loans	**7,029,104**	8,406,895
	8,318,298	9,671,860
Current:		
Secured:		
Bank overdrafts		
– RM	**11,404,453**	8,954,224
– Indonesian Rupiah	**–**	300,719
Bankers' acceptances	**52,342,000**	94,657,000
Finance lease payables (Note 25)		
– RM	**857,792**	678,580
– Indonesian Rupiah	**59,796**	165,390
Revolving credit		
– United States Dollar ("USD")	**–**	1,240,000
Trade time loans		
– RM	**9,585,921**	–
– USD	**7,096,904**	–
Onshore foreign currency loans – USD	**18,381,352**	–
Structure commodity financing-i	**3,020,144**	–
Trade commodity financing-i	**5,032,135**	–
Term loans	**1,373,612**	1,306,902
	109,154,109	107,302,815
Unsecured:		
Bank overdrafts	**–**	38,776
Bankers' acceptances	**4,806,000**	1,935,000
	4,806,000	1,973,776
	113,960,109	109,276,591
Total Borrowings		
Bank overdrafts	**11,404,453**	9,293,719
Bankers' acceptances	**57,148,000**	96,592,000
Finance lease payables (Note 25)	**2,206,782**	2,108,935
Revolving credit	**–**	1,240,000
Trade time loans	**16,682,825**	–
Onshore foreign currency loans – USD	**18,381,352**	–
Structure commodity financing-i	**3,020,144**	–
Trade commodity financing-i	**5,032,135**	–
Term loans	**8,402,716**	9,713,797
	122,278,407	118,948,451

24. BORROWINGS (CONT'D)

The secured borrowings (except for finance lease payables) of the Group are secured by the following:

(i) letter of set-off over the deposits with licensed banks of subsidiaries (Note 21);

(ii) legal charge over the investment properties of subsidiaries (Note 10):

(iii) legal charge over the freehold land and buildings of subsidiaries (Note 9);

(iv) legal charge over the leasehold land and buildings of subsidiaries (Notes 9 and 11);

(v) insurance policy held in trust by a director (Note 16);

(vi) legal charge over inventories and trade receivables of a subsidiary (Notes 18 and 19);

(vii) guarantee by Credit Guarantee Corporation Malaysia Berhad;

(viii) guarantee by certain directors of the Company and the subsidiaries; and

(ix) corporate guarantee from the Company and a subsidiary.

The unsecured bank overdrafts and bankers' acceptances are supported by corporate guarantee from the Company.

The borrowings (except for finance lease payables) bear interest at rates as follows:

	Group	
	2011 % per annum	**2010 % per annum**
Bankers' acceptances	**3.41 to 5.70**	3.81 to 5.00
Bank overdrafts	**5.90 to 8.60**	7.80 to 9.80
Revolving credit	**–**	11.75
Trade time loans	**2.45 to 11.75**	–
Onshore foreign currency loans – USD	**1.60 to 3.18**	–
Structure commodity financing-i	**5.57**	–
Trade commodity financing-i	**4.83**	–
Term loans	**4.00 to 8.10**	5.55 to 9.80

The maturity profile of term loans is as follows:

	Group	
	2011 RM	**2010 RM**
Repayable within 1 year	**1,373,612**	1,306,902
Repayable after 1 year but not later than 2 years	**1,295,089**	1,382,131
Repayable after 2 years but not later than 3 years	**1,952,517**	1,297,943
Repayable after 3 years but not later than 4 years	**593,445**	1,070,440
Repayable after 4 years but not later than 5 years	**619,058**	1,010,572
Repayable after 5 years	**2,568,995**	3,645,809
	8,402,716	9,713,797

25. FINANCE LEASE PAYABLES

	Group	
	2011 RM	2010 RM
Future minimum lease payments	**2,385,850**	2,313,926
Less: Future finance charges	**(179,068)**	(204,991)
Total present value of minimum lease payments	**2,206,782**	2,108,935
Payable within one year		
Future minimum lease payments	**1,016,697**	963,191
Less: Future finance charges	**(99,109)**	(119,221)
Present value of minimum lease payments	**917,588**	843,970
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**1,369,153**	1,350,735
Less: Future finance charges	**(79,959)**	(85,770)
Present value of minimum lease payments	**1,289,194**	1,264,965
Total present value of minimum lease payments	**2,206,782**	2,108,935

The maturity profile of finance lease payables is as follows:

	Group	
	2011 RM	2010 RM
Payable within 1 year	**917,588**	843,970
Payable after 1 year but not later than 2 years	**643,269**	680,643
Payable after 2 years but not later than 3 years	**316,005**	453,160
Payable after 3 years but not later than 4 years	**192,699**	131,162
Payable after 4 years but not later than 5 years	**137,221**	–
	2,206,782	2,108,935

The finance lease payables of the Group bear effective interest at rates ranging from 3.60% % to 7.42% (2010: 3.57% to 9.37%) per annum.

