SAMCHEM HOLDINGS BERHAD

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

ANNUAL REPORT 2012

CONTENTS

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.

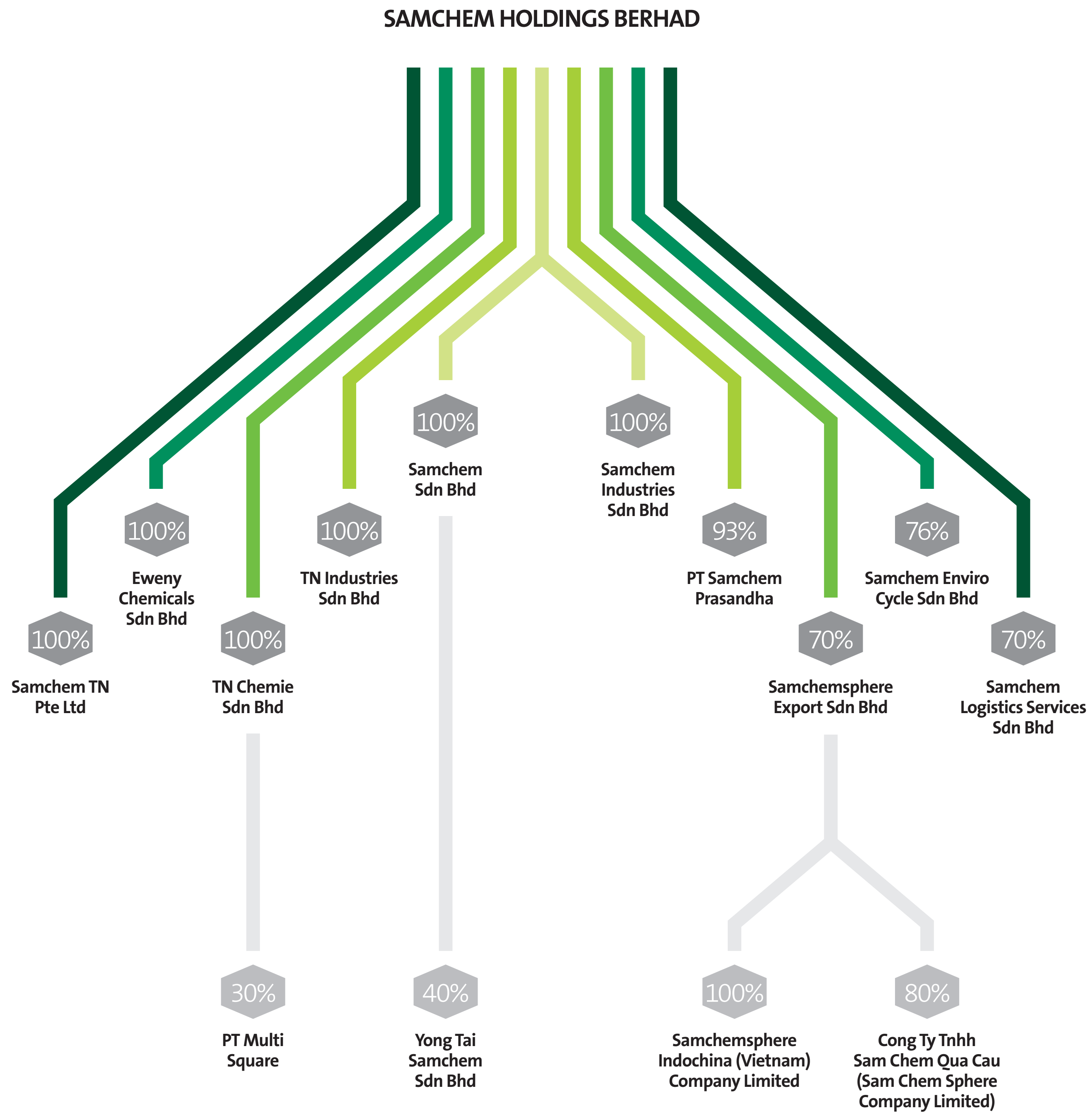
CORPORATE MISSION STATEMENTS

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.

CORPORATE STRUCTURE



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. Cheong Chee Yun
   Independent Non-Executive Director
6. Dato' Theng Book
   Independent Non-Executive Director
7. Lee Kong Hoi
   Independent Non-Executive Director

AUDIT COMMITTEE

Cheong Chee Yun
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

Dato' Theng Book

Cheong Chee Yun

COMPANY SECRETARIES

Maisarah Tang Abdullah
(MAICSA 7039139)

Wong Youn Kim
(MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 03-2283 6050
Fax: 03-2283 6072

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

Baker Tilly AC
Baker Tilly MH Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 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 55, 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 SCSB. 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 46, 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 SCSB and was appointed as the Executive Director of SCSB 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 45, 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 and has been the Managing Director of the company since its inception. He is presently responsible for the general management of TN Chemie. 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 56, was appointed to the Board on 27 February 2009. In 1976, he started his career at Eastern Hotel, Ipoh, Perak. He obtained a LCCI certificate in Accounting in 1977. Between 1978 and 1982, he was employed as an Assistant Manager in Chemikas Sdn Bhd, where he was responsible for handling the company's administrative, purchase, sales and collection activities. In 1982, he started his own sole proprietorship, namely Unichem Enterprise, which is involved in the dealings of chemicals. In 1990, Mr Chooi founded Eweny Chemicals and has been the Managing Director of the company since inception. With more than 30 years experience in the chemical business, Mr Chooi is presently responsible for handling Eweny Chemicals' administrative and sales activities.

CHEONG CHEE YUN

Independent Non-Executive Director

Cheong Chee Yun, a Malaysian, aged 52, is a chartered accountant member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Institute Bank-Bank Malaysia. In 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Bhd (then known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last position held was as Manager rank. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as director in 1999. In 2001, he joined Saferay (M) Sdn Bhd a manufacturer and exporter of Architectural Mouldings as an executive director. In 2003, he was also appointed a non-executive Director in CS Opto Semiconductors Sdn Bhd. In 2006, he was appointed as an Operational Director in Eastmont Sdn Bhd a building construction services company. Currently, he is the CFO of Enco Holdings Sdn Bhd a green renewable energy outfit. He is also an independent non-executive director for ManagePay Systems Bhd and Samchem Holdings Bhd, both listed with Bursa Malaysia. He is also currently the advisor to Eastmont Sdn Bhd.

DATO' THENG BOOK

Independent Non-Executive Director

Dato' Theng Book, a Malaysian aged 53, 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 49, 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.

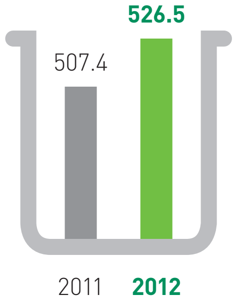
Dear Shareholders,

On behalf of the Board of Directors of Samchem Holdings Berhad (Samchem or the Group), I am pleased to present to you the 2012 Annual Report and audited financial statements for the financial year ended 31 December 2012 (FY2012).

In general, the state of the global economy deteriorated further in 2012, largely due to the unfolding crisis in the Eurozone. This subsequently led to constricted demand for industrial chemicals amongst manufacturers which resulted in a keenly-competitive landscape for Samchem and similar companies in the domestic and regional markets.

During this time, Samchem seized the opportunity to prepare ourselves to capture the eventual demand upturn in line with the economic recovery. To this end, the Group invested a total of RM7.0 million in capital expenditure to expand our facility in Johor Bahru and acquire additional land in Ipoh for future development.

We believe that by taking this proactive stance, Samchem will be able to forge its growth path in the future.



Group Revenues
(RM million)

FINANCIAL PERFORMANCE

Samchem group revenues rose to RM526.5 million in FY2012 from RM507.4 million in the previous financial year. The topline growth was attributable to the Group's continued traction in the domestic market and most of our overseas ventures.

I am heartened that we reinforced our presence in Malaysia, with 6.1% higher sales of RM373.9 million in FY2012, compared to RM352.6 million in the previous financial year. The Malaysian market remained the Group's largest revenue contribution, making up 58.9% of group revenue.

Meanwhile, our operations in Vietnam continued its double-digit growth, with a 20.2% rise in revenue from RM70.5 million in the previous year to RM84.8 million in FY2012. It is also noteworthy that we recorded maiden contributions from our Singapore operations, which accounted for RM1.6 million of group revenue.

However, contributions from our subsidiary in Indonesia dipped by 21.7% from RM84.3 million in FY2011 to RM66.2 million in FY2012, largely due to the stiff competition in the year under review.

The Group's higher operating and finance costs, coupled with intense competition, resulted in reduced pre-tax and net profits of RM12.8 million and RM8.6 million respectively. In comparison, Samchem posted pre-tax and net profits of RM25.6 million and RM17.8 million respectively a year ago.

Correspondingly, earnings per share declined to 6.33 sen in FY2012 in contrast to 13.07 sen in FY2011, based on share capital of 136 million shares of RM0.50 par.

Nonetheless, the Group maintained the health of our balance sheet. While the Group's ongoing expansion necessitated high borrowings of RM126.7 million in end-FY2012 versus RM122.3 million as at previous year end, cash and cash equivalents rose to RM48.8 million in the year under review compared to RM45.4 million previously.

Resulting from this, the Group's net gearing was sustained at 0.76 time, versus 0.75 time a year ago.

DIVIDEND

In keeping with our practice of declaring dividends, the Board is proposing a first and final dividend of 2.5 sen per share for shareholders' approval at the upcoming Annual General Meeting. This will translate into a dividend payout of RM3.4 million or 39.5% of FY2012 net profits.

FUTURE OUTLOOK

The World Economic Outlook has stated that the global growth in emerging markets and developing economies is expected to breach 5.5% in 2013 on the back of supportive policies which have accelerated growth activities in many economies, particularly in the US, Japan, and the Eurozone.

The Economic Report 2012/2013 by the Ministry of Finance that the Malaysian economy in 2013 is expected to bounce back and register stronger growth of between 4.5% to 5.5%. This is in light of the recovery of the Eurozone debt crisis as well as the rapid growth momentum in the economies of Malaysia's major trading partners.

Similarly, the chemical industry is expected to bounce back in the early months of 2013 congruent with the recovery of Eurozone and the US, according to forecasts by the Royal Society of Chemistry.

Therefore, we have bright prospects for the regional manufacturing sector. In this respect, we will continue to implement growth strategies in the coming years.

"Samchem group revenues rose to RM526.5 million in FY2012 from RM507.4 million in the previous financial year. The topline growth was attributable to the Group's continued traction in the domestic market and most of our overseas ventures."

Firstly, we intend to continue our efforts in increasing our product offerings. We will also improve on our operational efficiency in order to enhance our margins in a sustainable manner.

Secondly, we will continue to grow our domestic market sales. We intend to secure more customers locally, leveraging on our readily-expanded facilities in Johor Bahru and Ipoh, as well as our strong reputation nationwide.

Lastly, we plan to strengthen and establish a strong presence in the regional markets, in particular Vietnam, Indonesia, and Singapore. Against this backdrop, we will also strengthen our distribution network to assist the Group in serving a larger customer base.

Samchem is optimistic to further grow and gain foothold in local and overseas markets as a reliable and preferred industrial chemical distributor.