26. 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	
	2011 RM	2010 RM
At beginning of the year	**32,221**	–
Provision made during the year	**76,272**	32,221
At end of the year	**108,493**	32,221

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The expense recognised in profit or loss is as follows:

	Group	
	2011	**2010**
	RM	**RM**
Current service costs	**76,272**	32,221

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 reporting date are as follows:

	Group	
	2011	**2010**
	RM	**RM**
Normal retirement age	**55 years old**	55 years old
Discount rate	**7.0%**	9.2%
Future salary increases	**8.0%**	7.0%
Withdrawal rate	**1% at age 20 and linearly decreasing up to age 54**	1% at age 20 and linearly decreasing up to age 54
Mortality rate	**TM II 2000**	TM II 2000

27. TRADE PAYABLES

	Group	
	2011	**2010**
	RM	**RM**
External parties	**32,533,293**	36,426,659

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

Included in trade payables are amount of RM774,626 (2010: RM2,295,659) due to companies in which certain directors of the subsidiaries have substantial financial interest.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Sundry payables	**2,229,584**	904,600	**–**	–
Subsidiary	**–**	–	**9,118,418**	9,810,361
Rental deposit received	**84,000**	84,000	**–**	–
Accruals	**2,186,090**	2,186,719	**962,770**	1,581,473
	4,499,674	3,175,319	**10,081,188**	11,391,834

Included in sundry payables is an amount of RM1,331,964 (2010: RM7,475) in respect of balance outstanding owing to a contractor for the construction of factory and office building of a subsidiary.

Amount due to subsidiary is non-trade in nature, unsecured, bears interest at a rate of 6.0% (2010: 6.0%) per annum, repayable on demand and expected to be settled in cash.

29. DIVIDEND

	Group and Company			
	2011		2010	
	Single-tier Dividend per Share sen	Amount of Dividend RM	Single-tier Dividend per Share sen	Amount of Dividend RM
First and final single-tier exempt dividend in respect of financial year ended:				
– 31 December 2010	**3.50**	**4,760,000**	–	–
– 31 December 2009	**–**	**–**	2.80	3,808,000

The directors have recommended a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2011 of 4.0% on 136,000,000 ordinary shares amounting to RM5,440,000 if approved at the forthcoming Annual General Meeting.

The financial statements for the current year do not reflect the first and final dividend. The first and final dividend will be accounted for in equity as an appropriation of retained earnings in the financial statements in the financial year ending 31 December 2012.

30. ACQUISITION OF SUBSIDIARY

On 9 March 2010, Samchemsphere Export Sdn. Bhd., a 70% owned-subsidiary of the Company, acquired 80% equity interest in Cong Ty Tnhh Sam Chem Qua Cau [Sam Chem Sphere Company Limited] representing capital of VND 480 million for cash consideration of RM82,759. The profit of the acquired subsidiary included in the consolidated statement of comprehensive income amounted to RM90,447. If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue and profit for the year would have been RM473,388,519 and RM15,842,195 respectively.

The fair values of the assets acquired and the liabilities assumed at the effective date of acquisition are as follows:

	2010 RM
Property, plant and equipment	79
Inventories	1,490,161
Trade receivables	2,281,574
Other receivables and prepayments	48,238
Cash and bank balances	179,412
Trade payables	(4,170,406)
Total identifiable net liabilities	(170,942)
Goodwill (Note 15)	253,701
Total purchase consideration	82,759
Less: Cash and cash equivalents of subsidiary acquired	(179,412)
Effect of acquisition of subsidiary, net of cash acquired	(96,653)

The goodwill recognised on acquisition is attributable to synergies expected to arise after the acquisition which is not recognised separately.