CORPORATE GOVERNANCE

Throughout our years of operations, we are committed to understanding the practicalities and challenges of inculcating high standards and setting benchmarks in corporate governance. With the Group adopting and practicing extensive corporate governance culture, our main objective is to ensure long-term shareholders' value as well as refining operations sustainability.

These measures carried out to this effect are specified in the Corporate Governance Statement in this Annual Report.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude and appreciation to the Board of Directors, key management and the entire team of Samchem for your support and dedication which contributed positively to the Group in the past year.

Firstly, I would also like to welcome Mr. Cheong Chee Yun who was appointed to the Board on 17 August 2012 as an Independent Non-Executive Director. We are confident Mr. Cheong's extensive experiences in diverse industries would be of great assistance to further grow the Group in the long-term. On the other hand, I would also like to specifically thank Mr. Wong Tak Keong for all his efforts and major contributions to the Group over the years, Mr. Wong stepped down from the Board on 3 October 2012.

Lastly, I would also like to take the opportunity to extend my thanks to our valued shareholders, partners, customers, and regulatory authorities for the continuous invaluable and unwavering support all the years.

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, financial and legal 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.

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
Cheong Chee Yun	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.

Director's Training

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

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.

During the financial year ended 31 December 2012, the external training programmes and seminars attended by the Director are as follows:

Name of Director	Courses/Seminar/Conference
Cheong Chee Yun	Financial Reporting in Compliance with the MFRS Framework.
	Member Dialogue on Integrated Reporting.
	Customs Audits and Investigations.
	Evening Talk on Cost of Compliance on Anti Money Laundering & Counter Terrorism Financing.
Chooi Chok Khooi	Conducting meeting without time wasting and writing effective minutes.
	The Excellerated Business School For Entrepreneurs – Strategic Planning and Managing.

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 2012 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 2012	% 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
Chooi Chok Khooi	5/5	100
Independent Non-Executive Directors		
Wong Tak Keong	2/4	50
Dato' Theng Book	3/5	60
Lee Kong Hoi	5/5	100
Cheong Chee Yun	1/1	100

During the financial year ended 31 December 2012, five Board meetings were convened on 24/2/2012, 18/4/2012, 24/5/2012, 16/8/2012 and 22/11/2012 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: DIRECTOR'S 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 2012 are as follows:

	Executive Directors	Non-Executive Directors
Emoluments	2,275,036	–
Fees	–	86,000

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

Range of Remuneration	Executive Directors	Non-Executive Directors
‹ RM100,000	–	4
RM100,001-RM200,000	–	–
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 25 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 on Risk Management and 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.

SECTION 6: COMPLIANCE STATEMENT

The Company has, in all material aspects, complied with the recommendations of the Code throughout the finanical year, save for the following:

a) the Board must comprise a majority of independent directors where the chairman of the Board is not an independent director;

b) Nomination a Senior Independent Non-Executive Director to whom concerns may be conveyed;

c) Formalize, periodically review and make public Board Charter.

The Board feels that given Mr Ng Thin Poh's capability to show leadership and entrepreneurship skills, business acumen and his vast experience in chemical distribution industry, and with the venture into Vietnam and Indonesia which is still in the infancy stage, the arrangement to maintain him as Chief Executive Officer and as Executive Chairman of the Group is in the best interest of the Group for the time being.

However, moving forward, the Board will take steps to appoint additional independent Directors so that the Board comprises majority of independent directors where the chairman of the Board is not an independent Director or to restructure its composition to be in line with the recommendations of the Code.

The Board shall nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed as and when the need arises.

Going forward, the Board intends to strengthen its roles and responsibilities by:

i) Defining the board schedule of matters of those functions reserved to the Board and delegated to management;

ii) Implementing whistle blowing policy and procedure to provide employee with a mechanism to monitor the compliance of code of ethics;

iii) Setting out clearly the code of conduct that stipulates the sound principles to provide guidance to stakeholders on the ethical behaviours to be expected from the Group;

iv) Defining its business sustainability policy and ensuring its current business decision making process incorporate the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and

v) Formalising the above actions into its board charter and creating a new page on corporate governance in the present corporate website to keep the public and shareholder informed of its progress and status of the above actions.

INTRODUCTION

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

BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of 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 and risk management.

The systems of internal control and risk management cover inter alia, governance, financial organisation, operational and compliance control. However the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, 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 Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operations. There are reviews of operational and financial performance at Management, 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 an external consultant 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 budget is prepared for the Group;
- The Executive Directors and departmental heads meet quarterly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget;
- Board Committees, namely the Audit 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 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 according to the approved interal audit plan 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.

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

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

CONCLUSION

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

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

The Audit Committee of Samchem Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE

The Audit Committee met five times during the financial year ended 31 December 2012. The members of the Audit Committee, their attendance at the Audit Committee Meetings held during the financial year ended 31 December 2012 are as follows:-

Members of the Audit Committee	Total Meetings Attended
Cheong Chee Yun – Chairman (appointed on 17/8/2012) Independent Non-Executive Director	1/1
Wong Tak Keong – Chairman (resigned on 3/10/2012) Independent Non-Executive Director	2/4
Dato' Theng Book – Member Independent Non-Executive Director	3/5
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;
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 2012 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 2012 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 fees paid to the internal auditor for the provision of internal audit services for the financial year ended 31 December 2012 was RM48,000.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

Save for the RM3.535 million gross proceeds raised from its Initial Public Offering ("IPO") in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad, which had been fully utilised in financial period ended 31 December 2011, there were no proceeds raised from any corporate proposal during the financial year 2012.

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 2012 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 2012 as follows:

Company in the Samchem Group involved	Transacting parties	Nature of Transaction	Transaction Value (RM)
Samchemsphere Export Sdn Bhd (SSE)	Vigor Sphere Pte Ltd (VS)	Sales from SSE to VS	755,652
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	SCSB purchase from VS	1,349,945
Samchem Sdn Bhd (SCSB)	Across Horizon Enterprise (ACHZ)	SCSB purchase from ACHZ	45,950
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	Sales from TNC to VS	269,811
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	TNC purchase from VS	129,561
Cong Ty Tnhh Sam Chem Qua Cau (SQC)	Vigor Sphere Pte Ltd (VS)	Sales from SQC to VS	992,000
Cong Ty Tnhh Sam Chem Qua Cau (SQC)	Vigor Sphere Pte Ltd (VS)	SQC purchase from VS	4,176,572

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.

13. 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 2012.

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 financial year	**9,319,651**	**5,354,410**
Profit attributable to:		
Owners of the Company	**8,702,123**	**5,354,410**
Non-controlling interests	**617,528**	**–**
	9,319,651	**5,354,410**

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final single-tier exempt dividend of 4.0 sen per share on 136,000,000 ordinary shares of RM0.50 each amounting to RM5,440,000 on 24 July 2012 in respect of the financial year ended 31 December 2011 as reported in the directors' report of that financial year.

At the forthcoming Annual General Meeting, a first and final single-tier tax exempt dividend in respect of the financial year ended 31 December 2012 of 2.5 sen on 136,000,000 ordinary shares of RM0.50 each, amounting to RM3,400,000 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 2013.

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 (Resigned on 3 October 2012)

CHEONG CHEE YUN (Appointed on 17 August 2012)

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 1.1.2012	Bought	Sold	At 31.12.2012
Direct Interest				
Ng Thin Poh	59,008,602	–	–	**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	4,661,046	–	–	**4,661,046**
Lee Kong Hoi	2,000	102,000	–	**104,000**
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. Baker Tilly AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2013.

NG THIN POH

DATO' NG LIAN POH

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the directors of the Samchem Holding Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 28 to 86 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in page 87 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 by the Board of directors dated 12 April 2013.

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, to the best of my knowledge and belief, the financial statements as set out on pages 28 to 86 and the supplementary information as set up are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 12 April 2013 **NG THIN POH**

Before me

TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (W533)
Commissioner for Oaths

TO THE MEMBERS OF SAMCHEM HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 86.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are 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 controls 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 Company's internal controls. 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(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 a subsidiary 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 consolidated 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 Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 87 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with 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 Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

As stated in Note 2 to the financial statements, Samchem Holdings Berhad adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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.

BAKER TILLY AC
AF 001826
Chartered Accountants

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

Kuala Lumpur
Date: 12 April 2013

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
	Note	**2012 RM**	**2011 RM**	**2012 RM**	**2011 RM**
Revenue	4	**526,448,121**	507,395,386	**10,647,067**	9,745,501
Cost of sales		**(472,336,492)**	(447,203,842)	**–**	–
Gross profit		**54,111,629**	60,191,544	**10,647,067**	9,745,501
Other income		**3,244,768**	5,228,264	**411,472**	636,643
Selling and distribution expenses		**(9,891,879)**	(8,259,733)	**–**	–
Administrative expenses		**(22,669,041)**	(20,253,021)	**(2,866,234)**	(3,296,896)
Other expenses		**(4,476,697)**	(4,246,128)	**(98,672)**	(227,053)
		(37,037,617)	(32,758,882)	**(2,964,906)**	(3,523,949)
Profit from operations		**20,318,780**	32,660,926	**8,093,633**	6,858,195
Finance costs		**(7,329,370)**	(6,883,756)	**(837,073)**	(622,417)
Share of results of associates		**(127,732)**	(186,951)	**–**	–
Profit before tax	5	**12,861,678**	25,590,219	**7,256,560**	6,235,778
Tax expense	7	**(3,542,027)**	(6,418,202)	**(1,902,150)**	(1,447,082)
Profit for the financial year		**9,319,651**	19,172,017	**5,354,410**	4,788,696
Other comprehensive income:					
Net fair value changes on available-for-sale financial assets		**4,317**	(3,364)	**–**	–
Net fair value gain reclassified to profit or loss upon disposal of available-for-sale financial assets		**–**	(9,600)	**–**	–
Foreign currency translation		**(153,925)**	349,936	**–**	–
		(149,608)	336,972	**–**	–
Total comprehensive income for the financial year		**9,170,043**	19,508,989	**5,354,410**	4,788,696
Profit attributable to:					
Owners of the Company		**8,702,123**	17,778,109	**5,354,410**	4,788,696
Non-controlling interests		**617,528**	1,393,908	**–**	–
		9,319,651	19,172,017	**5,354,410**	4,788,696
Total comprehensive income attributable to:					
Owners of the Company		**8,627,726**	18,033,040	**5,354,410**	4,788,696
Non-controlling interests		**542,317**	1,475,949	**–**	–
		9,170,043	19,508,989	**5,354,410**	4,788,696
Earnings per share attributable to owners of the Company (sen):					
Basic	8	**6.40**	13.07		
Diluted	8	**6.40**	13.07		

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

AS AT 31 DECEMBER 2012

	Note	2012 RM	2011 RM	As at 1.1.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	9	**34,833,283**	35,451,784	32,749,770
Investment properties	10	**2,171,045**	2,195,220	2,730,417
Prepaid land lease payments	11	**515,477**	621,983	686,791
Investments in associates	13	**833,284**	3,607,034	3,606,659
Other investments	14	**42,951**	38,634	152,398
Goodwill	15	**547,866**	557,455	557,455
Other receivables, deposits and prepayments	16	**773,757**	743,981	715,366
Deferred tax assets	17	**785,823**	325,377	499,263
		40,503,486	43,541,468	41,698,119
Current assets				
Inventories	18	**57,339,460**	50,286,467	46,995,786
Trade receivables	19	**110,489,434**	119,335,318	113,976,768
Other receivables, deposits and prepayments	16	**5,367,678**	6,268,766	7,813,909
Derivative financial assets	20	**–**	–	48,199
Tax recoverable		**2,002,763**	1,419,655	427,662
Deposits with licensed banks	21	**32,934,490**	30,018,790	31,099,894
Cash and bank balances		**16,164,143**	15,354,287	7,499,472
		224,297,968	222,683,283	207,861,690
Non current assets classified as held for sale	22	**4,205,518**	–	–
		228,503,486	222,683,283	207,861,690
TOTAL ASSETS		**269,006,972**	266,224,751	249,559,809

	Note	2012 RM	2011 RM	As at 1.1.2011 RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	23	**68,000,000**	68,000,000	68,000,000
Share premium		**954,444**	954,444	954,444
Reserves	24	**33,830,981**	33,785,726	20,512,686
		102,785,425	102,740,170	89,467,130
Non-controlling interests		**2,040,069**	2,974,302	658,763
Total Equity		**104,825,494**	105,714,472	90,125,893
Liabilities				
Non-current liabilities				
Borrowings	25	**9,388,465**	8,318,298	9,671,860
Deferred tax liabilities	17	**289,095**	630,979	104,700
Retirement benefit obligations	27	**200,360**	108,493	32,221
		9,877,920	9,057,770	9,808,781
Current liabilities				
Trade payables	28	**32,821,432**	32,533,293	36,426,659
Other payables and accruals	29	**3,820,222**	4,499,674	3,175,319
Derivative financial liabilities	20	**–**	178,345	–
Tax payable		**398,057**	281,088	746,566
Borrowings	25	**116,113,834**	113,960,109	109,276,591
		153,153,545	151,452,509	149,625,135
Liability directly attributable to assets classified as held for sale	22	**1,150,013**	–	–
		154,303,558	151,452,509	149,625,135
Total Liabilities		**164,181,478**	160,510,279	159,433,916
TOTAL EQUITY AND LIABILITIES		**269,006,972**	266,224,751	249,559,809

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

AS AT 31 DECEMBER 2012

	Note	2012 RM	2011 RM	As at 1.1.2011 RM
ASSETS				
Non-current assets				
Investments in subsidiaries	12	**76,078,944**	71,504,942	69,884,257
		76,078,944	71,504,942	69,884,257
Current assets				
Other receivables, deposits and prepayments	16	**9,159,552**	7,237,720	10,217,727
Tax recoverable		**90,634**	124,782	–
Cash and bank balances		**171,157**	57,308	139,267
		9,421,343	7,419,810	10,356,994
TOTAL ASSETS		**85,500,287**	78,924,752	80,241,251
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	23	**68,000,000**	68,000,000	68,000,000
Share premium		**954,444**	954,444	954,444
Reserves	24	**(196,470)**	(110,880)	(139,576)
Total Equity		**68,757,974**	68,843,564	68,814,868
Liabilities				
Current liabilities				
Other payables and accruals	29	**16,742,313**	10,081,188	11,391,834
Tax payable		**–**	–	34,549
Total Liabilities		**16,742,313**	10,081,188	11,426,383
TOTAL EQUITY AND LIABILITIES		**85,500,287**	78,924,752	80,241,251

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Attributable to Owners of the Parent										
				Non-Distributable								
	Note	Share Capital RM	Distributable 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 Company 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)	(39,804,871)	89,467,130	658,763	90,125,893
Comprehensive income												
Profit for the financial 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 financial year, balance carried 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	30	–	(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	(39,549,940)	102,740,170	2,974,302	105,714,472

	Note	Share Capital RM	Distributable 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 Company RM	Non-controlling Interests RM	Total Equity RM
		Attributable to Owners of the Parent		Non-Distributable								
Balance at 1 January 2012		68,000,000	74,290,110	954,444	82,264	3,716	(40,725,742)	135,378	(39,549,940)	102,740,170	2,974,302	105,714,472
Comprehensive income												
Profit for the financial year		-	8,702,123	-	-	-	-	-	-	8,702,123	617,528	9,319,651
Other comprehensive income												
Net fair value changes on available-for-sale financial assets		-	-	-	-	4,317	-	-	4,317	4,317	-	4,317
Foreign currency translation		-	-	-	-	-	-	(78,714)	(78,714)	(78,714)	(75,211)	(153,925)
Total other comprehensive income		-	-	-	-	4,317	-	(78,714)	(74,397)	(74,397)	(75,211)	(149,608)
Total comprehensive income for the financial year, balance brought down		-	8,702,123	-	-	4,317	-	(78,714)	(74,397)	8,627,726	542,317	9,170,043
Transactions with owners												
Acquisition of non-controlling interests		-	(3,142,471)	-	-	-	-	-	-	(3,142,471)	(1,431,550)	(4,574,021)
Transfer of capital reserve upon disposal of subsidiary of an associate		-	82,264		(82,264)	-	-	-	(82,264)	-	-	
Dividend paid to non-controlling shareholders of the subsidiaries		-	-	-	-	-	-	-	-	-	(45,000)	(45,000)
Dividend	30	-	(5,440,000)	-	-	-	-	-	-	(5,440,000)	-	(5,440,000)
		-	(8,500,207)	-	(82,264)	-	-	-	(82,264)	(8,582,471)	(1,476,550)	(10,059,021)
Balance at 31 December 2012		68,000,000	74,492,026	954,444	-	8,033	(40,725,742)	56,664	(39,706,601)	102,785,425	2,040,069	104,825,494

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 FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
Balance at 1 January 2011		68,000,000	954,444	(139,576)	68,814,868
Profit for the financial year, representing total comprehensive income		–	–	4,788,696	4,788,696
Dividend	30	–	–	(4,760,000)	(4,760,000)
Balance at 31 December 2011		68,000,000	954,444	(110,880)	68,843,564
Profit for the financial year, representing total comprehensive income		–	–	5,354,410	5,354,410
Dividend	30	–	–	(5,440,000)	(5,440,000)
Balance at 31 December 2012		**68,000,000**	**954,444**	**(196,470)**	**68,757,974**

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before taxation		**12,861,678**	25,590,219
Adjustments for:			
Amortisation of prepaid land lease payments		**86,176**	80,620
Bad debts written off		**512**	45,908
Depreciation of property, plant and equipment		**2,875,680**	2,630,748
Depreciation of investment properties		**24,175**	32,168
Property, plant and equipment written off		**901**	20,158
Impairment loss on goodwill		**9,589**	–
Impairment loss on trade receivables		**398,984**	211,885
Impairment loss on other receivables		**2,572**	–
Impairment loss on investment in associates		**5,098**	–
Interest expense		**7,329,370**	6,883,756
Retirement benefit obligations		**91,867**	76,272
Dividend income from other investments		**(457)**	(456)
Unrealised loss/(gain) on foreign exchange		**478,719**	(1,170,702)
Reversal of impairment loss on trade receivables		**(12,782)**	(31,262)
Gain on disposal of quoted shares		**–**	(32,624)
Fair value loss on derivative financial instruments		**–**	226,544
Gain on disposal of investment properties		**–**	(919,622)
Gain on disposal of property, plant and equipment		**(164,867)**	(337,712)
Interest income		**(1,182,996)**	(952,590)
Share of result of associates		**127,732**	186,951
Operating profit before working capital changes		**22,931,951**	32,540,261
Increase in inventories		**(7,052,993)**	(3,290,681)
Decrease/(Increase) in receivables		**9,327,910**	(4,407,960)
Increase/(Decrease) in payables		**101,636**	(1,398,309)
Cash generated from operations		**25,308,504**	23,443,311
Tax paid		**(4,819,426)**	(7,182,425)
Net cash from operating activities carried down		**20,489,078**	16,260,886

	Note	2012 RM	2011 RM
Net cash from operating activities brought down		**20,489,078**	16,260,886
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**(4,574,021)**	–
Dividend received		**2,640,457**	456
Interest received		**1,182,996**	952,590
Purchase of property, plant and equipment	9	**(6,050,227)**	(3,779,669)
Proceeds from disposal of investment properties		**–**	1,422,651
Proceeds from disposal of property, plant and equipment		**358,490**	361,128
Proceeds from disposal of quoted shares		**–**	133,424
Net cash used in investing activities		**(6,442,305)**	(909,420)
Cash Flows from Financing Activities			
Payments of finance lease payables		**(1,192,866)**	(1,063,940)
Interest paid		**(7,329,370)**	(6,883,756)
Net drawdown/(repayment) of bankers' acceptances		**31,644,264**	(35,904,724)
Repayment of revolving credit		**–**	(1,240,000)
Drawdown of term loans		**4,430,771**	–
Repayment of term loans		**(2,878,363)**	(1,311,081)
(Repayment)/Drawdown of short term loans		**(5,582,519)**	16,682,825
(Repayment)/Drawdown of onshore foreign currency loans		**(14,842,076)**	14,842,076
(Repayment)/Drawdown of structure commodity financing-i		**(3,020,144)**	3,020,144
(Repayment)/Drawdown of trade commodity financing-i		**(5,032,135)**	5,032,135
Proceeds from issuance of shares by a subsidiary to non-controlling shareholders		**–**	920,590
Dividend paid to non-controlling shareholders		**(45,000)**	(81,000)
Dividend paid		**(5,440,000)**	(4,760,000)
Net cash used in financing activities		**(9,287,438)**	(10,746,731)
Net increase in cash and cash equivalents		**4,759,335**	4,604,735
Effect of exchange rate fluctuations		**1,732**	58,242
Cash and cash equivalents at beginning of the financial year		**33,968,624**	29,305,647
Cash and cash equivalents at end of the financial year	31	**38,729,691**	33,968,624

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before taxation		**7,256,560**	6,235,778
Adjustments for:			
Interest expense		**837,073**	622,417
Dividend income		**(7,518,333)**	(6,509,000)
Interest income		**(410,263)**	(340,793)
Unrealised loss/(gain) on foreign exchange		**98,672**	(295,850)
Operating profit/(loss) before working capital changes		**263,709**	(287,448)
Decrease in receivables		**156,582**	725,088
Decrease in payables		**(1,302,188)**	(1,241,120)
Cash used in operations		**(881,897)**	(803,480)
Dividend received		**5,665,000**	4,929,000
Tax paid		**(14,669)**	(26,413)
Net cash from operating activities		**4,768,434**	4,099,107
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**(4,574,002)**	–
(Advances to)/Repayment from subsidiaries		**(1,766,823)**	2,891,562
Subscription of shares in subsidiaries		**–**	(1,620,685)
Net cash (used in)/from investing activities		**(6,340,825)**	1,270,877
Cash Flows from Financing Activities			
Advances from/(Repayment to) a subsidiary		**7,126,240**	(691,943)
Dividend paid		**(5,440,000)**	(4,760,000)
Net cash from/(used in) financing activities		**1,686,240**	(5,451,943)
Net increase/(decrease) in cash and cash equivalents		**113,849**	(81,959)
Cash and cash equivalents at beginning of the financial year		**57,308**	139,267
Cash and cash equivalents at end of the financial year	31	**171,157**	57,308

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 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 financial year.

The registered office is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur and the principal place of business is located at Lot 6, Jalan Sungai Kayu Ara 32/39, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 12 April 2013.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and of the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int")

Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs Framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31 December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs Framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (cont'd)

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int") (cont'd)

Explanation of Transition to MFRSs (cont'd)

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and Company's statement of financial position, statement of comprehensive income and statement of cash flows which are reported in accordance with the previous FRSs.

(ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and Company:–

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
Revised MFRSs		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (cont'd)

(ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

MFRS 11 Joint Arrangements

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of Compliance (cont'd)

(ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associates, as the equity method was applicable for both investments in joint ventures and associates. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associate or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, 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.

(d) Significant accounting estimates and judgements

The preparation of financial statements of the Group and of the Company require 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. Assumptions and estimates 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 will impact the current tax and deferred tax in the periods in which the outcome is known.

(v) Annual testing for impairment of goodwill (Note 15) – The measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management covering a 5-year period. For cash flows beyond the fifth year period, it is extrapolated using estimated growth rates and discount rates applied to the cash flow projections.

(vi) Provision for retirement benefit obligations (Note 27) – The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.

(vii) Operating lease and finance lease for leasehold land (Note 9 and 11) – Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an assets and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

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. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

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 acquisition 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 and it 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (cont'd)

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.

Changes in the Company owners' ownership interest in a subsidiary 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. 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 MFRS 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.

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) Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries 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.

(c) Reverse Acquisition

Pursuant to the share sales agreement signed between Samchem Sdn. Bhd. and Samchem Holdings Berhad on 16 June 2008, the Company had on 20 February 2009 completed the acquisition of a total of 8 companies ("Acquired Group") from Samchem Sdn. Bhd. The Group's consolidated 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 MFRS 127 Consolidated and Separate Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign Currency

(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.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation 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.

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.

(e) 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)

(f) 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.

(g) 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.

(h) 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 financial year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior financial 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)

(i) 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.

(j) 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 financial year in which they arise.

(k) 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)

(l) Associate

An associate is defined as a company, not being a subsidiary, 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 are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

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

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

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

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

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

(m) 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.

(n) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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 (excluding bank overdrafts).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial Assets (cont'd)

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.

(q) 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.

(r) 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.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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 MFRS 9, 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.

(u) 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)

(v) 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.

(w) 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.

(x) 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.

(y) 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.

(z) Non-current asset held for sale

Non-current asset classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts for the non-current assets are measured in accordance with MFRS. On initial classification as held for sale, non-current assets measured at the lower of carrying amount immediately before the initial classification as held for sale and fair value costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets held for sale are classified as current assets in the face of the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

If the Company has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Company ceases to classify the assets held for sale. The Company measures a non-current asset that ceases to be classified as held for sale at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset been classified as held for sale; and

(b) its recoverable amount at the date of subsequent decision not to sell.

4. REVENUE

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Management fees	**–**	223,523	**3,128,734**	3,236,501
Dividend income	**–**	–	**7,518,333**	6,509,000
Chemical sales	**526,338,402**	507,071,331	**–**	–
Transportation charges	**109,719**	100,532	**–**	–
	526,448,121	507,395,386	**10,647,067**	9,745,501

5. PROFIT BEFORE TAXATION

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

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Statutory auditors' remuneration				
– Statutory audit	**156,344**	157,616	**15,000**	15,000
– Other services by auditors of the Company	**8,000**	5,000	**7,500**	5,000
Amortisation of prepaid land lease payments	**86,176**	80,620	**–**	–
Bad debts written off	**512**	45,908	**–**	–
Depreciation of investment properties	**24,175**	32,168	**–**	–
Depreciation of property, plant and equipment	**2,875,680**	2,630,748	**–**	–
Direct operating expenses for investment properties				
– generated rental income	**2,849**	2,859	**–**	–
– did not generate rental income	**826**	826	**–**	–
Impairment loss on				
– goodwill	**9,589**	–	**–**	–
– investment in associate	**5,098**	–	**–**	–
– trade receivables	**398,984**	211,885	**–**	–
– other receivables	**2,572**	–	**–**	–
Interest expense	**7,329,370**	6,883,756	**837,073**	622,417
Property, plant and equipment written off	**901**	20,158	**–**	–
Rental of premises	**695,028**	614,040	**–**	–
Rental of motor vehicle	**87,531**	72,863	**23,604**	23,604
Rental of storage tank	**1,883,046**	855,476	**–**	–
Loss/(Gain) on foreign exchange				
– realised	**2,156,422**	3,778,322	**(1,209)**	227,053
– unrealised	**478,719**	(1,170,702)	**98,672**	(295,850)
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**805,357**	710,615	**276,204**	207,900
– retirement benefit obligations	**91,867**	76,272	**–**	–
– wages, salaries and others	**9,381,095**	10,156,435	**1,698,146**	2,549,449
Bad debts recovered	**–**	(1,000)	**–**	–
Dividend income from other investments	**(457)**	(456)	**–**	–
Fair value (gain)/loss on derivative financial instruments	**(178,345)**	226,544	**–**	–
Gain on disposal of investment properties	**–**	(919,622)	**–**	–
Gain on disposal of property, plant and equipment	**(164,867)**	(337,712)	**–**	–
Gain on disposal of quoted shares	**–**	(32,624)	**–**	–
Interest income	**(1,182,996)**	(952,590)	**(410,263)**	(340,793)
Rental income	**(245,299)**	(274,951)	**–**	–
Reversal of impairment loss on trade receivables	**(12,782)**	(31,262)	**–**	–

6. DIRECTORS' REMUNERATION

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Directors of the Company				
Executive Directors				
– Other emoluments	**1,596,200**	2,412,340	**1,596,200**	2,412,340
Non-Executive Directors				
– Fees	**86,000**	84,000	**86,000**	84,000
– Other emoluments	**6,000**	8,500	**6,000**	8,500
	92,000	92,500	**92,000**	92,500
	1,688,200	2,504,840	**1,688,200**	2,504,840
Directors of subsidiaries				
Executive Directors				
– Other emoluments	**976,722**	1,301,254	**–**	–
	2,664,922	3,806,094	**1,688,200**	2,504,840

7. TAX EXPENSE

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Current tax:				
Malaysian income tax				
– Current financial year	**4,360,409**	5,669,146	**1,874,700**	1,485,500
– (Over)/Under provision in prior financial year	**(7,122)**	55,808	**27,450**	(38,418)
	4,353,287	5,724,954	**1,902,150**	1,447,082
Deferred tax:				
Origination and reversal of temporary differences	**(860,043)**	666,648	**–**	–
Under provision in prior financial year	**48,783**	26,600	**–**	–
	(811,260)	693,248	**–**	–
Tax expense	**3,542,027**	6,418,202	**1,902,150**	1,447,082

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	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation	**12,861,678**	25,590,219	**7,256,560**	6,235,778
Tax at the Malaysian statutory income tax rate of 25%	**3,215,420**	6,397,600	**1,814,100**	1,558,900
Tax effects arising from:				
– non-deductible expenses	**847,457**	699,794	**152,900**	106,900
– non-taxable income	**(553,324)**	(769,738)	**(92,300)**	(180,300)
– utilisation of reinvestment allowances	**(41,715)**	(38,600)	**–**	–
Deferred tax assets not recognised during the financial year	**595**	–	**–**	–
Effect on share of results of associates	**31,933**	46,738	**–**	–
(Over)/Under provision in prior financial years:				
– current tax	**(7,122)**	55,808	**27,450**	(38,418)
– deferred tax	**48,783**	26,600	**–**	–
Tax expense	**3,542,027**	6,418,202	**1,902,150**	1,447,082

The Group has estimated unutilised tax losses of RM1,209,000 (2011: RM352,000) and unabsorbed capital allowances of RM10,400 (2011: RM4,800) 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 financial year attributable to equity holders of the Company of RM8,702,123 (2011: RM17,778,109) by the weighted average number of ordinary shares in issue during the financial year of 136,000,000 (2011: 136,000,000) ordinary shares of RM0.50 each. Diluted earnings per share is equivalent to the basic earnings per share as the Company 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 January 2012	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
Additions	-	2,974,944	-	157,667	930,636	491,796	185,079	-	2,042,576	6,782,698
Disposals	-	-	-	-	(1,116,675)	-	(4,450)	-	-	(1,121,125)
Transfer from building in progress to other assets	-	-	-	3,110,685	-	1,633,290	201,583	-	(4,945,558)	-
Written off	-	-	-	-	-	-	(7,982)	-	-	(7,982)
Effect of movement in exchange rate	-	-	-	(71,815)	(45,007)	(34,125)	(12,991)	-	-	(163,938)
Transfer to non-current assets classified as held for sale (Note 22)	-	(3,556,034)	-	-	-	-	-	-	(856,602)	(4,412,636)
At 31 December 2012	7,276,336	2,974,944	650,000	18,177,800	7,488,620	5,577,774	4,015,273	629,829	-	46,790,576
Accumulated Depreciation										
At 1 January 2012	-	164,147	63,234	1,509,622	4,059,811	1,834,594	2,311,819	318,548	-	10,261,775
Charge for the financial year	-	84,290	17,647	367,116	1,240,099	720,484	390,292	55,752	-	2,875,680
Disposals	-	-	-	-	(923,719)	-	(3,783)	-	-	(927,502)
Written off	-	-	-	-	-	-	(7,081)	-	-	(7,081)
Effect of movement in exchange rate	-	-	-	(3,999)	(16,454)	(14,271)	(3,737)	-	-	(38,461)
Transfer to non-current assets classified as held for sale (Note 22)	-	(207,118)	-	-	-	-	-	-		(207,118)
At 31 December 2012	-	41,319	80,881	1,872,739	4,359,737	2,540,807	2,687,510	374,300	-	11,957,293
Net Carrying Amount										
At 31 December 2012	7,276,336	2,933,625	569,119	16,305,061	3,128,883	3,036,967	1,327,763	255,529	-	34,833,283

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 January 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 January 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 January 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 financial year	–	55,006	17,647	357,798	1,102,763	615,612	424,083	57,839	–	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 January 2011	–	164,147	63,234	1,509,622	4,059,811	1,834,594	2,311,819	318,548	–	10,261,775
Net Carrying Amount										
At 31 January 2011	7,276,336	3,391,887	586,766	13,471,641	3,659,855	1,652,219	1,342,215	311,281	3,759,584	35,451,784
At 1 January 2011	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		
	2012 RM	2011 RM	As at 1.1.2011 RM
Motor vehicles	**1,942,110**	2,195,693	1,646,234
Plant and machinery	**412,863**	743,153	1,073,443
	2,354,973	2,938,846	2,719,677

Net carrying amounts of property, plant and equipment pledged as security for borrowings (Note 25) are as follows:

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Freehold land	**7,276,336**	7,276,336	7,276,336
Long term leasehold land	**2,933,625**	3,391,887	3,446,893
Short term leasehold land	**569,119**	586,766	604,413
Buildings	**16,305,061**	13,471,641	13,771,211
Building in progress	**–**	3,759,584	322,438
	27,084,141	28,486,214	25,421,291

The short term leasehold land has unexpired lease period of less than 50 years while the long term leasehold land has unexpired lease period of more than 50 years.