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	**15,354,287**	7,499,472	**57,308**	139,267
Deposits with licensed banks (Note 21)	**30,018,790**	31,099,894	**–**	–
Less: Bank overdrafts (Note 24)	**(11,404,453)**	(9,293,719)	**–**	–
	33,968,624	29,305,647	**57,308**	139,267

32. CAPITAL COMMITMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Approved and contracted for:				
– property, plant and equipment	**5,162,272**	219,093	**–**	–
– capital investment	**–**	1,386,000	**–**	1,386,000
	5,162,272	1,605,093	**–**	1,386,000
Approved but not contracted for:				
– property, plant and equipment	**6,097,217**	12,954,875	**–**	–

33. RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associates, key management personnel and companies in which key management personnel have substantial financial interests.

(b) Related Party Transactions and Balances

Related party transactions are as follows:

	Group	
	2011 RM	**2010 RM**
Associate:		
Management fee income	**(223,523)**	–
Companies in which certain directors of subsidiaries have substantial financial interests:		
Rendering of services	**–**	(54,795)
Purchase of property, plant and equipment	**–**	3,283,126
Purchases of products	**6,468,668**	27,644,914
Sales of products	**(2,602,814)**	(15,392,116)
Subsidiaries:		
Dividend income	**(6,509,000)**	–
Management fee income	**(3,012,978)**	(3,889,448)
Interest charges	**622,417**	496,695
Rental of motor vehicle	**23,604**	23,604
Interest income	**(340,793)**	(471,401)
Associate:		
Management fee income	**(223,523)**	–

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 19 and 27 and 28.

33. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of Key Management Personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company:				
Non-executive director				
– fees	**84,000**	84,000	**84,000**	84,000
– other emoluments	**8,500**	7,500	**8,500**	7,500
	92,500	91,500	**92,500**	91,500
Executive directors				
– Short term employee benefits	**2,233,340**	2,589,665	**2,233,340**	2,589,665
– Post-employment benefits	**179,000**	197,616	**179,000**	197,616
	2,412,340	2,787,281	**2,412,340**	2,787,281
	2,724,084	2,878,781	**2,504,840**	2,878,781
Other Key Management Personnel:				
Short term employee benefits	**1,808,106**	1,669,243	**277,816**	220,600
Post-employment benefits	**138,272**	115,340	**28,500**	26,472
	1,946,378	1,784,583	**306,316**	247,072
	4,451,218	4,663,364	**2,811,156**	3,125,853

34. SEGMENT INFORMATION

For management purposes, the Group is organised into operating units based on their country of domiciled and has three reportable operating segments as follows:

(i) Malaysia

(ii) Republic of Indonesia

(iii) Socialist Republic of Vietnam

Management monitors the operating results of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax of each unit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

34. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
2011					
Revenue					
External revenue	352,568,452	84,302,433	70,524,501	–	507,395,386
Inter-segment revenue	107,127,764	–	–	(107,127,764)	–
Total segment revenue	459,696,216	84,302,433	70,524,501	(107,127,764)	507,395,386
Results					
Segment results	22,161,141	2,941,970	674,059	–	25,777,170
Share of loss of associates					(186,951)
Profit before tax					25,590,219
Tax expense					(6,418,202)
Profit for the year					19,172,017
Assets					
Segment assets	201,073,353	37,586,937	23,957,427	–	262,617,717
Investments in associates					3,607,034
Total assets					266,224,751
Liabilities					
Segment/Total liabilities	142,953,249	15,471,422	2,085,608	–	160,510,279
Other Segment Information					
Depreciation	1,976,557	678,010	8,349	–	2,662,916
Amortisation	–	80,620	–	–	80,620
Interest income	(819,295)	(11,305)	(121,990)	–	(952,590)
Interest expense	6,502,053	364,637	17,066	–	6,883,756
Additions to non-current assets other than financial instruments and deferred tax assets	5,043,926	137,914	99,023	–	5,280,863

34. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
2010					
Revenue					
External revenue	371,625,176	55,902,481	43,017,303	–	470,544,960
Inter-segment revenue	105,740,819	–	–	(105,740,819)	–
Total segment revenue	477,365,995	55,902,481	43,017,303	(105,740,819)	470,544,960
Results					
Segment results	21,550,534	(1,739,613)	460,889	–	20,271,810
Share of profit of associates					840,144
Profit before tax					21,111,954
Tax expense					(5,227,711)
Profit for the year					15,884,243
Assets					
Segment assets	193,722,473	33,401,113	18,829,564	–	245,953,150
Investments in associates					3,606,659
					249,559,809
Liabilities					
Segment/Total liabilities	143,135,757	12,910,387	3,387,772	–	159,433,916
Other Segment Information					
Depreciation	1,981,207	575,969	162	–	2,557,338
Amortisation	–	13,437	–	–	13,437
Interest income	(814,969)	(1,557)	(34,825)		(851,351)
Interest expense	6,085,780	72,564	–	–	6,158,344
Additions to non-current assets other than financial instruments and deferred tax assets	1,919,030	6,611,091	255,356	–	8,785,477