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:

	2012 RM	2011 RM
Additions of property, plant and equipment	**6,782,698**	5,280,863
Deposits paid in prior financial year	**–**	(339,407)
Financed by finance lease arrangement	**(732,471)**	(1,161,787)
	6,050,227	3,779,669

10. INVESTMENT PROPERTIES

	GROUP	
	2012 RM	**2011 RM**
Costs		
At 1 January	**2,388,398**	3,076,741
Disposals	**–**	(688,343)
At 31 December	**2,388,398**	2,388,398
Accumulated Depreciation		
At 1 January	**193,178**	346,324
Depreciation charge for the financial year	**24,175**	32,168
Disposals	**–**	(185,314)
At 31 December	**217,353**	193,178
Net carrying amount	**2,171,045**	2,195,220
At 31 December		
Fair value of investment properties	**5,600,000**	4,500,000
At 1.1.2011		
Net carrying amount		2,730,417
Fair value of investment properties		5,727,241

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

Net carrying amount of investment properties pledged as security for borrowings (Note 25) is amounting to RM1,756,295 (2011: RM1,771,470; 1.1.2011: RM2,297,667).

11. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2012 RM	**2011 RM**
At beginning of the financial year	**621,983**	686,791
Amortisation for the financial year	**(86,176)**	(80,620)
Effect of movement in exchange rate	**(20,330)**	15,812
	515,477	621,983

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 25).

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2012 RM	2011 RM	As at 1.1.2011 RM
Unquoted shares, at cost			
At 1 January	**71,504,942**	69,884,257	69,884,257
Additions	**4,574,002**	1,620,685	–
At 31 December	**76,078,944**	71,504,942	69,884,257

The details of subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2012	2011
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	Dormant	**100%**	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 Polyurethane (PU), intermediate and specialty chemicals and investment holding	**100%**	100%
* ^ PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	**93%**	60%
# Samchem TN Pte. Ltd.	Republic of Singapore	Distribution of intermediate and specialty chemicals and blending of customised solvents	**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 are audited by firm of auditors other than Baker Tilly AC.

^ The financial statements are audited by an independent member firm of Baker Tilly International.

@ Unaudited and was consolidated using management financial statements.

* The Company acquired additional equity interest in the subsidiaries as disclosed in Note 35.

13. INVESTMENTS IN ASSOCIATES

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Unquoted shares, at cost	**1,253,346**	1,253,346	1,253,346
Foreign currency translation differences	**25,374**	26,293	(161,033)
Share of post-acquisition reserves	**(440,338)**	2,327,395	2,514,346
Less: Impairment loss	**(5,098)**	–	–
	833,284	3,607,034	3,606,659

The details of associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2012	Effective Equity Interest 2011
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. ("YTS") 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 audited financial statements of YTS for the financial year ended 30 June 2012 and the management financial statements for the financial period ended 31 December 2012 have been used.

The summarised financial information of the associates are as follows:

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Assets and Liabilities			
Current assets	**2,112,330**	10,611,462	39,128,149
Non-current assets	–	243,807	324,051
Total assets	**2,112,330**	10,855,269	39,452,200
Current liabilities, representing total liabilities	**18,124**	1,717,882	26,424,587
Results			
Revenue	**561,404**	112,684,057	111,964,132
(Loss) / Profit for the financial year	**(586,254)**	(513,144)	2,103,412

14. OTHER INVESTMENTS

	GROUP		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
Available-for-sale financial assets:			
Quoted shares in Malaysia	**42,951**	38,634	152,398
Market value of quoted shares	**42,951**	38,634	152,398

15. GOODWILL

	GROUP		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
At cost			
At 1 January	**557,455**	557,455	303,754
Additions during the financial year	**–**	–	253,701
Impairment loss during the financial year	**(9,589)**	–	–
At 31 December	**547,866**	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		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
Malaysia	**294,165**	303,754	303,754
Socialist Republic of Vietnam	**253,701**	253,701	253,701
	547,866	557,455	557,455

The recoverable amount is determined based on value-in-use calculations using cash flow projections based on five-year financial budget approved by management. The pre-tax discount applied to the cash flow projections is 8.0%.

Key assumptions used in value-in-use calculations

Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the industry.

Gross margins : gross margins are based on the average gross margin achieved in the past years.

Operating expenses : the value assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.

Discount rate : in determining appropriate discount rates, consideration has been given to applicable borrowing rates.

Impairment loss was required for the goodwill amounting to RM9,589 as the recoverable value was in excess of its carrying amount.

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 2012 RM	GROUP 2011 RM	GROUP As at 1.1.2011 RM
Non-current:			
Insurance policy	**773,757**	743,981	715,366
Current:			
Sundry receivables	**2,133,161**	1,775,152	2,627,369
Impairment loss on other receivables	**(2,572)**	–	–
	2,130,589	1,775,152	2,627,369
Deposits	**883,843**	1,555,528	698,386
Prepayments	**2,353,246**	2,938,086	4,488,154
	5,367,678	6,268,766	7,813,909

	COMPANY 2012 RM	COMPANY 2011 RM	COMPANY As at 1.1.2011 RM
Current:			
Subsidiaries	**9,159,552**	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 25).

Included in sundry receivables of the Group is an amount of RM1,944,039 (2011: RM1,669,012; 1.1.2011: 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% (2011: 6.0%; 1.1.2011: 6.0%) per annum, repayable on demand and expected to be settled in cash.

Included in deposits of the Group are amounts of RM527,898 (2011: RM1,345,684; 1.1.2011: RM527,898) being down payment for acquisition of land and motor vehicles.

Included in prepayments of the Group are:

(a) advances of RM1,442,615 (2011: RM2,223,904; 1.1.2011: RM2,907,482) paid to suppliers for purchase of trading goods; and

(b) advance of RM nil (2011: RM nil; 1.1.2011: RM339,407) paid to a contractor for construction of a factory building.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP 2012 RM	GROUP 2011 RM
Deferred Tax Assets		
At 1 January	**325,377**	499,263
Recognised in profit or loss	**469,376**	(166,969)
Effect of movements in exchange rate	**(8,930)**	(6,917)
At 31 December	**785,823**	325,377

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

	GROUP 2012 RM	GROUP 2011 RM
Deferred Tax Liabilities		
At 1 January	**(630,979)**	(104,700)
Recognised in profit or loss	**341,884**	(526,279)
At 31 December	**(289,095)**	(630,979)

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

	GROUP 2012 RM	GROUP 2011 RM
Deferred Tax Assets		
Deductible temporary differences in respect of expenses	**402,413**	287,819
Difference between the carrying amounts of property, plant and equipment and their tax base	**80,759**	37,558
Unutilised capital allowances	**1,999**	–
Unutilised tax losses	**300,652**	–
	785,823	325,377
Deferred Tax Liabilities		
Deductible temporary differences in respect of expenses	**59,460**	8,200
Taxable temporary differences in respect of income	**–**	(580,679)
Difference between the carrying amounts of property, plant and equipment and their tax base	**(348,555)**	(147,700)
Unutilised capital allowances	**–**	1,200
Unutilised tax losses	**–**	88,000
	(289,095)	(630,979)

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

	GROUP 2012 RM	GROUP 2011 RM
Unutilised tax losses	**1,776**	–
Unabsorbed capital allowances	**604**	–
	2,380	–

18. INVENTORIES

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Trading goods	**56,852,470**	49,736,456	46,299,172
Packaging materials	**486,990**	550,011	696,614
	57,339,460	50,286,467	46,995,786

Inventories of a subsidiary amounting to RM12,239,868 (2011: RM7,326,276; 1.1.2011: RM8,877,560) are pledged as security for bank borrowings (Note 25).

19. TRADE RECEIVABLES

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
External parties	**111,340,988**	119,802,839	114,280,024
Less: Allowance for impairment loss	**(851,554)**	(467,521)	(303,256)
	110,489,434	119,335,318	113,976,768

Included in trade receivables is an amount of RM332,674 (2011: RM937,036; 1.1.2011: 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 RM12,827,676 (2011: RM19,504,810; 1.1.2011: RM15,959,550) are pledged as security for bank borrowings (Note 25).

(a) Credit Term of Trade Receivables

The Group's normal trade credit term extended to customers ranges from 30 to 120 days (2011: 30 to 120 days; 1.1.2011: 30 to 120 days)

(b) Ageing Analysis of Trade Receivables

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

	GROUP	
	2012 RM	2011 RM
Neither past due nor impaired	**38,549,941**	70,909,080
1 to 30 days past due not impaired	**30,631,182**	27,963,565
31 to 60 days past due not impaired	**22,688,701**	10,148,729
61 to 90 days past due not impaired	**10,629,509**	4,476,776
91 to 120 days past due not impaired	**4,370,466**	3,595,143
More than 121 days past due not impaired	**3,619,635**	2,242,025
	71,939,493	48,426,238
Impaired	**851,554**	467,521
	111,340,988	119,802,839

19. TRADE RECEIVABLES (CONT'D)

(b) Ageing Analysis of Trade Receivables (cont'd)

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 financial year.

Receivables that are past due but not Impaired

Trade receivables amounting to RM71,939,493 (2011: RM48,426,238; 1.1.2011: 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 RM3,130,536 (2011: RM3,863,927; 1.1.2011: 3,100,552) which are supported by third party guarantees.

Receivables that are Impaired

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

	2012 RM	2011 RM
At 1 January	**467,521**	303,256
Charge for the financial year (Note 5)	**398,984**	211,885
Written off	**–**	(16,358)
Reversal of impairment loss (Note 5)	**(12,782)**	(31,262)
Effect of movement in exchange rate	**(2,169)**	–
At 31 December	**851,554**	467,521

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		
	2012 RM	2011 RM	As at 1.1.2011 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. In the previous financial year, forward foreign exchange contracts were 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.

During the previous financial year, the Group recognised a loss of RM226,544 (1.1.2011: 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 2.30% to 3.15% (2011: 2.00% to 3.05%; 1.1.2011: 2.70% to 2.80%) per annum and mature within one year. Deposits amounting to RM32,078,060 (2011: RM29,291,117; 1.1.2011: 30,598,322) are pledged for bank borrowings granted to the subsidiaries (Note 25). As such, these deposits are not available for general use.

22. NON-CURRENT ASSETS HELD FOR SALE

On 27 September 2012, Samchem Enviro Cycle Sdn. Bhd. and Samchem Sdn. Bhd., both subsidiaries of the Company, have entered into sale and purchase agreement with third parties to dispose their leasehold land as further disclosed in Note 35.

Property, plant and equipment that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.

	2012 RM	**2011 RM**
At lower of carrying amount and fair value less cost to sell:		
As at 1 January	**–**	–
Transfer from property, plant and equipment (Note 9)	**4,205,518**	–
At 31 December	**4,205,518**	–
Liabilities directly attributable to assets classified as held for sale:		
As at 1 January	**–**	–
Transfer from term loans	**1,150,013**	–
At 31 December	**1,150,013**	–

The term loans bear effective interest ranging from 6.50% to 7.60% per annum.

The above term loans are secured and supported by way of:

(a) Legal charge over the long term leasehold land; and

(b) Corporate guarantee of the holding company.

23. SHARE CAPITAL

	2012		**2011**	
	Number of shares	**Amount RM**	**Number of shares**	**Amount RM**
Ordinary shares of RM0.50 each				
Authorised:				
At 1 January/31 December	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid:				
At 1 January/31 December	**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.

24. RESERVES

	GROUP		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
Non-distributable			
Capital reserve	**–**	82,264	82,264
Fair value reserve	**8,033**	3,716	16,680
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	(40,725,742)
Currency translation reserve	**56,664**	135,378	(132,517)
Distributable			
Retained earnings	**74,492,026**	74,290,110	61,272,001
	33,830,981	33,785,726	20,512,686

	COMPANY		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
Accumulated losses	**(196,470)**	(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. During the financial year, capital reserve has been transferred to retained earnings upon disposal of the subsidiary of the associate.

(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.

25. BORROWINGS

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Non-current:			
Secured:			
Finance lease payables (Note 26)			
– RM	**922,958**	1,272,992	1,227,293
– Rp	**41,223**	16,202	37,672
Term loans			
– RM	**8,322,877**	7,029,104	8,406,895
– Rp	**66,202**	–	–
– VND	**35,205**	–	–
	9,388,465	8,318,298	9,671,860
Current:			
Secured:			
Bank overdrafts			
– RM	**10,368,942**	11,404,453	8,954,224
– Rp	**–**	–	300,719
Bankers' acceptances			
– RM	**86,660,000**	52,342,000	94,657,000
– USD	**2,434,540**	3,539,276	–
Finance lease payables (Note 26)			
– RM	**740,947**	857,792	678,580
– Rp	**41,259**	59,796	165,390
Revolving credit			
– USD	**–**	–	1,240,000
Short term loans			
– RM	**–**	9,585,921	–
– USD	**11,100,306**	7,096,904	–
Onshore foreign currency loans – USD	**–**	14,842,076	–
Structure commodity financing-i	**–**	3,020,144	–
Trade commodity financing-i	**–**	5,032,135	–
Term loans			
– RM	**1,465,448**	1,373,612	1,306,902
– Rp	**41,882**	–	–
– VND	**23,510**	–	–
	112,876,834	109,154,109	107,302,815
Unsecured:			
Bank overdrafts	**–**	–	38,776
Bankers' acceptances	**3,237,000**	4,806,000	1,935,000
	3,237,000	4,806,000	1,973,776
	116,113,834	113,960,109	109,276,591

25. BORROWINGS (CONT'D)

	GROUP		
	2012 RM	**2011 RM**	**As at 1.1.2011 RM**
Total Borrowings			
Bank overdrafts	**10,368,942**	11,404,453	9,293,719
Bankers' acceptances	**92,331,540**	60,687,276	96,592,000
Finance lease payables (Note 26)	**1,746,387**	2,206,782	2,108,935
Revolving credit	**–**	–	1,240,000
Short term loans	**11,100,306**	16,682,825	–
Onshore foreign currency loans – USD	**–**	14,842,076	–
Structure commodity financing-i	**–**	3,020,144	–
Trade commodity financing-i	**–**	5,032,135	–
Term loans	**9,955,124**	8,402,716	9,713,797
	125,502,299	122,278,407	118,948,451

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		
	2012 % per annum	**2011 % per annum**	**As at 1.1.2011 % per annum**
Bankers' acceptances	**2.71 to 5.22**	3.41 to 5.70	3.81 to 5.00
Bank overdrafts	**6.85 to 8.60**	5.90 to 8.60	7.80 to 9.80
Revolving credit	**–**	–	11.75
Short term loans	**2.19 to 12.25**	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 9.07**	4.00 to 8.10	5.55 to 9.80

25. BORROWINGS (CONT'D)

The maturity profile of term loans is as follows:

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Repayable within 1 year	**1,530,840**	1,373,612	1,306,902
Repayable after 1 year but not later than 2 years	**1,408,970**	1,295,089	1,382,131
Repayable after 2 years but not later than 3 years	**2,632,993**	1,952,517	1,297,943
Repayable after 3 years but not later than 4 years	**628,182**	593,445	1,070,440
Repayable after 4 years but not later than 5 years	**660,019**	619,058	1,010,572
Repayable after 5 years	**3,094,120**	2,568,995	3,645,809
	9,955,124	8,402,716	9,713,797

26. FINANCE LEASE PAYABLES

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Future minimum lease payments	**1,877,319**	2,385,850	2,313,926
Less: Future finance charges	**(130,932)**	(179,068)	(204,991)
Total present value of minimum lease payments	**1,746,387**	2,206,782	2,108,935
Payable within one year			
Future minimum lease payments	**852,982**	1,016,697	963,191
Less: Future finance charges	**(70,776)**	(99,109)	(119,221)
Present value of minimum lease payments	**782,206**	917,588	843,970
Payable more than 1 year but not more than 5 years			
Future minimum lease payments	**1,024,337**	1,369,153	1,350,735
Less: Future finance charges	**(60,156)**	(79,959)	(85,770)
Present value of minimum lease payments	**964,181**	1,289,194	1,264,965
Total present value of minimum lease payments	**1,746,387**	2,206,782	2,108,935

The finance lease payables of the Group bear effective interest at rates ranging from 3.60% to 11.65% (2011: 3.60% to 7.42%; 1.1.2011: 3.57% to 9.37%) per annum.

27. 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	
	2012	**2011**
	RM	**RM**
At 1 January	**108,493**	32,221
Provision made during the financial year	**91,867**	76,272
At 31 December	**200,360**	108,493

The expense recognised in profit or loss is as follows:

	GROUP	
	2012	**2011**
	RM	**RM**
Current service costs	**91,867**	76,272

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	
	2012	**2011**
	RM	**RM**
Normal retirement age	**55 years old**	55 years old
Discount rate	**6.2%**	7.0%
Future salary increases	**9.0%**	8.0%
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

28. TRADE PAYABLES

	GROUP		
			As at
	2012	**2011**	**1.1.2011**
	RM	**RM**	**RM**
External parties	**32,821,432**	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 amounts RM68,764 (2011: RM774,626; 1.1.2011: RM 2,295,659) due to a companies in which certain directors of the subsidiaries have substantial financial interest.

29. OTHER PAYABLES AND ACCRUALS

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Sundry payables	**962,831**	2,229,584	904,600
Deposits received	**632,656**	84,000	84,000
Accruals	**2,224,735**	2,186,090	2,186,719
	3,820,222	4,499,674	3,175,319

	COMPANY		
	2012 RM	2011 RM	As at 1.1.2011 RM
Sundry payables	**28,996**	–	–
Subsidiary	**16,244,658**	9,118,418	9,810,361
Accruals	**468,659**	962,770	1,581,473
	16,742,313	10,081,188	11,391,834

Included in sundry payables is an amount of RM2,508 (2011: RM1,331,964; 1.1.2011: RM 7,475) in respect of balance outstanding owing to a contractor for the construction of factory and office building of a subsidiary.

Included in deposits of the Group is an amount of RM632,656 (2011: RM nil; 1.1.2011: RM nil) being down payment received from the sale of properties as mentioned in Note 35.

Amount due to subsidiary is non-trade in nature, unsecured, bears interest at a rate of 6.0% (2011: 6.0%; 1.1.2011: 6.0%) per annum, repayable on demand and expected to be settled in cash.

30. DIVIDEND

	GROUP AND COMPANY			
	2012		2011	
	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 2011	**4.00**	**5,440,000**	–	–
– 31 December 2010	**–**	**–**	3.50	4,760,000

The directors have recommended a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2012 of 2.5 sen per share on 136,000,000 ordinary shares amounting to RM3,400,000 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 2013.

31. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	**16,164,143**	15,354,287	**171,157**	57,308
Deposits with licensed banks (Note 21)	**32,934,490**	30,018,790	**–**	–
Less: Bank overdrafts (Note 25)	**(10,368,942)**	(11,404,453)	**–**	–
	38,729,691	33,968,624	**171,157**	57,308

32. CAPITAL COMMITMENTS

	GROUP		
	2012 RM	2011 RM	As at 1.1.2011 RM
Approved and contracted for:			
– property, plant and equipment	**50,787**	5,162,272	219,093
– capital investment	**–**	–	1,386,000
	50,787	5,162,272	1,605,093
Approved but not contracted for:			
– property, plant and equipment	**–**	6,097,217	12,954,875

	COMPANY		
	2012 RM	2011 RM	As at 1.1.2011 RM
Approved and contracted for:			
– capital investment	**–**	–	1,386,000

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	
	2012 RM	**2011 RM**
Associate:		
Management fee income	**–**	(223,523)
Companies in which certain directors of subsidiaries have substantial financial interests:		
Purchases of products	**5,702,028**	6,468,668
Sales of products	**(2,017,463)**	(2,602,814)

	COMPANY	
	2012 RM	**2011 RM**
Subsidiaries:		
Dividend income	**(7,518,333)**	(6,509,000)
Management fee income	**(3,128,734)**	(3,012,978)
Interest charges	**837,073**	622,417
Rental of motor vehicle	**23,604**	23,604
Interest income	**(410,263)**	(340,793)
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 28 and 29.

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	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Directors of the Company:				
Non-executive director				
– fees	**86,000**	84,000	**86,000**	84,000
– other emoluments	**6,000**	8,500	**6,000**	8,500
	92,000	92,500	**92,000**	92,500
Executive directors				
– Short term employee benefits	**1,353,692**	2,233,340	**1,353,692**	2,233,340
– Post-employment benefits	**242,508**	179,000	**242,508**	179,000
	1,596,200	2,412,340	**1,596,200**	2,412,340
	1,688,200	2,504,840	**1,688,200**	2,504,840
Other Key Management Personnel:				
Short term employee benefits	**1,280,020**	1,808,106	**242,040**	277,816
Post-employment benefits	**153,837**	138,272	**33,696**	28,500
	1,433,857	1,946,378	**275,736**	306,316
	3,122,057	4,451,218	**1,963,936**	2,811,156

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

(iv) Republic of Singapore

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	Republic of Singapore RM	Elimination RM	Total RM
2012						
Revenue						
External revenue	373,912,192	66,208,991	84,785,840	1,541,098	-	526,448,121
Inter-segment revenue	108,397,137	–	–	9,892	(108,407,029)	–
Total segment revenue	482,309,329	66,208,991	84,785,840	1,550,990	(108,407,029)	526,448,121
Results						
Segment results	10,660,472	(1,035,022)	3,464,985	(101,025)	–	12,989,410
Share of results of associates						(127,732)
Profit before taxation						12,861,678
Tax expense						(3,542,027)
Profit for the financial year						9,319,651
Assets						
Segment assets	207,073,224	33,520,434	26,975,542	604,488	–	268,173,688
Investments in associates						833,284
Total assets						269,006,972
Liabilities						
Segment/Total liabilities	141,733,739	16,180,434	6,180,434	86,871	–	164,181,478
Other Segment Information						
Depreciation	2,131,182	702,407	65,700	566	–	2,899,855
Amortisation	–	86,176	–	–	–	86,176
Interest income	(940,805)	(9,948)	(232,243)	–	–	(1,182,996)
Interest expense	6,506,376	617,728	205,266	–	–	7,329,370
Impairment loss on:						
– investment in associate	5,098	–	–	–	–	5,098
– trade receivables	67,200	1,124	330,660	–	–	398,984
– other receivables	–	2,572	–	–	–	2,572
– goodwill	9,589	–	–	–	–	9,589
Additions to non-current assets other than financial instruments and deferred tax assets	6,327,702	330,144	124,852	–	–	6,782,698

34. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
2012					
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 taxation					25,590,219
Tax expense					(6,418,202)
Profit for the financial 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
Impairment loss on trade receivables	165,321	–	46,564	–	211,885
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)

Information about Geographical Areas

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

	2012 RM	2011 RM
Malaysia	**358,557,382**	313,369,769
Republic of Indonesia	**67,979,489**	91,738,151
Socialist Republic of Vietnam	**92,676,497**	94,554,582
Republic of Singapore	**6,334,526**	6,156,313
Others	**900,227**	1,576,571
	526,448,121	507,395,386

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

	2012 RM	2011 RM
Malaysia	**33,354,804**	33,247,250
Republic of Indonesia	**4,291,261**	5,283,429
Socialist Republic of Vietnam	**419,776**	295,763
Republic of Singapore	**1,830**	–
	38,067,671	38,826,442

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 27 April 2012, the Company entered into a Share Sale Agreement with a non-controlling shareholder of PT Samchem Prasandha ("PTSP") to acquire 33% equity interest in PTSP for cash consideration of USD1,386,000 (equivalent to RM4,394,002). Consequently, PTSP became 93%-owned subsidiary of the Company.