34. SEGMENT INFORMATION (CONT'D)

Information about Geographical Areas

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

	Group	
	2011 RM	**2010 RM**
Malaysia	**313,369,769**	343,672,062
Republic of Indonesia	**91,738,151**	70,449,959
Socialist Republic of Vietnam	**94,554,582**	51,390,930
Republic of Singapore	**6,156,313**	3,034,587
Others	**1,576,571**	1,997,422
	507,395,386	470,544,960

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

	Group	
	2011 RM	**2010 RM**
Malaysia	**33,273,600**	30,867,035
Republic of Indonesia	**5,283,429**	5,602,198
Socialist Republic of Vietnam	**295,763**	255,200
	38,852,792	36,724,433

Information about Major Customers

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

35. SIGNIFICANT EVENTS

(a) On 16 February 2011, PT Samchem Prasandha ("PTSP") increased its paid-up share capital from USD250,000 to USD1,000,000. The Company had subscribed for 60% of the additional paid-up share capital of PTSP or 450,000 shares for a total cash consideration of USD450,000 (equivalent to RM1,380,887).

(b) On 7 March 2011, Samchem TN Pte. Ltd. ("STPL") increased its paid-up share capital from SGD1 to SGD100,000. The Company had subscribed for the entire additional paid-up share capital of STPL for a total cash consideration of SGD99,999 (equivalent to RM239,798).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Directors and 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Exposure to Credit Risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risk in relation to provision of financial guarantees to banks in respect of banking facilities granted to the subsidiaries and to suppliers for granting of credit term to the subsidiaries.

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group		Company	
	2011 RM	**% of total**	**2010 RM**	**% of total**
By Country:				
Malaysia	**87,721,329**	**73.22%**	88,970,268	77.79%
Indonesia	**19,504,810**	**16.28%**	15,959,550	14.00%
Vietnam	**12,522,549**	**10.45%**	9,292,552	8.15%
Singapore	**54,151**	**0.05%**	57,654	0.05%
	119,802,839	**100.00%**	114,280,024	100.00%

The Group does not have any significant exposure to any individual customer at the reporting date.

Financial Guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for credit term granted to certain subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM126,021,677 (2010: RM108,356,413) representing the outstanding banking facilities and certain trade payables of the subsidiaries at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayments.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default in repayments within the guarantee period.

(b) 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity Risk (cont'd)

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:

	Carrying Amount RM	Contractual Cash Flows RM	On Demand or Within 1 Year RM	1 to 2 Years RM	2 to 5 Years RM	Over 5 Years RM
2011						
Group						
Financial Liabilities:						
Trade payables	**32,533,293**	**32,533,293**	**32,533,293**	**–**	**–**	**–**
Other payables and accruals	**4,499,674**	**4,499,674**	**4,499,674**	**–**	**–**	**–**
Bank overdrafts	**11,404,453**	**11,404,453**	**11,404,453**	**–**	**–**	**–**
Bankers' acceptances	**57,148,000**	**57,148,000**	**57,148,000**	**–**	**–**	**–**
Finance lease payables	**2,206,782**	**2,385,850**	**1,016,697**	**709,651**	**659,502**	**–**
Trade time loans	**16,682,825**	**16,682,825**	**16,682,825**	**–**	**–**	**–**
Onshore foreign currency loans	**18,381,352**	**18,381,352**	**18,381,352**	**–**	**–**	**–**
Structure commodity financing-i	**3,020,144**	**3,020,144**	**3,020,144**	**–**	**–**	**–**
Trade commodity financing-i	**5,032,135**	**5,032,135**	**5,032,135**	**–**	**–**	**–**
Term loans	**8,402,716**	**10,826,408**	**1,913,498**	**1,728,506**	**4,035,320**	**3,149,084**
	159,311,374	**161,914,134**	**151,632,071**	**2,438,157**	**4,694,822**	**3,149,084**
Company						
Financial Liabilities:						
Other payables and accruals	**10,081,188**	**10,081,188**	**10,081,188**	**–**	**–**	**–**
2010						
Group						
Financial Liabilities:						
Trade payables	36,426,659	36,426,659	36,426,659	–	–	–
Other payables and accruals	3,175,319	3,175,319	3,175,319	–	–	–
Bank overdrafts	9,293,719	9,293,719	9,293,719	–	–	–
Bankers' acceptances	96,592,000	96,592,000	96,592,000	–	–	–
Finance lease payables	2,108,935	2,313,926	963,191	749,746	600,989	–
Revolving credit	1,240,000	1,240,000	1,240,000	–	–	–
Term loans	9,713,797	12,606,454	1,913,513	1,903,357	4,472,740	4,316,844
	158,550,429	161,648,077	149,604,401	2,653,103	5,073,729	4,316,844
Company						
Financial liabilities:						
Other payables and accruals	11,391,834	11,391,834	11,391,834	–	–	–