(b) On 20 June 2012, the Company entered into a Share Sale Agreement with a non-controlling shareholder of TN Industries Sdn. Bhd. ("TNI") to acquire the remaining 30% equity interest for cash consideration of RM180,000. Consequently, TNI became a wholly-owned subsidiary of the Company.

(c) On 27 September 2012, Samchem Enviro Cycle Sdn. Bhd., a subsidiary of the Company entered into a Sale and Purchase Agreement with a third party for the disposal of a leasehold vacant industrial land with area measuring approximately 9,800 square metres for a total cash consideration of RM3,375,808. Accordingly, the said leasehold land was classified as non-current asset held for sale as at the reporting date. The sale transaction was completed in March 2013.

(d) On 27 September 2012, Samchem Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with a third party for the disposal of a leasehold vacant industrial land with the area measuring approximately 9,139 square metres for a total cash purchase consideration of RM2,950,754. Accordingly, the said leasehold land was classified as non-current asset held for sale as at the reporting date. The transaction was completed on 31 March 2013.

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.

(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					
	2012		2011		As at 1.1.2011	
	RM	% of total	RM	% of total	RM	% of total
By Country:						
Malaysia	**84,871,528**	**73.22%**	87,721,329	73.22%	88,970,268	77.85%
Indonesia	**12,828,800**	**16.28%**	19,504,810	16.28%	15,959,550	13.97%
Vietnam	**12,518,562**	**10.45%**	12,522,549	10.45%	9,292,552	8.13%
Singapore	**1,122,059**	**0.05%**	54,151	0.05%	57,654	0.05%
	111,340,949	**100.00%**	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 RM121,276,421 (2011: RM126,021,677; 1.1.2011: RM 108,356,413) 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.

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

(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.

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
2012						
Group						
Financial Liabilities:						
Trade payables	32,821,432	32,821,432	32,821,432	–	–	–
Other payables and accruals	3,187,566	3,187,566	3,187,566	–	–	–
Bank overdrafts	10,368,942	10,368,942	10,368,942	–	–	–
Bankers' acceptances	92,331,540	92,331,540	92,331,540	–	–	–
Finance lease payables	1,746,387	1,877,319	853,002	556,378	467,939	–
Short term loans	11,100,306	11,100,306	11,100,306	–	–	–
Term loans	9,955,124	12,751,868	2,076,041	1,914,278	5,055,006	3,706,543
	162,661,310	166,089,736	154,389,592	2,470,656	5,522,945	3,706,543
Company						
Financial Liabilities:						
Other payables and accruals	16,742,3113	16,742,3113	16,742,3113	–	–	–

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

(b) Liquidity Risk (cont'd)

Analysis of Financial Instruments by Remaining Contractual Maturities *(cont'd)*

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: (cont'd)

	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	57,477,255	57,477,255	–	–	–
Finance lease payables	2,206,782	2,385,850	1,016,697	709,651	659,502	–
Short term 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	162,243,389	151,961,326	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	–	–	–
As at 1.1.2011						
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	1–3 Months RM
2012			
Financial Liabilities			
Net settled:			
Forward foreign currency contracts	–	–	–
2011			
Financial Liabilities			
Net settled:			
Forward foreign currency contracts	(178,345)	(178,345)	(178,345)
As at 1.1.2011			
Financial liabilities			
Net settled:			
Forward foreign currency contracts	–	–	–

(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 RM123,702,054 (2011: RM119,976,616) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM1,800,245 (2011: RM2,301,791), 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 financial year ended 31 December 2012 would decrease/increase by RM415,516 (2011: RM449,912) as a result of exposure to floating rate borrowings.

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

(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 and Republic of Singapore.

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

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
United States Dollar				
Cash at banks	**506,753**	998,971	**–**	–
Trade receivables	**2,556,013**	842,054	**–**	–
Other receivables	**–**	179,840	**5,439,971**	3,639,698
Trade payables	**(10,320,562)**	(11,268,373)	**–**	–
Bankers' acceptances	**(2,434,540)**	(3,539,276)	**–**	–
Short term loans	**(7,079,693)**	(4,986,090)	**–**	–
Onshore foreign currency loans	**–**	(14,842,076)	**–**	–
	(16,772,029)	(32,614,950)	**5,439,971**	3,639,698
Indonesian Rupiah				
Cash at banks	**175,461**	1,096,969	**–**	–
Trade receivables	**1,398,400**	1,190,414	**–**	–
Trade payables	**(70,412)**	(302,289)	**–**	–
Other payables	**(4,180)**	(13,358)	**–**	–
Finance lease payables	**(82,482)**	(75,998)	**–**	–
Term Loan	**(108,084)**	–	**–**	–
	1,308,703	1,895,738	**–**	–
Singapore Dollar				
Cash at banks	**34,337**	569,228	**–**	–
Trade receivables	**–**	890,485	**–**	–
	34,337	1,459,713	**–**	–

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

(d) Foreign Currency Risk (cont'd)

Sensitivity Analysis for Foreign Currency Risk

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

		GROUP		COMPANY	
		2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
USD/RM	– strengthened 5%	**(628,951)**	(1,220,813)	**203,999**	181,985
	– weakened 5%	**628,951**	1,220,813	**(203,999)**	(181,985)
Rp/RM	– strengthened 5%	**49,076**	71,086	**–**	–
	– weakened 5%	**(49,076)**	(71,086)	**–**	–
SGD/RM	– strengthened 2%	**515**	21,896	**–**	–
	– weakened 2%	**(515)**	(21,896)	**–**	–

(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.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Borrowings (cont'd)

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

	2012		2011		As at 1.1.2011	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Group						
Financial Liabilities						
Finance lease payables	**1,746,387**	**1,893,346**	2,206,782	2,226,416	2,108,935	2,091,601
Term loan	**53,858**	**50,355**	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 2012 and 2011, the Group held the following financial instruments carried at fair values on the statement of financial position:

Assets/(Liabilities) Measured at Fair Value

	31.12.2012 RM	Level 1 RM	Level 2 RM
2012			
Available-for-sale financial assets			
– quoted shares	**42,951**	**42,951**	**–**
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 financial year ended 31 December 2012 and 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 2012 and 2011, which are within the Group's objectives of capital management are as follows:

	GROUP	
	2012	**2011**
Total interest-bearing borrowings (RM)	**125,502,299**	122,278,407
Less: Cash and cash equivalents (RM)	**(49,098,633)**	(45,373,077)
Total net debts (RM)	**76,403,666**	76,905,330
Total equity (RM)	**104,825,494**	105,714,472
Debt-to-equity ratio (%)	**73**	73

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 Group and these subsidiaries have complied with those capital requirements.

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	
	2012 RM	**2011 RM**
Total retained earnings of the Company and its subsidiaries		
– realised	**91,589,844**	84,731,165
– unrealised	**18,009**	897,933
	91,607,853	85,629,098
Total share of (accumulated losses)/retained earnings from associates		
– realised	**(440,338)**	2,327,395
	91,167,515	87,956,493
Less: Consolidation adjustments	**(16,675,489)**	(13,666,383)
Total retained earnings	**74,492,026**	74,290,110

	COMPANY	
	2012 RM	**2011 RM**
Total (accumulated losses)/retained earnings of the Company		
– realised	**(97,798)**	(406,730)
– unrealised	**(98,672)**	295,850
Total accumulated losses	**(196,470)**	(110,880)

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.

Postal Address/ Title Details	Description/ Existing Use	Tenure/ Date Of Expiry Of Lease	Restriction In Interest/ Encumbrances	Date Of Issuance Of Certificate Of Fitness For Occupation	Land Area and/or Built-Up Area	Approximate Age Of Building	Net Book Value As At 31.12.2012 (RM)	Year Of Last Valuation
SAMCHEM SDN BHD								
Lot 6, Jalan Sungai Kayu Ara 32/39 Seksyen 32, 40460 Shah Alam Selangor Darul Ehsan H.S.(D) 57951 Lot no. 18, PT 57359 Mukim and Daerah Kelang Selangor Darul Ehsan	Single storey detached warehouse annexed with a 3-storey office building and a guard house/ Industrial	Freehold	Nil/ Charges in favour of Maybank Berhad ("MBB") vide presentation no. 34391/2004, 34392/2004 and 34393/2004 dated 04.06.2004, 4087/2005 dated 31.01.2005, 9549/2006 and 9550/2006 dated 21.02.2006, 118146/2006 dated 27.12.2006 and 81512/2008 dated 26.08.2008	29.01.2007	103,431 sq.ft/ 78,470 sq.ft	5 years	9,657,424	2008
No. 3, Jalan Biola Satu 33/1A Elite Industrial Park, Seksyen 33 40350 Shah Alam, Selangor (Rented out/semi-detached factory) H.S.(D) 51789, PT 43437 Mukim and Daerah Klang Selangor Darul Ehsan	Two adjoining 1½-storey semi-detached factories/ Industrial	Freehold	Nil/ Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51868/2000 dated 30.08.2000 • MBB vide presentation no. 118130/2006 dated 27.12.2006	29.10.1998	10,887 sq.ft/ 6,678 sq.ft	14 years	778,207	2008
No. 1, Jalan Biola Satu 33/1A Elite Industrial Park, Seksyen 33 40350 Shah Alam, Selangor (Rented out/semi-detached factory) H.S.(D)51790, PT 43438 Mukim and Daerah Klang Selangor Darul Ehsan		Freehold	Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51870/2000 dated 30.08.2000 • MBB vide presentation no. 118180/2006 dated 27.12.2006 and 81502/2008 dated 26.08.2008	29.10.1998	14,757 sq.ft/ 6,678 sq.ft	14 years	978,084	2008
H.S.(M) 1501, PT 14856 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Vacant Land/ Industrial	Leasehold - 99 years expiring 20.01.2068	Land cannot be transferred without the consent of the State Authority/ Charges in favour of United Overseas Bank (Malaysia) Berhad ("UOB") vide presentation no. 1633/2008, 1634/2008, 1635/2008 all dated 05.05.2008	N/A	111,078 sq.ft	N/A	1,726,891	2008
SC ENVIRO								
H.S.(M) 1132, PT 14852 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Vacant Land/ Industrial	Leasehold – 99 years expiring on 13.08.2067	Land cannot be transferred without the consent of the State Authority/ Charges in favour of UOB vide presentation no. 8313/2007, 8314/2007 and 8315/2007 all dated 17.10.2007	N/A	111,081 sq.ft	N/A	1,622,026.32	2008