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity Risk (cont'd)

The table below summarises the maturity profile of the Company's derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Carrying Amount RM	Contractual Cash Flows RM	Less than 1 Month RM	1–3 Months RM
2011				
Financial Liabilities				
Net settled:				
Forward foreign currency contracts	**(178,345)**	**(178,345)**	**–**	**(178,345)**

(c) 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 RM119,976,616 2010: RM116,704,970) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM2,301,791 (2010: RM2,243,481), expose the Group to fair value 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 year ended 31 December 2011 would decrease/increase by RM449,912 (2010: RM437,644) as a result of exposure to floating rate borrowings.

(d) 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 RM, United States Dollar ("USD") and Vietnam Dong ("VND"). The foreign currencies in which these transactions are mainly denominated are USD, Singapore Dollar ("SGD") and Indonesian Rupiah ("Rp").

Forward currency contracts are 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 and Socialist Republic of Vietnam.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign Currency Risk (cont'd)

Financial assets and liabilities denominated in USD, Rp and SGD are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
United States Dollar				
Cash at banks	**998,971**	659,525	**–**	2,930
Trade receivables	**842,054**	13,823,669	**–**	–
Other receivables	**179,840**	–	**3,639,698**	7,043,870
Trade payables	**(11,268,373)**	(16,809,735)	**–**	–
Revolving credit	**–**	(1,240,000)	**–**	–
Trade time loans	**(8,525,366)**	–	**–**	–
Onshore foreign currency loans	**(14,842,076)**	–	**–**	–
	(32,614,950)	(3,566,541)	**3,639,698**	7,046,800
Indonesian Rupiah				
Cash at banks	**1,096,969**	58,832	**–**	–
Trade receivables	**1,190,414**	1,003,014	**–**	–
Trade payables	**(302,289)**	(2,489,412)	**–**	–
Other payables	**(13,358)**	(33,623)	**–**	–
Finance lease payables	**(75,998)**	(203,062)	**–**	–
Bank overdraft	**–**	(300,719)	**–**	–
	1,895,738	(1,964,970)	**–**	–
Singapore Dollar				
Cash at banks	**569,228**	115,893	**–**	–
Trade receivables	**890,485**	198,691	**–**	–
	1,459,713	314,584	**–**	–

Sensitivity Analysis for Foreign Currency Risk

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

		Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
USD/RM	– strengthened 5%	**(1,220,813)**	(133,745)	**181,985**	352,340
	– weakened 5%	**1,220,813**	133,745	**(181,985)**	(352,340)
Rp/RM	– strengthened 5%	**71,086**	(73,686)	**–**	–
	– weakened 5%	**(71,086)**	73,686	**–**	–
SGD/RM	– strengthened 2%	**21,896**	4,719	**–**	–
	– weakened 2%	**(21,896)**	(4,719)	**–**	–

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Market Price Risk

Market price 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 prices. The Group is exposed to market price risk arising from its investment in quoted shares listed on the Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale. As the amount of the investment is minimal, the Group's income and operating cash flows are not excessively exposed to changes in the market price.

37. 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.

The fair value of insurance policy is estimated using discounted cash flows analysis, based on rate of return for a new life insurance policy of similar term.

(b) Other Investments

The fair value of shares quoted in an active market is determined by reference to the quoted closing bid price at the reporting date.

The fair value of foreign currency forward contracts is provided by the bank which is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contracts using a risk-free interest rate (based on government bonds).

(c) 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.

The fair value of finance lease payables and fixed rate loan is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values except for the following:

	2011		2010	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Group				
Financial Liabilities				
Finance lease payables	**2,206,782**	**2,226,416**	2,108,935	2,091,601
Term loan	**95,009**	**91,834**	134,546	113,438

38. FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

(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).

As at 31 December 2011, the Group held the following financial instruments carried at fair values on the statement of financial position:

Assets/(Liabilities) Measured at Fair Value

	31.12.2011 RM	Level 1 RM	Level 2 RM	Level 3 RM
2011				
Available-for-sale financial assets				
– quoted shares	**38,634**	**38,634**	**–**	**–**
Derivative financial instruments				
– foreign currency forward contracts	**(178,345)**	**–**	**(178,345)**	**–**

During the year ended 31 December 2011, there was no transfer between fair value measurement hierarchy.

39. 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 2010.

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 less cash and cash equivalents (excluding bank overdrafts) whilst total capital is the total equity of the Group. The debt-to-equity ratio as at 31 December 2011 and 2010, which are within the Group's objectives of capital management are as follows:

	Group	
	2011	**2010**
Total interest-bearing borrowings (RM)	**122,278,407**	118,948,451
Less: Cash and cash equivalents (RM)	**(45,373,077)**	(38,599,366)
Total net debts (RM)	**76,905,330**	80,349,085
Total equity (RM)	**105,714,472**	90,125,893
Debt-to-equity ratio (%)	**73**	89

The Group and certain subsidiaries are required to comply with externally imposed capital requirements on gearing ratio, leverage ratio and maintain certain net worth in respect of their bank borrowings. The Company and these subsidiaries have complied with those capital requirements.

40. COMPARATIVE FIGURES

The following comparative figures have been restated to conform with current year presentation:

	Group	
	As Reclassified RM	As Previously Classified RM
Statement of Financial Position		
Property, plant and equipment	32,749,770	32,999,083
Investment properties	2,730,417	2,481,104
Statement of Cash Flows		
Depreciation of property, plant and equipment	2,523,347	2,526,381
Depreciation of investment properties	33,991	30,957

41. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings/(accumulated losses) of the Group and of the Company as at reporting date are analysed as follows:

	Group	
	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiaries		
– realised	**84,731,165**	72,907,863
– unrealised	**897,933**	(1,778,114)
	85,629,098	71,129,749
Total share of retained earnings from associates		
– realised	**2,327,395**	2,514,346
	87,956,493	73,644,095
Less: Consolidation adjustments	**(13,666,383)**	(12,372,094)
Total retained earnings	**74,290,110**	61,272,001

	Company	
	2011 RM	2010 RM
Total (accumulated losses)/retained earnings of the Company		
– realised	**(406,730)**	449,118
– unrealised	**295,850**	(588,694)
Total accumulated losses	**(110,880)**	(139,576)

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

Particulars of Properties

Location	Tenure	Land/ Built-Up Area	Description/ Existing Use	Approximate Age Of Building	Net Book Value @ 31.12.2011 (RM)	Year Of Last Valuation
Samchem Sdn Bhd						
Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32 40460 Shah Alam Selangor Darul Ehsan	Freehold	103,431 sq. ft/ 78,470 sq. ft	Single storey detached warehouse annexed with a 3 storey office building and a guard house/ Industrial	5 years	9,813,707	2008
No.3, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan	Freehold	10,887 sq. ft/ 6,678 sq. ft	One and a half storey semi-detached factory/ Industrial	13 years	785,794	2008
No.1, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan	Freehold	14,757 sq. ft/ 6,678 sq. ft	One and a half storey semi-detached factory/ Industrial	13 years	985,674	2008
H.S.(M) 1501, PT 14856 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Leasehold 99 years expiring on 20.1.2068	111,078 sq. ft	Vacant land/ Industrial	N/A	1,750,158	2008
Samchem Enviro Cycle Sdn Bhd						
H.S.(M) 1132, PT 14852 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Leasehold 99 years expiring on 13.8.2067	111,081 sq. ft	Vacant land/ Industrial	N/A	1,641,730	2008

Location	Tenure	Land/ Built-Up Area	Description/ Existing Use	Approximate Age Of Building	Net Book Value @ 31.12.2011 (RM)	Year Of Last Valuation
Eweny Chemicals Sdn Bhd						
17, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh Perak Darul Ridzuan	Leasehold 60 years expiring on 22.3.2045	27,384 sq. ft/ 19,785 sq. ft	A 2 storey office building with an annexed single storey detached factory and a single storey open sided store building/ Industrial	14 years	937,687	2008
HS (D) 202668, No. PT243928 Mukim Hulu Kinta, Perak Darul Ridzuan	Leasehold 60 years expiring on 17.11.2071	9,106 sq. m.	Vacant Land/ Industrial	N/A	–	2012
TN Chemie Sdn Bhd						
No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim	Freehold	7,200 sq. ft	Single storey detached factory with an annexed double storey office building/ Industrial/ Commercialw	15 years	423,750	–
PTD 152691, Mukim Pulai Kawasan Perindustrian SiLC Bandar Nusajaya, 79200 Johor Darul Takzim	Freehold	4.505 acres/ 3,612.16 sq. m.	2 blocks of single storey factory and 1 block of three storey office building/ Industrial/ Commercial	4 years	8,174,803	2009

Analysis of Shareholdings

As at 3 April 2012

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

ANALYSIS BY SIZE OF SHAREHOLDINGS
AS AT 3 APRIL 2012

Size Of Shareholdings	No. Of Shareholders	% Of Shareholders	No. Of Shares	% Of Shares
Less than 100	7	0.69	198	0.00
100 – 1,000	150	14.87	73,528	0.05
1,001 – 10,000	506	50.15	3,035,300	2.23
10,001 – 100,000	278	27.55	9,029,862	6.64
100,001 – less than 5% of the shares	55	5.45	17,413,441	12.81
5% and above	13	1.29	106,447,671	78.27
	1,009	100.00	136,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name Of Shareholders	No. Of Shares	%	No. Of Shares	%
Ng Thin Poh	59,008,602	43.39	100,000*	0.07
Ng Soh Kian	9,797,279	7.20	684,000*	0.50
Dato' Ng Lian Poh	8,261,763	6.07	527,100*	0.39
Tan Teck Beng	6,881,661	5.06	30,000*	0.02

*Indirect interest held by spouse and children

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name Of Shareholders	No. Of Shares	%	No. Of Shares	%
Ng Thin Poh	59,008,602	43.39	100,000*	0.07
Ng Soh Kian	9,797,279	7.20	684,000*	0.50
Dato' Ng Lian Poh	8,261,763	6.07	527,100*	0.39
Chooi Chok Khooi	4,661,046	3.43	–	–
Wong Tak Keong	300,000	0.22	–	–
Dato' Theng Book	–	–	–	–
Lee Kong Hoi	104,000	0.08	–	–

* Indirect interest held by spouse and children

LIST OF TOP 30 SHAREHOLDERS
AS AT 3 APRIL 2012

No.	Name	No. Of Shares	% Of Issued Shares
1.	Ng Thin Poh	59,008,602	43.39
2.	Ng Soh Kian	8,926,979	6.56
3.	Dato' Ng Lian Poh	8,261,763	6.07
4.	Tan Teck Beng	6,881,661	5.06
5.	Chooi Chok Khooi	4,661,046	3.43
6.	Caroline Chin Ai Wei	3,454,100	2.54
7.	Maryann Ng Su Ling	2,907,600	2.14
8.	Ng Hoi Peng	2,811,000	2.07
9.	SJ SEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Michael Lee Fook Soon (SMT)*	2,400,000	1.76
10.	Wee Chai Peng	2,368,100	1.74
11.	Eugene Chong Wee Yip	2,268,620	1.67
12.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui*	1,428,200	1.05
13.	Tan Soon Hock	1,070,000	0.79
14.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong (E-KLC)*	883,100	0.65
15.	Ng Soh Kian	870,300	0.64
16.	Tee Pee Hoe	830,000	0.61
17.	Choo Chee Chien	748,900	0.55
18.	Liew Hooi Yee	736,000	0.54
19.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hoi Peng (E-SJA/USJ)*	699,000	0.51
20.	Liew Hooi Suan	659,000	0.48
21.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui (KLC/KEN)*	650,000	0.48
22.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong*	636,000	0.47
23.	Choo Chee Keun	590,000	0.43
24.	Tien Siew Foon	555,000	0.41
25.	Lee Ah Noi	527,100	0.39
26.	Janet Chee Hong Lai	500,000	0.37
27.	Tan She Hoo	430,000	0.32
28.	Han Chang Kong	406,700	0.30
29.	Michael Lee Fook Soon	400,000	0.29
30.	Chooi Chak Lim	399,459	0.29
Total		**116,968,230**	**86.00**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Samchem Holdings Berhad will be held at Danau 4, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, Friday, 25 May 2012 at 9.30 a.m. for the following purposes

AGENDA

As Ordinary Business

1. To receive the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2011 and the Report of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a First & Final Single Tier Dividend of 4.0 sen per share for the financial year ended 31 December 2011. **(Resolution 2)**
3. To approve the payment of Directors' Fees amounting to RM84,000.00 in respect of the financial year ending 31 December 2012. **(Resolution 3)**
4. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Articles of Association:

   (i) Wong Tak Keong **(Resolution 4)**

   (ii) Dato' Theng Book **(Resolution 5)**

   (iii) Lee Kong Hoi **(Resolution 6)**
5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution 7)**

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 132D OF THE COMPANIES ACT, 1965 **(Resolution 8)**

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

NOTICE OF DIVIDEND PAYMENT AND DIVIDEND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 25 May 2012, a first & final single tier dividend of 4.0 sen per share will be paid on 23 June 2012 to shareholders whose names appear in the Company's Record of Depositors on 2 June 2012.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 2 June 2012 in respect of transfers; and

b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

MAISARAH TANG ABDULLAH (F)(MAICSA 7039139)
LEE SEET MEI (F)(MAICSA 7007527)
Company Secretaries

KUALA LUMPUR
3 May 2012

Notes:

(A) Proxy

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint at least one (1) proxy of his own choice to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(ii) If a member appoints more than one (1) proxy, the member must specify the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or under the hand of an officer or its attorney duly authorised in that behalf.

(iv) To be valid, the instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at No.6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(v) Only a depositor whose name appears on the Record of Depositors as at 18 May 2012 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.

(B) Explanatory Notes on Special Business

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

The proposed Resolution 8, 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.

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 Fourth Annual General Meeting held on 27 May 2011 and which will lapse at the conclusion of the Fifth 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.

Statement Accompanying Notice of the 5th 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 5th Annual General Meeting of the Company are:
   a) Wong Tak Keong (Resolution 4)
   b) Dato' Theng Book (Resolution 5)
   c) Lee Kong Hoi (Resolution 6)
2. The details profile of the above Directors who are standing for re-election are set out in the Directors' Profile set out on pages 4 to 5 of the Annual Report.
3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 11 of the Annual Report.
4. The 5th Annual General Meeting of the Company will be held at Danau 4, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 25 May 2012 at 9.30 a.m.

SAMCHEM HOLDINGS BERHAD
(Company Number 797567-U)

Proxy Form

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

of ____
(Address)

being a member/members of Samchem Holdings Berhad, hereby appoint ______________________
(Full Name in Block Capitals)

____

of ____
(Address)

or failing him/her, ____

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Fifth Annual General Meeting of the Company to be held at Danau 4, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 25 May 2012 at 9.30 a.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR*	AGAINST*
1.	Receipt of the audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2011, and the Report of the Directors and Auditors thereon.		
2.	Declaration of a First & Final Single Tier Dividend of 4.0 sen per share for the financial year ended 31 December 2011.		
3.	Approval of payment of Directors' fees for the financial year ending 31 December 2012.		
4.	Re-election of Director – Wong Tak Keong		
5.	Re-election of Director – Dato' Theng Book		
6.	Re-election of Director – Lee Kong Hoi		
7.	Re-appoint Messrs. Moore Stephens AC as Auditors of the Company and to authorise the Directors to determine their remuneration.		
8.	**Special Business** – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.		

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

Dated this ______ day of ______________________ 2012.

Number of shares held	

____
Signature/Seal of Shareholders

[* Delete if not applicable]

Notes:

(a) A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. If such appointor is a corporation, under its common seal or hands of its attorney.

(c) Duly completed form of proxy should be deposited with the Registered Office at No. 6, Jalan Bangsar Utama 9, Bangsar Utama, 59000 Kuala Lumpur not less than forty-eight (48) hours before the time holding of the Meeting.

stamp

To:

Samchem Holdings Berhad (797567-U)

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