Postal Address/ Title Details	Description/ Existing Use	Tenure/ Date Of Expiry Of Lease	Restriction In Interest/ Encumbrances	Date Of Issuance Of Certificate Of Fitness For Occupation	Land Area and/or Built-Up Area	Approximate Age Of Building	Net Book Value As At 31.12.2012 (RM)	Year Of Last Valuation
EWENY CHEMICALS SDN BHD								
17, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh, Perak PN 37791, Lot 128232 Locality of Hulu Kinta Mukim of Hulu Kinta District of Kinta Perak Darul Ridzuan	A 2-storey office building with an annexed single storey detached factory and a single storey open sided store building (new extension as the back of factory). Building/Industrial A parcel of industrial land	Leasehold – 60 years expiring on 22.03.2045	Land cannot be transferred, sub-leased or leased without the consent of the Chief Minister of Perak. The restriction is exempted as long as the property is owned by Perbadanan Kemajuan Negeri Perak. Charges in favour of Public Bank Berhad vide presentation no. 20972/1992 Jilid 4488 Folio 17 and presentation no. 20973/1992 Jilid 4488 Folio 18 dated 14.07.1992; Presentation no. 1685/1996 Jilid 6869 Folio 9 dated 19.01.1996; Presentation no. 29190/1998 Jilid 8948 Folio 15 dated 25.08.1998; Presentation no. 15299/2002 dated 05.04.2002; and Presentation no. 15719/2004 dated 01.04.2004	20.11.1992/ 11.05.1999	27,384 sq.ft/ 19,785 sq.ft	20 years	897,033	2008
HS (D) 202668 No. PT 243928 Mukim Hulu Kinta Perak Darul Ridzuan	Vacant Land / Industrial	Leasehold – 60 years expiring on 17.11.2071	Land cannot be transferred, sub-leased or leased without the Consent of the Chief Minister of Perak. Charge in favour of Hong Leong Bank Berhad (HLBB) vide presentation no. 103901/2012 dated 09.03.2012	N/A	9,106 m^2	N/A	2,933,625	2012
TN CHEMIE								
No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim GM5374, Lot 15047 Mukim Simpang Kiri Daerah Johor	Single storey detached factory with an annexed double storey office building	Freehold	Land held under this title cannot be transferred whatsoever unless the factory specified in the express condition has started construction in accordance with the plan that was approved by the relevant local authority	30.06.1997	7,200 sq.ft	15 years	414,750	–
PTD 152691 Jalan SILC 1/3 Kawasan Perindustrian SILC 79200 Bandar Nusajaya Johor Darul Takzim	2 block of single storey factory and 1 block of 3-storey office building	Freehold	Charges in favour of HLBB vide presentation no. 66343/2008 dated 19.08.2008	03.03.2009	4,505 acres/ 3,612.16 m^2	3 years	8,141,941	2009
	Additional of 2 block of single storey factory			11.10.2012	3,921.66m^2	3 months	3,201,154	–

AS AT 4 APRIL 2013

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 4 APRIL 2013

Size Of Shareholdings	No. Of Shareholders	% Of Shareholders	No. Of Shares	% Of Shares
Less than 100	7	0.67	198	0.00
100 – 1,000	151	14.42	74,628	0.05
1,001 – 10,000	501	47.85	3,125,900	2.30
10,001 – 100,000	317	30.28	10,468,262	7.70
100,001 – less than 5% of the shares	67	6.40	39,064,807	28.72
5% and above	4	0.38	83,266,205	61.23
	1,047	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	59,195,802	43.53	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	59,195,802	43.53	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	–	–
Cheong Chee Yun	–	–	–	–
Dato' Theng Book	–	–	–	–
Lee Kong Hoi	104,000	0.08	–	–

* Indirect interest held by spouse and children

LIST OF TOP 30 SHAREHOLDERS
AS AT 4 APRIL 2013

No.	Name	No.Of Shares	% Of Issued Shares
1.	Ng Thin Poh	59,195,802	43.53
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.	Maryann Ng Su Ling	2,898,000	2.13
7.	Eugene Chong Wee Yip	2,676,420	1.97
8.	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Michael Lee Fook Soon (SMT)*	2,660,300	1.96
9.	Wee Chai Peng	2,363,100	1.74
10.	Ng Hoi Peng	2,300,000	1.69
11.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Gim Leong*	1,873,400	1.38
12.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Wong Yee Hui*	1,528,200	1.12
13.	Tan Soon Hock	1,070,000	0.79
14.	Michael Lee Fook Soon	1,000,000	0.74
15.	Ng Soh Kian	870,300	0.64
16.	Tee Pee Hoe	830,000	0.61
17.	Choo Chee Chien	773,900	0.57
18.	Liew Hooi Yee	716,000	0.53
19.	Liew Hooi Suan	659,000	0.48
20.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Wong Yee Hui (KLC/KEN)*	620,000	0.46
21.	Choo Chee Keun	609,700	0.45
22.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ng Hoi Peng (E-SJA)*	600,000	0.44
23.	Tien Siew Foon	555,000	0.41
24.	Lee Ah Noi	527,100	0.39
25.	Janet Chee Hong Lai	500,000	0.37
26.	Louis Lee Pershung	500,000	0.37
27.	Tan She Hoo	430,000	0.32
28.	Chooi Chak Lim	399,459	0.29
29.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account Ng Hou Kait (E-SPG)*	315,000	0.23
30.	Tan Bee Ngoh	309,500	0.23
Total		**115,511,630**	**84.96**

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of Samchem Holdings Berhad will be held at Danau 3, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, Wednesday, 22 May 2013 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 2012 and the Report of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a First & Final Single Tier Dividend of 2.5 sen per shares for the financial year ended 31 December 2012. **(Resolution 2)**

3. To approve the payment of Directors' Fees amounting to RM84,000.00 in respect of the financial year ending 31 December 2013. **(Resolution 3)**

4. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Articles of Association:

   (i) Ng Soh Kian **(Resolution 4)**

   (ii) Chooi Chok Khooi **(Resolution 5)**

5. To re-elect the following Director who retire pursuant to Article 98 of the Company's Articles of Association:

   (i) Cheong Chee Yun **(Resolution 6)**

6. To re-appoint Messrs. Baker Tilly AC (formerly known as Messrs. Moore Stephens AC) as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 7)**

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions:

7. **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."

8. **SPECIAL RESOLUTION**
   PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION **(Resolution 9)**

   "THAT the Proposed Amendments to the Articles of Association of the Company as contained in the Appendix I of the Annual Report for the financial year ended 31 December 2012 (the "Proposed Amendments") be hereby approved and adopted."

   AND THAT the Board of Directors be and is hereby authorised to take all such steps they deem necessary to effect and complete the said Proposed Amendments.

Any Other Business

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965. **(Resolution 10)**

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 22 May 2013, a first & final single tier dividend of 2.5 sen per share will be paid on 28 June 2013 to shareholders whose names appear in the Company's Record of Depositors on 6 June 2013.

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 6 June 2013 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)
WONG YOUN KIM (F)(MAICSA 7018778)
Company Secretaries

KUALA LUMPUR
30 April 2013

Notes:

(A) Proxy

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(ii) Subject to Note A (v) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

(iv) To be valid, the instrument appointing a proxy or by an officer and the power of attorney or other authority (if any) must be completed and deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 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) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories)Act,1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) Only a depositor whose name appears on the Record of Depositors as at 16 May 2013 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 Fifth Annual General Meeting held on 25 May 2012 and which will lapse at the conclusion of the Sixth 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.

Proposed Amendments to the Company's Articles of Association
The proposed Resolution 9 is to amend the Company's Articles of Association to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Proposed Amendments are as set out in Appendix I on page 95 to 96 of this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF THE 6TH 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 6th Annual General Meeting of the Company are:
   a) Ng Soh Kian (Resolution 4)
   b) Chooi Chok Khooi (Resolution 5)
   c) Cheong Chee Yun (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 2012.
4. The 6th Annual General Meeting of the Company will be held at Danau 3, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 May 2013 at 9.30 a.m.

THAT the Articles of Association of the Company is proposed to be amended in the following manner:

Article No.	Existing Articles	Amended Articles
	Interpretation	**Interpretation**
To amend Article 69 (b)	**Right to vote** Subject to any special rights or restrictions as to voting attached to any class of shares by or in accordance with these Articles, on a show of hands every Member who is present in person or by proxy or by attorney or duly authorised representative shall have one (1) vote for every share of which he is the holder and in the case of a poll, every member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every share held by him.	**Right to vote** Subject to any rights or restrictions for the time being attaching to any class or classes of shares, at meetings of Members or of classes of members, each Member entitled to vote may vote in person or by proxy or by attorney or by representative and on a show of hands every person present who is a Member or a person or by proxy or an attorney of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds. **A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.**
To amend Article 78	**Number of proxy** Where a Member of the Company is an Authorised Nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	**Number of proxy** A Member may appoint more than two (2) proxy to attend the same meeting. Where a Member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. **Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**
To amend Article 75	**Proxy to be in writing** An instrument appointing a proxy shall be in writing and: (a) In the case of an individual shall be signed by the appointor or by his attorney; and (b) In the case of a corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer.	**Proxy to be in writing** The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
To amend Article 76	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 Act shall not apply to the Company. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	**A Member of a Company entitled to attend and vote at a meeting of a Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member of the meeting. There shall be no restriction as to the qualification of the proxy and** Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Article No.	Existing Articles	Amended Articles
To amend Article 77	An instrument appointing a proxy must be left at the Office or such other place (if any) as is specified for that purpose in the notice convening the meeting 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) at which it is to be used, and in default shall not be treated as valid. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	Instrument appointing proxy to be deposited The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid. **The completed instrument of proxy once deposited will not preclude the Member from attending and voting in person at the General Meeting should the Member subsequently wish to do so. A Member who is not resident in Malaysia or Singapore may by cable or other telegraphic communication appoint a proxy/ proxies to vote for him at any General Meeting of the Company PROVIDED:** • **Such cable or other telegraphic communication shall have been received forty-eight (48) hours before the time for the holding of the General Meeting or adjourned meeting as the case may be at which the person named in such cable or other telegraphic communication proposes to vote; and** • **The Directors are satisfied as to the genuiness of such cable or other telegraphic communication.**

PROXY FORM

SAMCHEM HOLDINGS BERHAD
(Company Number 797567-U)

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

of ____
(Address)

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

____

of ____
(Address)

or failing him/her, ____

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Sixth Annual General Meeting of the Company to be held at Danau 3, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 May 2013 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 2012, and the Report of the Directors and Auditors thereon.		
2.	Declaration of a First & Final Single Tier Dividend of 2.5 sen per shares for the financial year ended 31 December 2012.		
3.	Approval of payment of Directors' fees for the financial year ending 31 December 2013.		
4.	Re-election of Director – Ng Soh Kian		
5.	Re-election of Director – Chooi Chok Khooi		
6.	Re-election of Director – Cheong Chee Yun		
7.	To re-appoint Messrs. Baker Tilly AC (formerly known as 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.		
9.	**Special Business** – Proposed Amendments to the Company's Articles of Association.		

(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.)

Number of shares held	

Dated this .... day of .... 2013.

....

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 or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) Subject to (e) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(c) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal signed on behalf of the corporation by its attorney or by an officer duly authorised.

(d) Duly completed form of proxy should be deposited with the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 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).

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Only a depositor whose name appears on the Record of Depositors as at 16 May 2013 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.

STAMP

To:

Samchem Holdings Berhad (797567-U)

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur