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

ANNUAL REPORT
2010

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.

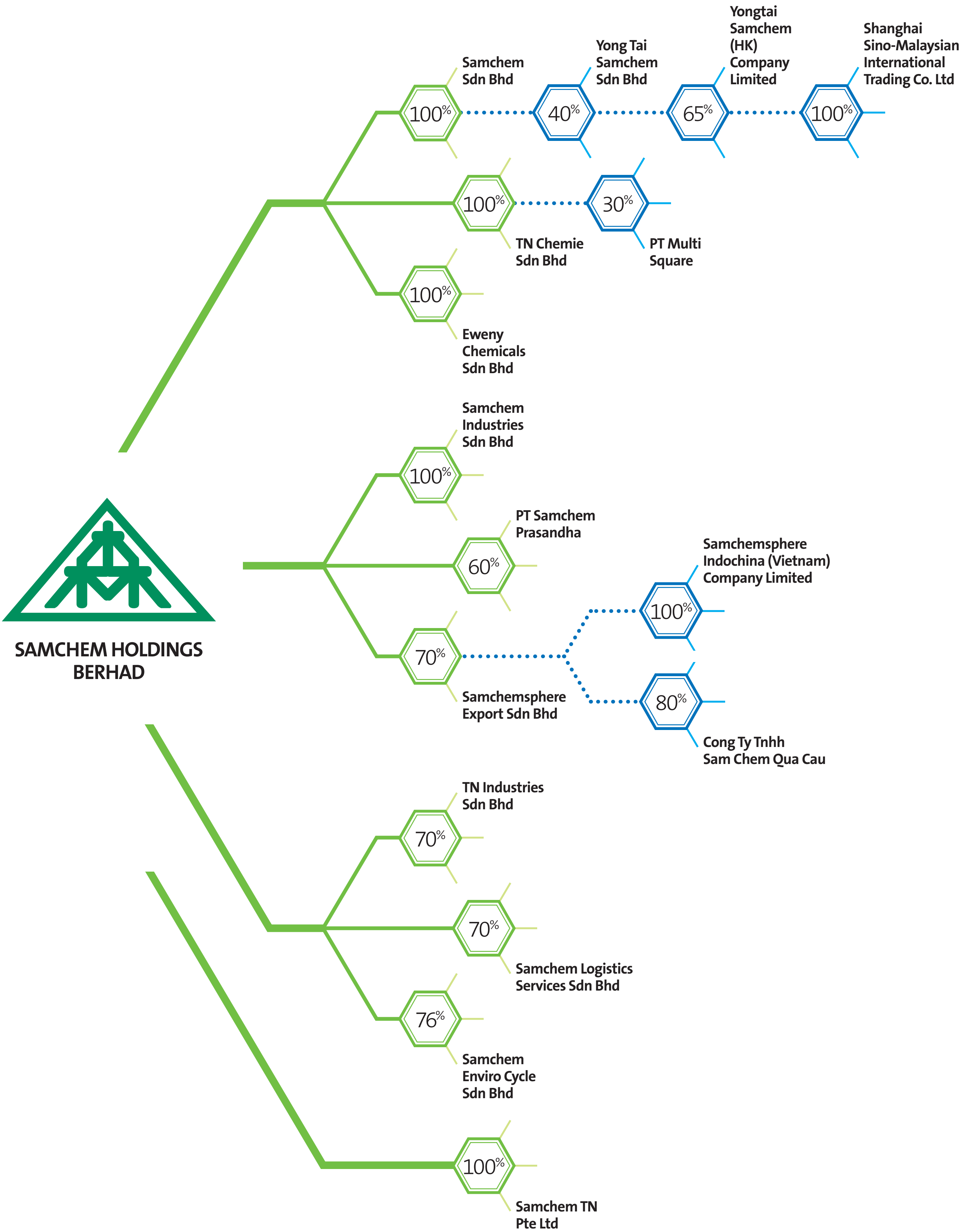
CORPORATE MISSION STATEMENTS

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. Tan Teck Beng
   Executive Director
5. Chooi Chok Khooi
   Executive Director
6. Wong Tak Keong
   Independent Non-Executive Director
7. Dato' Theng Book
   Independent Non-Executive Director
8. Lee Kong Hoi
   Independent Non-Executive Director

Audit Committee

Wong Tak Keong
Chairman

Dato' Theng Book

Lee Kong Hoi

Remuneration Committee

Dato' Theng Book
Chairman

Ng Thin Poh

Lee Kong Hoi

Nomination Committee

Lee Kong Hoi
Chairman

Ng Thin Poh

Dato' Theng Book

Company Secretaries

Chua Hooi Sian
(MAICSA 7014565)

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

Registered Office

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

Corporate Office

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

Share Registrar

MIDF Consultancy and Corporate Services Sendirian Berhad
Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2173 8888
Fax: 03-2173 8677

Auditors

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

Solicitors

Lee, Perara & Tan

Principal Bankers

Malayan Banking Berhad

United Overseas Bank (Malaysia) Bhd

AmBank (M) Berhad

Stock Exchange Listing

Main Market
Bursa Malaysia Securities Berhad

Directors' Profile

Ng Thin Poh

Chairman and Chief Executive Officer

Ng Thin Poh, a Malaysian aged 53, was appointed as our Chairman/Chief Executive Officer on 20 July 2009. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded Samchem Sdn Bhd. He is actively involved in expanding the Group's business territory in the South East Asia region.

Dato' Ng Lian Poh

Executive Director

Dato' Ng Lian Poh, a Malaysian aged 44, was appointed as our Executive Director on 29 November 2007. He obtained a Sijil Tinggi Persekolahan Malaysia from Sekolah Menengah Tunku Mohd, Kuala Pilah in 1988. In 1990, he started his career as a sales representative in API Sdn Bhd, a construction material trading company and rose through the ranks to become a Sales Executive before leaving in 1993. In 1994, he began his career in chemical distribution when he joined Thiam Joo (M) Sdn Bhd, a company trading in solvent chemicals, as a Sales Executive. In 1996, he joined Samchem Sdn Bhd and was appointed as the Executive Director of Samchem Group. Dato' Ng Lian Poh is responsible for executing our Group's strategy and plays a pivotal role in developing our Group's business. He was instrumental in setting up and expanding our chemical distribution business in Vietnam and Indonesia.

Ng Soh Kian

Executive Director

Ng Soh Kian, a Malaysian aged 43, 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.

Tan Teck Beng

Executive Director

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

Chooi Chok Khooi

Executive Director

Chooi Chok Khooi, a Malaysian aged 54, 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.

Wong Tak Keong

Independent Non-Executive Director

Wong Tak Keong, a Malaysian aged 41, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated from the University of Western Australia in 1991 with a Bachelor Degree in Accounting and Finance.

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

Dato' Theng Book

Independent Non-Executive Director

Dato' Theng Book, a Malaysian aged 51, 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 also an independent non-executive Director of Ajiya Berhad.

Lee Kong Hoi

Independent Non-Executive Director

Lee Kong Hoi, a Malaysian aged 47, 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 35 of the Financial Statements, none of the Directors has conflict of interest with the Company.

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

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

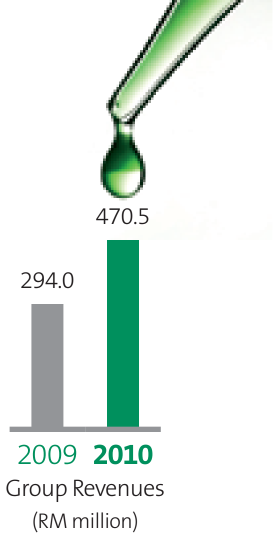
Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Samchem Holdings Berhad ("Samchem" or "the Group"), I am most honoured to present to you the 2010 Annual Report and the audited financial statements for the financial year ended 31 December 2010 ("FY2010").

In 2010, the global economy rebounded from the economic downturn in 2009, led by strong economic growth in the Asian emerging economies. Malaysia attained an impressive GDP growth of 7.2% for the year, spurred by robust domestic demand and expansion in the private sector, whilst the public sector continued to support the local economy through the implementation of various infrastructure projects.

The corresponding expansion in the manufacturing sector augured well for the industrial chemicals space in the year under review.



"Samchem posted outstanding group revenues of RM470.5 million in FY2010 compared to RM294.0 million in the previous financial year, an exceptional increase of 60.0% year-on-year."

Financial Performance

Samchem posted outstanding group revenues of RM470.5 million in FY2010 compared to RM294.0 million in the previous financial year, an exceptional increase of 60.0% year-on-year.

The rising group revenues were largely due to higher demand for new products, as well as maiden sales contributions from the Group's foreign subsidiaries.

The domestic market remained the largest contributor, raking in 73% of group revenues in FY2010. More significantly, local revenues grew a robust 22.3% year-on-year, from RM280.5 million to RM343.1 million in FY2010, on the back of wider product range provided to the Group's customers.

Meanwhile, the Group's foreign markets made up the balance 27% or RM127.4 million of group revenues. Apart from sales to export markets including Singapore, Taiwan and Hong Kong, our new subsidiaries in Indonesia and Vietnam contributed RM55.4 million and RM43 million in sales respectively. We are indeed pleased with the performance of our foreign operations in the first year, and believe that we are poised for further growth alongside the economies' expansion.

The start-up costs associated with the new subsidiaries resulted in higher group operating expenditure in the year, while finance costs also increased in line with the increase in short-term trade financing.

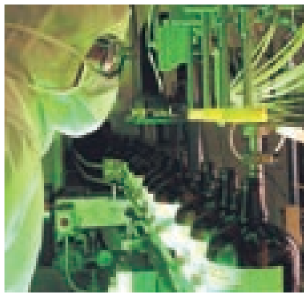
Because of these factors, group profits before tax registered slower growth of 27.5% to RM21.5 million, from RM16.8 million previously. The Group ended the year with net profits of RM16.0 million, respectably up by 28.9% from RM12.4 million in FY2009.

Earnings per share improved to 11.84 sen in FY2010, versus 9.92 sen in FY2009, based on a share capital of 136 million shares of RM0.50 par each.

From a wider perspective, the Group has demonstrated steady financial performance, with group revenues recording 16.3% in compounded annual growth rate (CAGR) from FY2005 to FY2010, and net profits charting 11.9% CAGR over the same period.

Group borrowings stood at RM119.0 million in the year under review, up from RM96.7 million previously, while cash and cash equivalents amounted to RM38.6 million as at end-FY2010, compared to RM47.8 million previously. Therefore, the Group had a higher gearing of 0.89 as at end-FY2010 versus 0.63 in the previous year, in order to support the working capital requirements of the enlarged Group.

Overall, we are pleased with the Group's financial results in FY2010, and believe that the Group would continue growing from strength to strength.



Dividend

In appreciation to our valued shareholders, the Board is pleased to recommend for shareholders' approval a first and final dividend of 3.5 sen per share, constituting a total dividend payout of RM4.76 million or 30% of FY2010 net profits.

Utilisation of Initial Public Offering ("IPO") Proceeds

The Group's IPO on Bursa Malaysia Securities Berhad in June 2009 raised RM15.168 million in proceeds for the Group. The status of utilisation of the proceeds as at 22 February 2011 is as below:

	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)
Part acquisition of plant and machinery*	3,000	1,518
Purchase of trucks	500	500
Working capital	8,168	8,168
Estimated listing expenses	3,500	3,500
Total	15,168	13,686

**On 3 May 2010, the Group announced that the Board of Directors had resolved to further extend the utilisation period for the unutilised proceeds to part-finance the plant construction up to 30 June 2011.*

Corporate Update

Incorporation of Samchem TN Pte Ltd ("STPL"), subsidiary in Singapore

On 26 October 2010, Samchem incorporated a foreign subsidiary in Singapore via the subscription of one share of Singapore Dollar ("SGD") 1.00 representing 100% equity interest in STPL, for SGD1.00 only. STPL's intended principal activity is to distribute intermediate and specialty chemicals as well as blending of customised solvents.

On 7 March 2011, Samchem had raised its investment in STPL by subscribing to 99,999 shares of SGD1.00 each at par for cash in the share capital of STPL. Therefore, the issued and paid-up share capital of STPL is SGD100,000 comprising 100,000 shares.

Future Outlook

The Malaysian economy is forecasted to grow by 5% to 6% in FY2011, led by domestic demand, driven by the implementation of the Economic Transformation Programme and the 10th Malaysia Plan. Nevertheless, the global outlook has been greatly affected by the aftermath of the Japan earthquake, which is anticipated to have worldwide implications in the international manufacturing sector, including the chemicals industry.

In spite of the bleak outlook, we at Samchem intend to carry out ongoing growth strategies to sustain our performance in the long run.

Firstly, we would continue our efforts to broaden our suite of products with new distribution rights from existing and new principals. This would bolster our position as a leading industrial chemicals distributor in the region.

Secondly, we will strengthen our supply chain in Malaysia by boosting our human resource teams in order to gain greater access to end-customers to meet their increasing demand.

Finally, we would leverage on our existing foothold in overseas countries to expand our regional sales. Our subsidiaries in Indonesia and Vietnam have started off well, and we look forward to growing our presence further in FY2011 to replicate our success there. At the same time, we will explore opportunities to enter into other new countries in the Asia Pacific region.

Corporate Governance

The Board is committed in implementing the best practices of corporate governance within the Group as they are a crucial part of fulfilling our responsibilities to protect shareholders' value.

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

Corporate Social Responsibility ("CSR")

The Board will continue to uphold our CSR as one of the main principles in building the Group as a sustainable entity. We trust the initiatives taken would bring a positive impact to the community at large.

Continuing the tradition begun over the years, FY2010 saw Samchem undertaking a number of CSR efforts, including making donations to various welfare homes, such as Rumah Limpahan Kasih, Good Samaritan Home and St. Barnabas Home.

These contributions enable Samchem to play our role in maintaining the wellbeing of the underprivileged community.

Appreciation

On behalf of the Board, I would like to express my deepest appreciation to my fellow Directors, management and the staff for their contribution and commitment to the Group in the past year.

I would also like to take this opportunity to thank our valued shareholders, business partners, regulatory authorities and customers for their steadfast support to the Group. We look forward to our ongoing collaboration in the future.

Thank you.

Ng Thin Poh
Chairman and Chief Executive Officer

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

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

Section 1: The Board Of Directors

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

Composition of the Board and Board Balance

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

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

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

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

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

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

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

Board Responsibilities

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

- Reviewing and adopting strategic plan for the Group;
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;
- Identifying the principal risks and key performance indicators of the Group's businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;

- Developing and implementing an investors relations programme or shareholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

Name of Director	Designation	Directorship
Lee Kong Hoi	Chairman	Independent Non-Executive
Ng Thin Poh	Member	Chairman/Chief Executive Officer
Dato' Theng Bok	Member	Independent Non-Executive

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

The Nomination Committee's primary responsibilities include:

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

b) assessing Directors on an on-going basis.

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

Re-Election of Directors

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

Directors' Training

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

During the financial year ended 31 December 2010, the Directors have attended the following trainings:

Name of Directors	Title of Training	Date
Chooi Chok Khooi	Goods And Sales Tax (GST)	22/01/2010
Chooi Chok Khooi	Effective Credit Management & Faster Debt Collection Strategies	22/04/2010 & 23/04/2010
Ng Soh Kian	Decoding & Applying The Malaysian Environmental Laws	28-Oct-2010

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

Supply of Information

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

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

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

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

Board Meetings

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were five (5) Board meetings held during the financial year ended 31 December 2010 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 2010	% of Attendance
Chairman/Chief Executive Officer:		
Ng Thin Poh	5/5	100
Executive Directors:		
Dato' Ng Lian Poh	5/5	100
Ng Soh Kian	5/5	100
Tan Teck Beng	5/5	100
Chooi Chok Khooi	5/5	100
Independent Non-Executive Directors:		
Wong Tak Keong	5/5	100
Dato' Theng Book	5/5	100
Lee Kong Hoi	5/5	100

During the financial year ended 31 December 2010, five Board meetings were convened on 10/2/2010, 14/4/2010, 25/5/2010, 26/8/2010 and 23/11/2010 respectively.

Restriction on Directorships

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

Board Committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

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

1) Nomination Committee

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

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

2) Remuneration Committee

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

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

Section 2: Directors' Remuneration

a) Remuneration Procedure

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

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

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

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

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

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

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

b) Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2010 are as follows:

	Executive Directors	Non-Executive Directors
Emoluments	RM1,844,253	RM7,500
Fees	–	RM84,000

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

Range of Remuneration	Executive Directors	Non-Executive Directors
< RM100,000	–	3
RM100,001-RM200,000	–	–
RM200,001-RM500,000	4	–
RM500,001-RM1,000,000	1	–

Section 3: Shareholders

Dialogue between Company and Investors

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

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

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

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

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

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

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

The Annual General Meeting

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

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

Section 4: Accountability And Audit

Financial Reporting

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

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

Internal Control and Risk Management

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

Relationship with Auditors

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

Section 5: Responsibility Statement By Directors

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

In preparing the financial statements, the Directors have:

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

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

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

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

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

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

Introduction

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

Board Responsibilities

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

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

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

Risk Management Framework

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

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

Internal Audit Function

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

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

Other Key Internal Control Processes

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

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

Conclusion

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

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

The Audit Committee of Samchem Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2010.

Composition of the Audit Committee and Attendance

The Audit Committee met five times during the financial year ended 31 December 2010. The members of the Audit Committee, their attendance at the Audit Committee Meetings held during the financial year ended 31 December 2010 are as follows:

Members of the Audit Committee	Total Meetings Attended
Wong Tak Keong – Chairman (Independent Non-Executive Director)	5/5
Dato' Theng Bok – Member (Independent Non-Executive Director)	5/5
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 2010 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 2010 ensuring that principal risk areas were adequately identified and covered in the plan;

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

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

The internal auditor fees incurred for the financial year ended 31 December 2010 amounts to RM48,000/-.

Additional Compliance Information

1. Utilisation of Proceeds from the Initial Public Offering (IPO)

The status of utilisation of proceeds from the IPO as at the end of the financial year ended 31 December 2010 is as follows:

Utilisation	Proceeds Raised RM'000	Amounts Utilised RM'000	Amounts Unutilised RM'000
Working capital	8,168	8,168	–
Construction of plant and acquisition of machinery	3,000	1,518	1,482*
Purchase of trucks	500	500	–
Listing expenses	3,500	3,500	–
Total Proceeds from the Issue	**15,168**	**13,686**	**1,482**

* Note: the Board of Directors of Samchem Holdings Berhad had on 30 April 2010 resolved to further extend the utilisation period for the unutilised proceeds to part finance the construction plant up to 30 June 2011.

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 2010 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 2010 are as follows:

Company in the Samchem Group involved	Transacting parties	Nature of Transaction	Transaction value (RM)
PT Samchem Prasandha (PTSP)	PT Prasandha Byantara Abadi (PBA)	Sales from PBA to PTSP	26,450,006
TN Chemie Sdn Bhd (TNC)	PT Prasandha Byantara Abadi (PBA)	PBA purchase from TNC	57,323
Samchem Sdn Bhd (SCSB)	PT Prasandha Byantara Abadi (PBA)	Sales from SCSB to PBA	13,919,840
Samchemsphere Export Sdn Bhd (SSE)	Vigor Sphere Pte Ltd (VS)	Sales from SSE to VS	1,165,724
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	SCSB purchase from VS	1,194,908
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	Sales from SCSB to VS	210,502
Samchem Logistics Services Sdn Bhd (SLS)	Across Horizon Enterprise (ACHZ)	Sales from SLS to ACHZ	54,795
Samchem Sdn Bhd (SCSB)	Across Horizon Enterprise (ACHZ)	Sales from SCSB to ACHZ	38,726

10. Revaluation Policy

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

11. Material Contract

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

12. Corporate Social Responsibility

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

Safety and Health

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

Donations to Charitable Organisations

Cash donations were made to the following charitable organisations during the financial year:

1. Rumah Limpahan Kasih;
2. Good Samaritan Home; and
3. St Barnabas Home.

Directors' Report

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 2010.

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 RM	Company RM
Profit/(Loss) for the year	**15,884,243**	**(459,673)**
Profit/(Loss) attributable to:		
Owners of the parent	**16,098,594**	**(459,673)**
Minority interests	**(214,351)**	**–**
	15,884,243	**(459,673)**

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier exempt dividend of 5.6% on 136,000,000 ordinary shares of RM0.50 each amounting to RM3,808,000 in respect of the previous financial year ended 31 December 2009 as reported in the Directors' Report of that year.

At the forthcoming Annual General Meeting, a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2010 of 7.0% on 136,000,000 ordinary shares of RM0.50 each, amounting to RM4,760,000 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 2011.

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 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 liability 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
TAN TECK BENG
NG SOH KIAN
CHOOI CHOK KHOOI
DATO' THENG BOOK
LEE KONG HOI
WONG TAK KEONG

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 1.1.2010	Bought	Sold	At 31.12.2010
Direct Interest				
Ng Thin Poh	55,359,802	2,154,500	–	**57,514,302**
Dato' Ng Lian Poh	7,811,763	450,000	–	**8,261,763**
Tan Teck Beng	6,881,661	–	–	**6,881,661**
Ng Soh Kian	9,797,279	–	–	**9,797,279**
Chooi Chok Khooi	4,361,046	–	–	**4,361,046**
Lee Kong Hoi	2,000	20,000	(20,000)	**2,000**
Wong Tak Keong	300,000	–	–	**300,000**
Indirect Interest*				
Ng Thin Poh	100,000	–	–	**100,000**
Dato' Ng Lian Poh	527,100	–	–	**527,100**
Tan Teck Beng	30,000	–	–	**30,000**
Ng Soh Kian	534,000	150,000	–	**684,000**
Chooi Chok Khooi	22,000	–	(22,000)	**–**

** 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 to the extent that the Company has an interest.

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 38 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 39 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

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 Company, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 28 to 79 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 44 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

NG THIN POH

DATO' NG LIAN POH

Statutory Declaration

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

I, Ng Thin Poh, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 28 to 79 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 22 April 2011

NG THIN POH

Before me

ZULKIFLA MOHD DAHLIM (W541)
Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF SAMCHEM HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 79.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine 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 control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Reporting Resposibilities

The supplementary information set out in Note 44 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

Other Matters

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

MOORE STEPHENS AC
AF 001826
Chartered Accountants

DATO' CHONG KWONG CHIN, DIMP., JP
707/04/12 (J/PH)
Chartered Accountant

Kuala Lumpur
22 April 2011

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	**470,544,960**	294,039,189	**3,889,448**	6,858,445
Cost of sales		**(416,936,295)**	(257,940,163)	**–**	–
Gross profit		**53,608,665**	36,099,026	**3,889,448**	6,858,445
Other income		**2,768,791**	3,033,679	**472,964**	20,573
Selling and distribution expenses		**(7,824,375)**	(4,952,891)	**–**	–
Administrative expenses		**(18,363,713)**	(12,403,910)	**(3,613,213)**	(1,250,778)
Other expenses		**(3,759,214)**	(665,950)	**(668,032)**	–
		(29,947,302)	(18,022,751)	**(4,281,245)**	(1,250,778)
Profit from operations		**26,430,154**	21,109,954	**81,167**	5,628,240
Finance costs		**(6,158,344)**	(4,992,613)	**(496,695)**	(22,977)
Share of profit of associates		**840,144**	729,495	**–**	–
Profit/(Loss) before tax	5	**21,111,954**	16,846,836	**(415,528)**	5,605,263
Income tax expense	7	**(5,227,711)**	(4,187,623)	**(44,145)**	(1,418,010)
Profit/(Loss) for the year		**15,884,243**	12,659,213	**(459,673)**	4,187,253
Other comprehensive income:					
Fair value gain on available-for-sale financial assets		**16,680**	–	**–**	–
Foreign currency translation		**(346,579)**	88,535	**–**	–
		(329,899)	88,535	**–**	–
Total comprehensive income		**15,554,344**	12,747,748	**(459,673)**	4,187,253
Profit/(Loss) attributable to:					
Owners of the parent		**16,098,594**	12,399,160	**(459,673)**	4,187,253
Minority interests		**(214,351)**	260,053	**–**	–
		15,884,243	12,659,213	**(459,673)**	4,187,253
Total comprehensive income attributable to:					
Owners of the parent		**15,758,140**	12,468,147	**(459,673)**	4,187,253
Minority interests		**(203,796)**	279,601	**–**	–
		15,554,344	12,747,748	**(459,673)**	4,187,253
Earnings per share attributable to owners of the parent:					
Basic earnings per share (sen)	8	**11.84**	9.92		

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

Statements of Financial Position

AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM (restated)	Group As at 1.1.2009 RM (restated)	Company 2010 RM	Company 2009 RM
ASSETS						
Non-current assets						
Property, plant and equipment	9	**32,999,083**	29,249,101	28,884,323	**–**	–
Investment properties	10	**2,481,104**	2,512,061	2,092,268	**–**	–
Prepaid land lease payments	11	**686,791**	–	–	**–**	–
Investments in subsidiaries	12	**–**	–	–	**69,884,257**	69,372,005
Investments in associate companies	13	**3,606,659**	3,159,289	2,516,132	**–**	–
Other investments	14	**152,398**	669,851	669,851	**–**	–
Goodwill	15	**557,455**	303,754	303,754	**–**	–
Other receivables, deposits and prepayments	16	**715,366**	–	–	**–**	–
Deferred tax assets	17	**499,263**	140,712	2,343	**–**	–
		41,698,119	36,034,768	34,468,671	**69,884,257**	69,372,005
Current assets						
Inventories	18	**46,995,786**	30,832,601	30,615,766	**–**	–
Trade receivables	19	**113,976,768**	82,803,604	79,200,236	**–**	–
Other receivables, deposits and prepayments	16	**7,813,909**	3,185,325	4,242,878	**10,217,727**	5,636,811
Other investments	14	**48,199**	–	–	**–**	–
Marketable securities	20	**–**	31,968	21,921	**–**	–
Tax recoverable		**427,662**	1,927,306	624,250	**–**	–
Deposits with licensed banks	21	**31,099,894**	39,368,549	34,219,091	**–**	–
Cash and bank balances		**7,499,472**	8,473,335	18,971,165	**139,267**	659,295
Non-current asset classified as held for sale	22	**–**	–	562,578	**–**	–
		207,861,690	166,622,688	168,457,885	**10,356,994**	6,296,106
TOTAL ASSETS		**249,559,809**	202,657,456	202,926,556	**80,241,251**	75,668,111

Statements of Financial Position

AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM (restated)	Group As at 1.1.2009 RM (restated)	Company 2010 RM	Company 2009 RM
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	23	**68,000,000**	68,000,000	68,000,000	**68,000,000**	68,000,000
Share premium		**954,444**	954,444	954,444	**954,444**	954,444
Reserves	24	**20,512,686**	8,403,605	(4,064,542)	**(139,576)**	4,128,097
		89,467,130	77,358,049	64,889,902	**68,814,868**	73,082,541
Minority interests		**658,763**	521,059	212,858	**–**	–
Total Equity		**90,125,893**	77,879,108	65,102,760	**68,814,868**	73,082,541
Liabilities						
Non-current liabilities						
Borrowings	25	**9,671,860**	12,143,158	11,137,583	**–**	–
Deferred tax liabilities	17	**104,700**	269,823	106,692	**–**	–
Retirement benefit obligations	27	**32,221**	–	–	**–**	–
		9,808,781	12,412,981	11,244,275	**–**	–
Current liabilities						
Trade payables	28	**36,426,659**	25,190,727	17,182,417	**–**	–
Other payables and accruals	29	**3,175,319**	2,561,535	2,075,967	**11,391,834**	2,545,278
Dividend payable		**–**	11,720	2,697,231	**–**	–
Tax payable		**746,566**	40,360	187,302	**34,549**	40,292
Borrowings	25	**109,276,591**	84,561,025	104,436,604	**–**	–
		149,625,135	112,365,367	126,579,521	**11,426,383**	2,585,570
Total Liabilities		**159,433,916**	124,778,348	137,823,796	**11,426,383**	2,585,570
TOTAL EQUITY AND LIABILITIES		**249,559,809**	202,657,456	202,926,556	**80,241,251**	75,668,111

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 YEAR ENDED 31 DECEMBER 2010

	Note	Share Capital RM	Share Premium RM	Retained Earnings RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Parent RM	Minority Interests RM	Total Equity RM
		Attributable to Owners of the Parent										
				Distributable	Non-Distributable							
Balance at 1 January 2009		68,000,000	954,444	36,424,208	81,362	–	(40,725,742)	155,630	(40,488,750)	64,889,902	212,858	65,102,760
Total comprehensive income		–	–	12,399,160	–	–	–	68,987	68,987	12,468,147	279,601	12,747,748
Transfer to capital reserve		–	–	(902)	902	–	–	–	902	–	–	–
Transactions with owners												
Issuance of shares by subsidiary to minority shareholders		–	–	–	–	–	–	–	–	–	40,320	40,320
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(11,720)	(11,720)
Total transactions with owner		–	–	–	–	–	–	–	–	–	28,600	28,600
Balance at 31 December 2009		68,000,000	954,444	48,822,466	82,264	–	(40,725,742)	224,617	(40,418,861)	77,358,049	521,059	77,879,108
Balance at 1 January 2010		68,000,000	954,444	48,822,466	82,264	–	(40,725,742)	224,617	(40,418,861)	77,358,049	521,059	77,879,108
Effect of adopting FRS 139		–	–	158,941	–	–	–	–	–	158,941	–	158,941
		68,000,000	954,444	48,981,407	82,264	–	(40,725,742)	224,617	(40,418,861)	77,516,990	521,059	78,038,049
Total comprehensive income		–	–	16,098,594	–	16,680	–	(357,134)	(340,454)	15,758,140	(203,796)	15,554,344
Transactions with owners												
Issuance of shares by a subsidiary to minority shareholders		–	–	–	–	–	–	–	–	–	341,500	341,500
Dividend	30	–	–	(3,808,000)	–	–	–	–	–	(3,808,000)	–	(3,808,000)
		–	–	(3,808,000)	–	–	–	–	–	(3,808,000)	341,500	(3,466,500)
Balance at 31 December 2010		**68,000,000**	**954,444**	**61,272,001**	**82,264**	**16,680**	**(40,725,742)**	**(132,517)**	**(40,759,315)**	**89,467,130**	**658,763**	**90,125,893**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Balance at 1 January 2009		2	–	(59,156)	(59,154)
Total comprehensive income		–	–	4,187,253	4,187,253
Issue of shares		67,999,998	954,444	–	68,954,442
Balance at 31 December 2009		68,000,000	954,444	4,128,097	73,082,541
Balance at 1 January 2010		68,000,000	954,444	4,128,097	73,082,541
Total comprehensive income		–	–	(459,673)	(459,673)
Dividend	30	–	–	(3,808,000)	(3,808,000)
Balance at 31 December 2010		**68,000,000**	**954,444**	**(139,576)**	**68,814,868**

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Cash Flows from Operating Activities			
Profit before tax		**21,111,954**	16,846,836
Adjustments for:			
Amortisation of prepaid land lease payments		**13,437**	–
Bad debts written off		**23,086**	–
Depreciation of property, plant and equipment		**2,526,381**	2,103,788
Depreciation of investment properties		**30,957**	30,207
Gain on disposal of property, plant and equipment		**(1,177,129)**	(55,541)
Property, plant and equipment written off		**5,551**	78
Impairment loss on trade receivables		**316,886**	286,411
Interest expense		**6,158,344**	4,992,613
Retirement benefit obligations		**32,221**	–
Bad debts recovered		**(640)**	–
Dividend income from other investments		**(456)**	–
Reversal of allowance for diminution in value of marketable securities		**–**	(10,047)
Unrealised loss on foreign exchange		**2,220,876**	96,641
Fair value gain on quoted shares		**(19,246)**	–
Reversal of impairment loss on trade receivables		**(1,351)**	(688,028)
Gain on derivative financial instruments		**(48,199)**	–
Interest income		**(851,351)**	(927,617)
Share of profit of associates		**(840,144)**	(729,495)
Operating profit before working capital changes		**29,501,177**	21,945,846
Increase in inventories		**(14,673,024)**	(216,835)
Increase in receivables		**(35,859,874)**	(2,144,201)
Increase in payables		**7,666,765**	8,397,237
Cash (used in)/generated from operations		**(13,364,956)**	27,982,047
Tax refunded		**41,527**	–
Tax paid		**(3,636,196)**	(5,612,859)
Net cash (used in)/from operating activities carried down		**(16,959,625)**	22,369,188

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Net cash (used in)/from operating activities brought down		**(16,959,625)**	22,369,188
Cash Flows from Investing Activities			
Acquisition of subsidiary, net of cash acquired	31	**96,653**	–
Additions in prepaid land lease payments		**(725,978)**	–
Dividend received		**456**	174,876
Interest received		**851,351**	927,617
Purchase of quoted shares		**(302,800)**	–
Purchase of property, plant and equipment	32	**(7,422,981)**	(1,093,416)
Purchase of investment property		**–**	(450,000)
Proceeds from disposal of property, plant and equipment		**2,508,592**	84,045
Proceeds from disposal of quoted shares		**221,246**	–
Proceeds from disposal of non-current asset classified as held for sale	22	**–**	562,578
Net cash (used in)/from investing activities		**(4,773,461)**	205,700
Cash Flows from Financing Activities			
Payments of finance lease		**(841,556)**	(1,127,960)
Interest paid		**(6,158,344)**	(4,992,613)
Drawdown/(Repayment) of bankers' acceptances		**15,151,000**	(9,884,000)
Drawdown of revolving credit		**1,240,000**	–
Drawdown of term loans		**500,000**	2,400,000
Repayment of term loans		**(2,410,635)**	(1,405,307)
Proceeds from issuance of shares by subsidiaries to minority shareholders		**341,500**	40,320
Dividend paid to minority shareholders		**(11,720)**	–
Dividend paid		**(3,808,000)**	(2,697,231)
Net cash from/(used in) financing activities		**4,002,245**	(17,666,791)
Net (decrease)/increase in cash and cash equivalents		**(17,730,841)**	4,908,097
Effect of exchange rate fluctuations		**265,602**	–
Cash and cash equivalents at beginning of the year		**46,770,886**	41,862,789
Cash and cash equivalents at end of the year	33	**29,305,647**	46,770,886

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

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Cash Flows from Operating Activities			
(Loss)/Profit before tax		**(415,528)**	5,605,263
Adjustments for:			
Interest expense		**496,695**	22,977
Dividend income		**–**	(5,510,870)
Interest income		**(471,712)**	(19,320)
Unrealised loss/(gain) on foreign exchange		**588,694**	(1,253)
Operating profit before working capital changes		**198,149**	96,797
Decrease/(Increase) in receivables		**36,202**	(1,502,406)
Decrease in payables		**1,345,901**	2,484,657
Cash generated from operations		**1,580,252**	1,079,048
Tax paid		**(49,888)**	–
Net cash from operating activities		**1,530,364**	1,079,048
Cash Flows from Investing Activities			
Advances to subsidiaries		**(4,734,411)**	–
Interest received		**311**	19,320
Subscription of shares in subsidiaries		**(512,252)**	(12,053,513)
Net cash used in investing activities		**(5,246,352)**	(12,034,193)
Cash Flows from Financing Activities			
Advances from a subsidiary		**7,003,960**	–
Dividend paid		**(3,808,000)**	–
Interest paid		**–**	(22,977)
Proceeds from issuance of ordinary shares		**–**	11,635,950
Net cash from financing activities		**3,195,960**	11,612,973
Net (decrease)/increase in cash and cash equivalents		**(520,028)**	657,828
Cash and cash equivalents at beginning of the year		**659,295**	1,467
Cash and cash equivalents at end of the year	33	**139,267**	659,295

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

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors on 22 April 2011.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted

At 1 January 2010, the Group and the Company adopted the following new and revised FRSs, Amendments to FRSs, IC Interpretations and TRs:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR 3	Guidance on Disclosures of Transition to IFRSs
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions

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

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRS, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (cont'd)

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. As at 1 January 2010, the Group determines and presents the reportable operating segments in accordance with FRS 8. Previously, operating segments were identified and presented in accordance with FRS 114. The Group has adopted FRS 8 retrospectively and as such, the comparative segment information has been re-presented as shown in Note 37.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income. It presents all items of income and expense recognised in income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement. New terminologies have replaced 'balance sheet' with 'statement of financial position' and 'cash flow statement' with 'statement of cash flows'.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and by the Company.

Amendments to FRSs: Improvement to FRSs (2009) – FRS 117 Leases

The amendments remove the specific guidance on classifying leasehold land as operating lease. As such, the leasehold land of the Group which in substance is a finance lease has been reclassified from "prepaid land lease payment" to "property, plant and equipment". The effect on the consolidated statement of financial position as at 31 December 2009 arising from the above change in accounting policy is as follows:

	RM
Increase in property, plant and equipment	3,100,704
Decrease in prepaid land lease payments	(3,100,704)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRS, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (cont'd)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

Equity instruments
Prior to 1 January 2010, the Group classified its investments in equity instrument which were held for non-trading purposes as non-current investments or marketable securities. Non-current investments were stated at cost less allowance for diminution in value whilst marketable securities were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, the non-current investments and marketable securities are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair value as at that date amounting to RM34,918.

Insurance policy
Prior to 1 January 2010, the Group classified its insurance policy as non-current investment which was stated at cost less allowance for diminution in value, if any. Upon adoption of FRS 139, the insurance policy is designated at 1 January 2010 as loans and receivables and accordingly is stated at amortised cost as at that date amounting to RM696,819.

Impairment of trade receivables
Prior to 1 January 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. As at 1 January 2010, the Group has remeasured the allowance for impairment loss as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

The following are effects arising from the adoption of FRS 139:

	Increase/(Decrease)	
	As at 31.12.2010 RM	**As at 1.1.2010 RM**
Statement of financial position		
Group		
Other investment	**(618,253)**	(634,933)
Other receivables, deposits and prepayments	**715,366**	696,819
Marketable securities	**(31,968)**	(31,968)
Deferred tax assets	**(47,898)**	(47,898)
Retained earnings	**192,159**	173,612
Fair value reserve	**16,680**	–
Trade receivables	**191,592**	191,592

	Increase/ (Decrease)
	2010 RM
Statement of comprehensive income	
Group	
Other income	18,547
Profit before tax	18,547
Other comprehensive income	16,680
Total comprehensive income	35,227

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRSs, IC Interpretations and TR issued but not yet effective

At the date of authorisation of these financial statements, MASB has issued the following new and revised FRSs, Amendments to FRSs, IC Interpretations and TR that are not yet effective and have not been early adopted in preparing these financial statements:

		For financial periods beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 124	Related Party Disclosures (Revised)	1 January 2012
FRS 127	Consolidated and Separate Financial Statements (Revised)	1 July 2010
Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)		1 January 2011
Additional Exemptions for First-time Adopters (Amendments to FRS 1)		1 January 2011
Improving Disclosures about Financial Instruments (Amendments to FRS 7)		1 January 2011
Amendments to FRS 2 Share-based Payment		1 July 2010
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)		1 January 2011
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations		1 July 2010
Amendments to FRS 132 Financial Instruments: Presentation		1 March 2010
Amendments to FRS 138 Intangible Assets		1 July 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Arrangements for the Construction of Real Estate	1 January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)		1 July 2011
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives		1 July 2010
TR i-4	Shariah Compliant Sale Contracts	1 January 2011

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TR is not expected to have any significant impact on the financial position and performance of the Group and of the Company except for the revised FRS 3 and FRS 127 as described below.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and revised FRSs, Amendments to FRSs, IC Interpretations and TR issued but not yet effective (cont'd)

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

The revised FRS 3 introduces a number of significant changes to the accounting for business combinations with greater use of fair value. These changes include recognising all acquisition-related costs as expense, measuring any pre-existing interest at fair value and allowing measurement of non-controlling interest (previously known as minority interest) at either fair value or at its proportionate share of the acquiree's net identifiable assets. The revised FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority shareholders to be absorbed by minority shareholders instead of by the parent. The Group will apply the changes of revised FRS 3 and FRS 127 prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

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

(d) Significant accounting estimates and judgements

The preparation of financial statements of the Group and of the Company 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

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

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

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

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

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

(b) Reverse Acquisition

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Reverse Acquisition (cont'd)

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

(c) Foreign Currencies

(i) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

(ii) Foreign Operations

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(d) Revenue Recognition

(i) Goods Sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised 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) Rental Income

Rental income is recognised on an accrual basis.

(iii) Dividend Income

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Revenue Recognition (cont'd)

(iv) Interest Income

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

(v) Management Fees

Management fees are recognised when services are rendered.

(e) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

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

(iii) Defined Benefit Plans

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

(f) Borrowing Costs

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

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

(g) Income tax

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

Deferred tax is provided 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 profit nor taxable profit. 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.

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

(h) Property, Plant and Equipment and Depreciation

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Property, Plant and Equipment and Depreciation (cont'd)

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 method 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. These are adjusted prospectively, if appropriate.

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

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

(i) Investment Properties

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

Building is depreciated on a straight line basis at 2% per annum to write off the cost of the asset to its residual value over the estimated useful life.

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

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

(j) Subsidiaries

A subsidiary is an entity in which the Company has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(k) Associate Company

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Associate Company (cont'd)

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

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

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

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

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

(l) Goodwill

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

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

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

(m) Impairment of Non-Financial Assets

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

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial Assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and has categorised the financial assets as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

(i) Financial Assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) 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 receivables, other receivables and cash and cash equivalents.

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 receivables, other receivables and cash and cash equivalents.

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

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

(iii) 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 FVTPL, held-to-maturity investments and loans and receivables.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial Assets (cont'd)

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.

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

(p) Impairment of Financial Assets

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

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

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

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

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

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

(ii) Available-for-sale Financial Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Cash and Cash Equivalents

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

(r) Non-current assets held for sale on discontinued operation

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

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

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

(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.

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

(i) Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 37, 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.

4. REVENUE

	Group		Company	
	2010 **RM**	2009 RM	**2010** **RM**	2009 RM
Management fees	**–**	–	**3,889,448**	1,347,575
Dividend income	**–**	–	**–**	5,510,870
Chemical sales	**470,544,960**	294,039,189	**–**	–
	470,544,960	294,039,189	**3,889,448**	6,858,445

5. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration				
– current year	**153,754**	113,000	**12,000**	10,000
– prior year	**400**	–	**–**	–
Amortisation of prepaid land lease payments	**13,437**	–	**–**	–
Impairment loss on trade receivables	**316,886**	286,411	**–**	–
Bad debts written off	**23,086**	–	**–**	–
Depreciation of investment properties	**30,957**	30,207	**–**	–
Depreciation of property, plant and equipment	**2,526,381**	2,103,788	**–**	–
Direct operating expenses for investment properties				
– generated rental income	**23,226**	37,828	**–**	–
– did not generate rental income	**924**	924	**–**	–
Interest expense	**6,158,344**	4,992,613	**496,695**	22,977
Property, plant and equipment written off	**5,551**	78	**–**	–
Rental of premises	**681,855**	460,991	**–**	–
Rental of motor vehicle	**–**	–	**23,604**	–
Storage tank rental	**483,089**	420,274	**–**	–
Loss/(Gain) on foreign exchange				
– realised	**1,023,896**	(678,122)	**79,338**	–
– unrealised	**2,220,876**	96,641	**588,694**	(1,253)
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**703,484**	672,787	**204,276**	113,448
– retirement benefit obligations	**32,221**	–	**–**	–
– wages, salaries and others	**10,446,607**	5,901,294	**2,983,863**	995,479
Reversal of allowance for diminution in value of marketable securities	**–**	(10,047)	**–**	–
Bad debts recovered	**(640)**	–	**–**	–
Dividend income from other investments	**(456)**	–	**–**	–
Fair value gain on quoted shares	**(19,246)**	–	**–**	–
Gain on derivative financial instruments	**(48,199)**	–	**–**	–
Gain on disposal of property, plant and equipment	**(1,177,129)**	(55,541)	**–**	–
Interest income	**(851,351)**	(927,617)	**(471,712)**	(19,320)
Rental income	**(252,532)**	(227,439)	**–**	–
Reversal of impairment loss on trade receivables	**(1,351)**	(688,028)	**–**	–

6. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors of the Company				
Executive Directors				
– Other emoluments	**1,844,253**	1,615,678	**1,844,253**	975,812
– Estimated monetary value of benefits-in-kind	**–**	104,150	**–**	–
	1,844,253	1,719,828	**1,844,253**	975,812
Non-Executive Directors				
– Fees	**84,000**	–	**84,000**	–
– Other emoluments	**7,500**	35,000	**7,500**	35,000
	91,500	35,000	**91,500**	35,000
Directors of subsidiaries				
Executive Directors				
– Other emoluments	**1,537,511**	1,026,940	**–**	–
	3,473,264	2,781,768	**1,935,753**	1,010,812

7. INCOME TAX EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax:				
Malaysian – current year	**6,116,942**	4,221,846	**53,300**	1,418,010
– prior years	**(316,423)**	(58,985)	**(9,155)**	–
	5,800,519	4,162,861	**44,145**	1,418,010
Deferred tax:				
Origination and reversal of temporary differences	**(618,271)**	163,591	**–**	–
Under/(Over) provision in prior year	**45,463**	(138,829)	**–**	–
	(572,808)	24,762	**–**	–
Income tax expense	**5,227,711**	4,187,623	**44,145**	1,418,010

7. INCOME TAX EXPENSE (cont'd)

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

	Group		Company	
	2010 **RM**	**2009** **RM**	**2010** **RM**	**2009** **RM**
Profit/(Loss) before tax	**21,111,954**	16,846,836	**(415,528)**	5,605,263
Tax at the Malaysian statutory income tax rate of 25%	**5,278,000**	4,211,709	**(103,900)**	1,401,316
Tax effects arising from:				
– non-deductible expenses	**921,371**	415,216	**250,400**	16,694
– non-taxable income	**(389,500)**	(14,951)	**(93,200)**	–
– double deduction	**(8,600)**	–	**–**	–
– utilisation of reinvestment allowances	**(35,500)**	(164,268)	**–**	–
Deferred tax assets not recognised during the year	**–**	120,105	**–**	–
Recognition of deferred tax assets previously not recognised	**(57,100)**	–	**–**	–
Share of results of associate companies	**(210,000)**	(182,374)	**–**	–
(Over)/Under provision in prior years:				
– current tax	**(316,423)**	(58,985)	**(9,155)**	–
– deferred tax	**45,463**	(138,829)	**–**	–
Income tax expense	**5,227,711**	4,187,623	**44,145**	1,418,010

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

8. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the Group's profit for the year attributable to equity holders of the Company of RM16,098,594 (2009: RM12,399,160) by the weighted average number of ordinary share in issue during the year of 136,000,000 (2009: 124,944,087) ordinary shares of RM0.50 each. Diluted earnings per share are not disclosed as the Group does not have any dilutive instrument.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Building in progress RM	Total RM
Cost										
At 1.1.2010 (previously stated)	7,609,669	–	–	13,207,266	5,345,092	2,428,854	3,485,597	664,417	178,249	32,919,144
Effect of adopting Amendments to FRS 117	–	3,308,026	650,000	–	–	–	–	–	–	3,958,026
At 1.1.2010 (restated)	7,609,669	3,308,026	650,000	13,207,266	5,345,092	2,428,854	3,485,597	664,417	178,249	36,877,170
In respect of subsidiary acquired	–	–	–	–	–	–	79	–	–	79
Additions	–	597,326	–	2,557,148	2,744,727	1,229,545	525,904	6,880	144,189	7,805,719
Disposals	(333,333)	–	–	(754,227)	(766,795)	(122,191)	(474,963)	(41,688)	–	(2,493,197)
Written off	–	–	–	–	–	(20,958)	(8,900)	–	–	(29,858)
Effect of movement in exchange rate	–	–	–	(90,701)	(63,349)	(42,526)	(11,715)	–	–	(208,291)
At 31.12.2010	7,276,336	3,905,352	650,000	14,919,486	7,259,675	3,472,724	3,516,002	629,609	322,438	41,951,622
Accumulated Depreciation										
At 1.1.2010 (previously stated)	–	–	–	971,426	3,630,972	741,238	1,852,443	236,229	–	7,432,308
Effect of adopting Amendments to FRS 117	–	167,821	27,940	–	–	–	–	–	–	195,761
At 1.1.2010 (restated)	–	167,821	27,940	971,426	3,630,972	741,238	1,852,443	236,229	–	7,628,069
Charge for the year	–	41,325	17,647	300,566	1,029,700	622,156	453,922	61,065	–	2,526,381
Disposals	–	–	–	(123,057)	(525,213)	(99,275)	(380,888)	(33,301)	–	(1,161,734)
Written off	–	–	–	–	–	(16,805)	(7,502)	–	–	(24,307)
Effect of movement in exchange rate	–	–	–	(660)	(7,885)	(5,974)	(1,351)	–	–	(15,870)
At 31.12.2010	–	209,146	45,587	1,148,275	4,127,574	1,241,340	1,916,624	263,993	–	8,952,539
Net Carrying Amount										
At 31.12.2010	7,276,336	3,696,206	604,413	13,771,211	3,132,101	2,231,384	1,599,378	365,616	322,438	32,999,083

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Building in progress RM	Total RM
Cost										
At 1.1.2009 (previously stated)	7,609,669	–	–	9,280,207	5,404,371	682,648	2,543,318	565,642	5,136,850	31,222,705
Effect of adopting Amendments to FRS 117	–	2,646,465	650,000	–	–	–	–	–	–	3,296,465
At 1.1.2009 (restated)	7,609,669	2,646,465	650,000	9,280,207	5,404,371	682,648	2,543,318	565,642	5,136,850	34,519,170
Addtions	–	661,561	–	147,708	5,314	211,523	490,504	98,775	881,763	2,497,148
Disposals	–	–	–	–	(64,593)	(69,195)	(5,160)	–	–	(138,948)
Written off	–	–	–	–	–	–	(200)	–	–	(200)
Reclassification	–	–	–	3,779,351	–	1,603,878	457,135	–	(5,840,364)	–
At 31.12.2009	7,609,669	3,308,026	650,000	13,207,266	5,345,092	2,428,854	3,485,597	664,417	178,249	36,877,170
Accumulated Depreciation										
At 1.1.2009 (previously stated)	–	–	–	708,570	2,710,419	471,719	1,432,259	175,085	–	5,498,052
Effect of adopting Amendments to FRS 117	–	126,501	10,294	–	–	–	–	–	–	136,795
At 1.1.2009 (restated)	–	126,501	10,294	708,570	2,710,419	471,719	1,432,259	175,085	–	5,634,847
Charge for the year	–	41,320	17,646	262,856	980,089	319,667	421,066	61,144	–	2,103,788
Disposals	–	–	–	–	(59,536)	(50,148)	(760)	–	–	(110,444)
Written off	–	–	–	–	–	–	(122)	–	–	(122)
At 31.12.2009	–	167,821	27,940	971,426	3,630,972	741,238	1,852,443	236,229	–	7,628,069
Net Carrying Amount										
At 31.12.2009	7,609,669	3,140,205	622,060	12,235,840	1,714,120	1,687,616	1,633,154	428,188	178,249	29,249,101
At 1.1.2009 (restated)	7,609,669	2,519,964	639,706	8,571,637	2,693,952	210,929	1,111,059	390,557	5,136,850	28,884,323

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	
	2010 RM	2009 RM
Motor vehicles	**1,646,234**	1,511,443
Plant and machinery	**1,073,443**	1,371,063
	2,719,677	2,882,506

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

	Group	
	2010 RM	2009 RM
Freehold land	**7,276,336**	7,609,669
Long term leasehold land	**3,696,206**	3,140,205
Short term leasehold land	**604,413**	622,060
Buildings	**13,771,211**	12,235,840
Building in progress	**322,438**	178,249
	25,670,604	23,786,023

Building in progress is in respect of construction of a factory building on a leasehold land of the Group.

10. INVESTMENT PROPERTIES

	Group		
	2010 RM	2009 RM	As at 1.1.2009 RM
Costs			
At beginning of the year	**2,727,423**	2,277,423	2,277,423
Addition	**–**	450,000	–
At end of the year	**2,727,423**	2,727,423	2,277,423
Accumulated depreciation			
At beginning of the year	**215,362**	185,155	163,229
Depreciation charge for the year	**30,957**	30,207	21,926
At end of the year	**246,319**	215,362	185,155
Net carrying amount	**2,481,104**	2,512,061	2,092,268
Fair value of investment properties	**5,727,241**	4,090,000	3,950,000

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

Net carrying amount of investment properties pledged as security for borrowings (Note 25) is RM2,048,354 (2009: RM2,070,311).

11. PREPAID LAND LEASE PAYMENTS

	Group		
	2010 RM	**2009 RM**	**As at 1.1.2009 RM**
At beginning of the year (previously stated)	**3,100,704**	3,159,670	3,159,670
Effect of adopting Amendments to FRS 117	**(3,100,704)**	(3,159,670)	(3,159,670)
At beginning of the year (restated)	**–**	–	–
Additions	**725,978**	–	–
Amortisation for the year	**(13,437)**	–	–
Effect of movement in exchange rate	**(25,750)**	–	–
	686,791	–	–

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

The land is pledged as security for bank borrowings (Note 25).

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM	**2009 RM**
Unquoted shares, at cost	**69,884,257**	69,372,005

The details of subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2010	Effective Equity Interest 2009
Held by the Company				
Samchem Logistics Services Sdn. Bhd.	Malaysia	Provision of logistics services	**70%**	70%
Samchem Industries Sdn. Bhd.	Malaysia	Distribution of specialty chemicals	**100%**	100%
TN Industries Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents	**70%**	70%
TN Chemie Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents	**100%**	100%
Eweny Chemicals Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals	**100%**	100%
Samchemsphere Export Sdn. Bhd.	Malaysia	Export of intermediate and specialty chemicals	**70%**	70%
Samchem Enviro Cycle Sdn. Bhd.	Malaysia	Dormant	**76%**	76%
Samchem Sdn. Bhd.	Malaysia	Distribution of PU, intermediate and specialty chemicals and investment holding	**100%**	100%
# PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	**60%**	–
@ Samchem TN Pte. Ltd.	Republic of Singapore	Dormant	**100%**	–

12. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2010	2009
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%**	–

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

@ Unaudited and was consolidated using management financial statements.

13. INVESTMENTS IN ASSOCIATE COMPANIES

	Group 2010 RM	2009 RM	As at 1.1.2009 RM
Unquoted shares, at cost	**1,253,346**	1,253,346	1,253,346
Foreign currency translation differences	**(161,033)**	231,741	143,205
Share of post-acquisition reserves	**2,514,346**	1,674,202	1,119,581
	3,606,659	3,159,289	2,516,132

The details of associate companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2010	2009
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 associate companies are coterminous with those of the Group, except for Yong Tai Samchem Sdn. Bhd. which has a financial year end of 30 June to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the financial statements of Yong Tai Samchem Sdn. Bhd. for the year ended 30 June 2010 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 June 2010 to 31 December 2010.

The summarised financial information of the associate companies are as follows:

	2010 RM	2009 RM
Assets and liabilities		
Current assets	**39,128,149**	36,886,284
Non-current assets	**324,051**	418,673
Total assets	**39,452,200**	37,304,957
Current liabilities, representing total liabilities	**26,424,587**	26,054,569
Results		
Revenue	**111,964,132**	107,450,317
Profit for the year	**2,103,412**	1,828,225

14. OTHER INVESTMENTS

	Group		
	2010 RM	2009 RM	As at 1.1.2009 RM
Non-current:			
Available-for-sale financial assets:			
Shares quoted in Malaysia	**152,398**	–	–
At cost:			
Shares quoted in Malaysia	**–**	6,250	6,250
Insurance policy	**–**	663,601	663,601
	152,398	669,851	669,851
Current:			
Derivative financial instruments:			
Foreign currency forward contracts	**48,199**	–	–
Market value of quoted shares	**152,398**	2,950	2,950

The 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).

15. GOODWILL

	Group		
	2010 RM	2009 RM	As at 1.1.2009 RM
Cost			
At beginning of the year	**303,754**	303,754	275,421
Additions during the year (Note 31)	**253,701**	–	28,333
At end of the year	**557,455**	303,754	303,754

Impairment test for goodwill

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

	Group	
	2010 RM	2009 RM
Malaysia	**303,754**	303,754
Socialist Republic of Vietnam	**253,701**	–
	557,455	303,754

Key assumptions used in value-in-use calculations

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

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

Sensitivity to change in assumptions

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

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company	
	2010 RM	2009 RM	As at 1.1.2009 RM	2010 RM	2009 RM
Non-current:					
Insurance policy	**715,366**	–	–	**–**	–
Current:					
Sundry receivables	**2,627,369**	145,557	1,366,689	**–**	–
Subsidiaries	**–**	–	–	**10,217,727**	5,600,609
Director related companies	**–**	220,296	220,296	**–**	–
Deposits	**698,386**	1,189,783	654,334	**–**	–
Prepayments	**4,488,154**	1,629,689	2,001,559	**–**	36,202
	7,813,909	3,185,325	4,242,878	**10,217,727**	5,636,811

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 RM2,366,884 (2009: RMnil) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

The amounts due from subsidiaries are non-trade in nature, unsecured, bears interest at a rate of 6.0% (2009: 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 (2009: RM1,059,018) being downpayment for acquisition of land and motor vehicles.

Included in prepayments of the Group are:

(a) advances of RM2,907,482 (2009: RM899,317) paid to suppliers for purchase of trading goods; and

(b) advance of RM339,407 (2009: RMnil) paid to a contractor for construction of a factory building.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		
	2010 RM	2009 RM	As at 1.1.2009 RM
Deferred tax assets			
At beginning of the year (previously stated)	**140,712**	2,343	31,000
Effect of adopting FRS 139	**(47,898)**	–	–
At beginning of the year (restated)	**92,814**	2,343	31,000
Recognised in profit or loss	**407,685**	138,369	(28,657)
Effect of movements in exchange rate	**(1,236)**	–	–
At end of the year	**499,263**	140,712	2,343
Deferred tax liabilities			
At beginning of the year	**(269,823)**	(106,692)	(173,263)
Recognised in profit or loss	**165,123**	(163,131)	66,571
At end of the year	**(104,700)**	(269,823)	(106,692)

17. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

	Group	
	2010 RM	2009 RM
Deferred tax assets		
Deductible temporary differences in respect of expenses	**628,463**	289,396
Taxable temporary differences in respect of income	**(12,000)**	–
Difference between the carrying amounts of property, plant and equipment and its tax base	**(117,200)**	(148,684)
	499,263	140,712
Deferred tax liabilities		
Deductible temporary differences in respect of expenses	**1,900**	1,752
Taxable temporary differences in respect of income	**–**	(8,921)
Difference between the carrying amounts of property, plant and equipment and its tax base	**(106,600)**	(262,654)
	(104,700)	(269,823)

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

	Group	
	2010 RM	2009 RM
Deductible temporary differences in respect of expenses	**–**	228,300

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits therefrom.

18. INVENTORIES

	Group		
	2010 RM	2009 RM	As at 1.1.2009 RM
Trading goods	**46,299,172**	30,239,232	30,295,821
Packaging materials	**696,614**	593,369	319,945
	46,995,786	30,832,601	30,615,766

Inventories of a subsidiary amounting to RM8,877,560 (2009:RMnil) are pledged as security for bank borrowings (Note 25).

19. TRADE RECEIVABLES

	Group		
	2010 RM	**2009 RM**	**As at 1.1.2009 RM**
External parties	**114,280,024**	83,579,147	80,839,696
Director related companies	**–**	511,842	141,910
	114,280,024	84,090,989	80,981,606
Less: Allowance for impairment loss	**(303,256)**	(1,287,385)	(1,781,370)
	113,976,768	82,803,604	79,200,236

Included in trade receivables is an amount of RM4,471,788 (2009: RM nil) due from a company in which a director of a subsidiary has substantial financial interest.

Trade receivables of a subsidiary amounting to RM15,959,550 (2009: RM nil) 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.

(b) Ageing analysis of trade receivables

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

	Group
	2010 RM
Neither past due nor impaired	**58,638,499**
1 to 30 days past due not impaired	**26,638,320**
31 to 60 days past due not impaired	**10,862,562**
61 to 90 days past due not impaired	**10,512,550**
91 to 120 days past due not impaired	**1,448,750**
More than 121 days past due not impaired	**5,876,087**
	55,338,269
Impaired	**303,256**
	114,280,024

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

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

Receivables that are past due but not impaired
Trade receivables amounting to 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 RM3,100,552 which are supported by third party guarantees.

19. TRADE RECEIVABLES (cont'd)

(b) Ageing analysis of trade receivables (cont'd)

Receivables that are impaired

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

	Group 2010 RM
At beginning of the year (previously stated)	**1,287,385**
Effect of adopting FRS 139	**(191,592)**
At beginning of the year (restated)	**1,095,793**
Charge for the year (Note 5)	**316,886**
Written off	**(1,108,072)**
Reversal of impairment loss (Note 5)	**(1,351)**
At end of the year	**303,256**

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

20. MARKETABLE SECURITIES

	Group		
	2010 RM	**2009 RM**	**As at 1.1.2009 RM**
Shares quoted in Malaysia, at cost	–	50,170	50,170
Less: Allowance for diminution in value	–	(18,202)	(28,249)
	–	31,968	21,921
Market value of quoted shares	–	31,968	21,921

21. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group bear effective interest rates ranging from 2.70% to 2.80% (2009: 1.83% to 3.18%) per annum and mature within one year. Deposits amounting to RM30,598,322 (2009: RM34,877,589) 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 29 December 2006, a subsidiary, Eweny Chemicals Sdn. Bhd. ("Eweny") acquired 100% equity interest in Heng Li Trading Co. Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM800,000. In 2008, the Company announced the decision to discontinue and dispose of the subsidiary and the disposal was fully completed on 16 January 2009 for a purchase consideration of RM562,578.

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

23. SHARE CAPITAL

	Group/Company		
	2010	**2009**	**As at 1.1.2009**
	RM	**RM**	**RM**
Authorised:			
200,000,000 ordinary shares of RM0.50 each	**100,000,000**	100,000,000	100,000,000
Issued and fully paid:			
136,000,000 ordinary shares of RM0.50 each	**68,000,000**	68,000,000	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			Company	
	2010	**2009**	**As at 1.1.2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**	**RM**
Non-distributable					
Capital reserve	**82,264**	82,264	81,362	**–**	–
Fair value reserve	**16,680**	–	–	**–**	–
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	(40,725,742)	**–**	–
Currency translation reserve	**(132,517)**	224,617	155,630	**–**	–
Distributable					
Retained earnings/(Accumulated losses)	**61,272,001**	48,822,466	36,424,208	**(139,576)**	4,128,097
	20,512,686	8,403,605	(4,064,542)	**(139,576)**	4,128,097

(a) Capital reserve

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

(b) Fair value reserve

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

(c) Reverse acquisition reserve

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

(d) Currency translation reserve

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

25. BORROWINGS

	Group 2010 RM	Group 2009 RM	Group As at 1.1.2009 RM
Non-current			
Secured			
Finance lease payables (Note 26)			
– RM	**1,227,293**	1,805,873	1,471,083
– Indonesian Rupiah	**37,672**	–	–
Term loans	**8,406,895**	10,337,285	9,666,500
	9,671,860	12,143,158	11,137,583
Current			
Secured			
Bank overdrafts			
– RM	**8,954,224**	1,070,998	11,327,467
– Indonesian Rupiah	**300,719**	–	–
Bankers' acceptances	**94,657,000**	79,991,000	88,833,000
Finance lease payables (Note 26)			
– RM	**678,580**	761,880	820,898
– Indonesian Rupiah	**165,390**	–	–
Revolving credit			
– USD	**1,240,000**	–	–
Term loans	**1,306,902**	1,287,147	963,239
	107,302,815	83,111,025	101,944,604
Unsecured			
Bank overdrafts	**38,776**	–	–
Bankers' acceptances	**1,935,000**	1,450,000	2,492,000
	1,973,776	1,450,000	2,492,000
	109,276,591	84,561,025	104,436,604
Total borrowings			
Bank overdrafts	**9,293,719**	1,070,998	11,327,467
Bankers' acceptances	**96,592,000**	81,441,000	91,325,000
Finance lease payables (Note 26)	**2,108,935**	2,567,753	2,291,981
Revolving credit	**1,240,000**	–	–
Term loans	**9,713,797**	11,624,432	10,629,739
	118,948,451	96,704,183	115,574,187

The secured bank overdrafts, bankers' acceptances, revolving credit and term loans of the Group are secured by the following:

(i) letter of set-off over the fixed deposits 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 (Note 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.

25. BORROWINGS (cont'd)

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

The bankers' acceptances, term loans and bank overdraft bear interest at rates as follows:

	Group	
	2010 % per annum	**2009 % per annum**
Bankers' acceptances	**3.81 to 5.00**	3.23 to 6.90
Bank overdraft	**7.80 to 9.80**	7.05 to 7.30
Revolving credit	**11.75**	–
Term loans	**5.55 to 9.80**	4.00 to 7.05

The maturity profile of term loans is as follows:

	Group	
	2010 RM	**2009 RM**
Repayable within 1 year	**1,306,902**	1,287,147
Repayable after 1 year but not later than 2 years	**1,382,131**	1,334,408
Repayable after 2 years but not later than 3 years	**1,297,943**	1,284,225
Repayable after 3 years but not later than 4 years	**1,070,440**	1,290,745
Repayable after 4 years but not later than 5 years	**1,010,572**	1,286,274
Repayable after 5 years	**3,645,809**	5,141,633
	9,713,797	11,624,432

26. FINANCE LEASE PAYABLES

	Group		
	2010 RM	**2009 RM**	**As at 1.1.2009 RM**
Future minimum lease payments	**2,313,926**	2,880,121	2,521,905
Less: Future finance charges	**(204,991)**	(312,368)	(229,924)
Total present value of minimum lease payments	**2,108,935**	2,567,753	2,291,981
Payable within one year			
Future minimum lease payments	**963,191**	902,715	927,098
Less: Future finance charges	**(119,221)**	(140,835)	(106,200)
Present value of minimum lease payments	843,970	761,880	820,898
Payable more than 1 year but not more than 5 years			
Future minimum lease payments	**1,350,735**	1,977,406	1,594,807
Less: Future finance charges	**(85,770)**	(171,533)	(123,724)
Present value of minimum lease payments	**1,264,965**	1,805,873	1,471,083
Total present value of minimum lease payments	**2,108,935**	2,567,753	2,291,981
Analysed as			
Due within 1 year	**843,970**	761,880	820,898
Due after 1 year	**1,264,965**	1,805,873	1,471,083
	2,108,935	2,567,753	2,291,981

26. FINANCE LEASE PAYABLES (cont'd)

The maturity profile of finance lease payables is as follows:

	2010 RM	2009 RM
Payable within 1 year	**843,970**	761,880
Payable after 1 year but not later than 2 years	**680,643**	655,545
Payable after 2 years but not later than 3 years	**453,160**	626,877
Payable after 3 years but not later than 4 years	**131,162**	419,246
Payable after 4 years but not later than 5 years	**–**	104,205
	2,108,935	2,567,753

The finance lease payables of the Group bear effective interest at rates of 3.57% to 9.37% (2009: 7.20% 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
	2010 RM
At beginning of the year	–
Provision made during the year	**32,221**
At end of the year	**32,221**

The expense recognised in profit or loss is as follows:

	Group
	2010 RM
Current service costs	**32,221**

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

	Group
	2010
Normal retirement age	**55 years old**
Discount rate	**9.2%**
Future salary increases	**7.0%**
Future pension increases	**Linearly decreasing up to age 54**
Mortality rate	**TM II 2000**

28. TRADE PAYABLES

	Group		
	2010	**2009**	**As at 1.1.2009**
	RM	**RM**	**RM**
External parties	**36,426,659**	25,187,012	17,181,476
Director related companies	**–**	3,715	941
	36,426,659	25,190,727	17,182,417

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

Included in trade payables is an amount of RM2,295,659 (2009: RM nil) due to a company in which a director of a subsidiary has substantial financial interest.

29. OTHER PAYABLES AND ACCRUALS

	Group			Company	
	2010	**2009**	**As at 1.1.2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**	**RM**
Sundry payables	**904,600**	1,641,377	826,595	**–**	–
Subsidiary	**–**	–	–	**9,810,361**	2,309,706
Director related company	**–**	–	561,999	**–**	–
Deposit	**84,000**	84,000	84,000	**–**	–
Accruals	**2,186,719**	836,158	603,373	**1,581,473**	235,572
	3,175,319	2,561,535	2,075,967	**11,391,834**	2,545,278

Amount due to subsidiary is non-trade in nature, unsecured, bears interest at a rate of 6.0% (2009: 6.0%) per annum, repayable on demand and expected to be settled in cash.

30. DIVIDEND

	Group/Company	
	2010	**2009**
	RM	**RM**
Interim dividend of 5.6% on 136,000,000 ordinary shares of RM0.50 each in respect of the year ended 31 December 2009	**–**	3,808,000
Net dividend per share (sen)	**–**	2.8

The directors have recommended a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2010 of 7.0% on 136,000,000 ordinary shares amounting to RM4,760,000 if approved at the forthcoming Annual General Meeting.

The financial statements for the current financial 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 year ending 31 December 2011.

31. ACQUISITION OF SUBSIDIARY

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

31. ACQUISITION OF SUBSIDIARY (cont'd)

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

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

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

32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with aggregate costs RM7,805,719 (2009: RM2,497,148), which were satisfied as follows:

	2010 RM	2009 RM
Finance lease arrangements	**382,738**	1,403,732
Cash payments	**7,422,981**	1,093,416
	7,805,719	2,497,148

33. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	**7,499,472**	8,473,335	**139,267**	659,295
Deposits with licensed banks (Note 21)	**31,099,894**	39,368,549	**–**	–
Less: Bank overdrafts (Note 25)	**(9,293,719)**	(1,070,998)	**–**	–
	29,305,647	46,770,886	**139,267**	659,295

34 CAPITAL COMMITMENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Approved and contracted for				
– property, plant and equipment	**219,093**	246,000	**–**	–
– capital investment	**1,386,000**	2,051,400	**1,386,000**	2,051,400
	1,605,093	2,297,400	**1,386,000**	2,051,400
Approved but not contracted for				
– property, plant and equipment	**12,954,875**	15,000,000	**–**	–

35. RELATED PARTY DISCLOSURES

(a) 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 has 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, associate company, key management personnel, director related companies and companies in which key management personnel have substantial financial interests. Director related companies refer to companies in which directors of the Company have substantial financial interests.

(b) Related party transactions and balances are as follows:

	Group	
	2010	**2009**
	RM	**RM**
Director related companies		
Sales of products	**–**	(1,149,820)
Purchases of products	**–**	17,651
Rendering of services	**–**	(97,438)
Sales of a subsidiary to a director of the Company and a director of a subsidiary of the Company	**–**	(562,578)
Companies in which certain directors of subsidiaries have substantial financial interests		
Rendering of services	**(54,795)**	–
Purchase of property, plant and equipment	**3,283,126**	–
Purchases of products	**27,644,914**	–
Sales of products	**(15,392,116)**	–

	Company	
	2010	**2009**
	RM	**RM**
Subsidiaries		
Dividend income	**–**	(5,510,870)
Management fee	**(3,889,448)**	(1,347,575)
Interest charges	**496,695**	22,977
Rental of motor vehicle	**23,604**	–
Interest income	**(471,401)**	(11,413)

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 19 and 28 and 29.

35. 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	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Directors of the Company				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	**1,738,137**	1,546,720	**1,738,137**	871,261
Post-employment benefits	**197,616**	173,108	**197,616**	104,551
	1,935,753	1,719,828	**1,935,753**	975,812
Other key management personnel:				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	**1,669,243**	1,036,320	**220,600**	113,017
Post-employment benefits	**115,340**	117,199	**26,472**	13,562
	1,784,583	1,153,519	**247,072**	126,579
	3,720,336	2,873,347	**2,182,825**	1,102,391

36. OPERATING LEASE ARRANGEMENT

(a) The Group as a lessee

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

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

	Group	
	2010 RM	**2009 RM**
Future minimum rentals payments:		
Not later than 1 year	–	27,000

37. SEGMENT INFORMATION

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

(i) Malaysia

(ii) Republic of Indonesia

(iii) Socialist Republic of Vietnam

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

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

37. SEGMENT INFORMATION (cont'd)

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Elimination RM	Total RM
2009					
Revenue					
External revenue	294,039,189	–	–	–	294,039,189
Inter-segment revenue	–	–	–	–	–
Total segment revenue	294,039,189	–	–	–	294,039,189
Results					
Segment results	16,117,341	–	–	–	16,117,341
Share of profit of associate companies					729,495
Profit before tax					16,846,836
Income tax expense					(4,187,623)
Profit for the year					12,659,213
Assets					
Segment assets	199,498,167	–	–	–	199,498,167
Investments in associates					3,159,289
					202,657,456
Liabilities					
Segment/Total liabilities	124,778,348	–	–	–	124,778,348
Other segment information					
Depreciation	2,133,995	–	–	–	2,133,995
Interest income	(927,617)	–	–	–	(927,617)
Interest expense	4,992,613	–	–	–	4,992,613
Additions to non-current assets other than financial instruments and deferred tax assets	2,497,148	–	–	–	2,497,148

37. SEGMENT INFORMATION (cont'd)

Information about geographical areas

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

	2010 RM	2009 RM
Malaysia	**343,672,062**	280,523,022
Republic of Indonesia	**70,449,959**	1,813,613
Socialist Republic of Vietnam	**51,390,930**	8,947,345
Republic of Singapore	**3,034,587**	1,165,671
Others	**1,997,422**	1,589,538
	470,544,960	294,039,189

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

	2010 RM	2009 RM
Malaysia	**30,867,035**	32,064,916
Republic of Indonesia	**5,602,198**	–
Socialist Republic of Vietnam	**255,200**	–
	36,724,433	32,064,916

Information about major customers

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

38. SIGNIFICANT EVENTS

(a) On 14 January 2010, PT Samchem Prasandha ("PTSP"), a company incorporated in the Republic of Indonesia, was incorporated with authorised share capital of 10,000,000 of USD0.10 each and paid-up share capital of 2,500,000 of USD0.10 each. The Company had subscribed for 60% of the paid-up share capital of PTSP or 1,500,000 shares for a total cash consideration of USD150,000. As a result, PTSP became a subsidiary of the Company.

(b) On 26 October 2010, the Company subscribed for 1 ordinary share of SGD1 each representing 100% of the issued and paid-up share capital of Samchem TN Pte. Ltd. ("STPL"), a company incorporated in the Republic of Singapore, for a total consideration of SGD1. As a result, STPL became a wholly-owned subsidiary of the Company.

39. SUBSEQUENT EVENTS

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

(b) On 7 March 2011, STPL increased its paid-up share capital from SGD1.00 to SGD100,000. The Company had subscribed for 100% of the increased paid-up share capital of STPL for a total cash consideration of SGD99,999.

40. 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 and foreign currency 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 its 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.

There is no significant concentration of credit risk as at the reporting date.

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19. At the reporting date, there was no indication that the amounts due from holding company and fellow subsidiaries are not recoverable. Deposits with licensed banks are placed with reputable financial institutions.

Financial assets that are past due but not impaired
Information regarding trade receivables that are past due but not impaired is disclosed in Note 19.

Financial guarantee
The Company provides secured and 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 RM108,356,413 (2009: RM35,400,000) 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 repayment.

The financial guarantee has not been recognised as the fair value on initial recognition was inmaterial.

(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 maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity Risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	2010					
	On demand RM	Within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM	Total RM
Group						
Financial liabilities:						
Trade payables	–	36,426,659	–	–	–	36,426,659
Other payables and accruals	–	3,175,319	–	–	–	3,175,319
Bank overdrafts	9,293,719	–	–	–	–	9,293,719
Bankers' acceptances	–	96,592,000	–	–	–	96,592,000
Finance lease payables	–	843,970	680,643	584,322	–	2,108,935
Revolving credit	–	1,240,000	–	–	–	1,240,000
Term loans	–	1,306,902	1,382,131	3,378,955	3,645,809	9,713,797
	9,293,719	139,584,850	2,062,774	3,963,277	3,645,809	158,550,429
Company						
Financial liabilities:						
Other payables	9,810,361	1,581,473	–	–	–	11,391,834

(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 RM116,704,970 expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM2,243,481 and RM9,810,361 respectively, expose the Group and the Company 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 profits for the year ended 31 December 2010 would decrease/increase by RM437,644 as a result of exposure to floating rate borrowings.

(d) Foreign Currency Risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency 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 is USD, Singapore Dollar ("SGD") and Indonesian Rupiah ("Rp").

Forward currency contracts are used by a major subsidiary 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign Currency Risk (cont'd)

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.

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
United States Dollar				
Cash at banks	**659,525**	311,004	**2,930**	–
Trade receivables	**13,823,669**	4,969,722	**–**	–
Trade payables	**(16,809,735)**	(4,289,127)	**–**	–
Revolving credit	**(1,240,000)**	–	**–**	–
	(3,566,541)	991,599	**2,930**	–
Indonesian Rupiah				
Cash at banks	**58,832**	–	**–**	–
Trade receivables	**1,003,014**	–	**–**	–
Trade payables	**(2,489,412)**	–	**–**	–
Other payables	**(33,623)**	–	**–**	–
Finance lease payables	**(203,062)**	–	**–**	–
Bank overdraft	**(300,719)**	–	**–**	–
	(1,964,970)	–	**–**	–

	Group	
	2010 RM	2009 RM
Singapore Dollar		
Cash at banks	**115,893**	–
Trade receivables	**198,691**	–
	314,584	–

Sensitivity analysis for foreign currency risk

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

		Group RM	Company RM
USD/RM	– strengthened 5%	**(133,745)**	110
	– weakened 5%	**133,745**	(110)
Rp/USD	– strengthened 5%	**(73,686)**	–
	– weakened 5%	**73,686**	–
SGD/RM	– strengthened 2%	**4,719**	–
	– weakened 2%	**(4,719)**	–

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(e) Market Price Risk

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

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to determine the fair value of the following classes 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 amount of long term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

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

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

	Group	
	Carrying Amount RM	**Fair Value RM**
2010		
Financial liabilities		
Finance lease payables	**1,905,873**	**1,906,635**
Term loan	**134,546**	**113,438**
2009		
Financial asset		
Quoted investment	6,250	2,950
Financial liabilities		
Finance lease payables	2,510,524	2,390,350
Term loan	236,149	225,223

42. 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 2009.

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 2010 and 2009, which are within the Group's objectives of capital management are as follows:

	Group	
	2010	**2009**
Total interest-bearing borrowings (RM)	**118,948,451**	96,704,183
Less: Cash and cash equivalents (RM)	**(38,599,366)**	(47,841,884)
Total net debts (RM)	**80,349,085**	48,862,299
Total equity (RM)	**90,125,893**	77,879,108
Debt-to-equity ratio (%)	**89%**	63%

A subsidiary in the Group is required to comply with certain externally imposed capital requirements in respect of its bank borrowings.

43. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of chartered accountants other than Moore Stephens AC.

The following comparative figures have been restated as a result of adopting Amendments to FRS 117 and to conform with the current year presentation:

	Group	
	As Restated RM	**As Previously Stated RM**
Statement of financial position		
Property, plant and equipment	29,249,101	26,148,397
Prepaid land lease payments	–	3,100,704

43. COMPARATIVE FIGURES (cont'd)

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

	Group		Company	
	As Reclassified RM	As Previously Classified RM	As Reclassified RM	As Previously Classified RM
Statements of financial position				
Cash and bank balances	8,473,335	9,806,440	–	–
Deposits with licensed banks	39,368,549	38,035,444	–	–
Statements of comprehensive income				
Other income	(3,033,679)	(2,838,172)	–	–
Selling and distribution expenses	4,952,891	4,824,616	–	24,001
Administrative expenses	12,403,910	9,179,356	1,250,778	1,226,364
Other expenses	665,950	3,823,272	–	413

The above are in respect of reclassification of cash deposits previously included in cash and bank balances, reversal of impairment loss on trade receivables which was previously included in other expenses, and expenses of administrative nature which were previously included in selling and distribution and other expenses.

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

The following analysis of realised and unrealised retained earnings of the Group and of the Company at 31 December 2010 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 31 December 2010 is analysed as follows:

	Group RM	Company RM
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
– realised	**60,618,034**	**449,118**
– unrealised	**(1,778,114)**	**(588,694)**
	58,839,920	**(139,576)**
Total share of retained earnings from associate companies		
– realised	**2,386,264**	**–**
– unrealised	**45,817**	**–**
Total retained earnings/(accumulated losses)	**61,272,001**	**(139,576)**

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

Particulars of Properties

Location	Tenure	Land/ Built-Up Area	Description/ Existing Use	Approximate Age Of Building	Net Book Value @ 31.12.2010 (Rm)	Year Of Last Valuation
Samchem Sdn Bhd						
No. 15, Jalan PJS 11/16 Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan	Leasehold 99 years expiring on 28.12.2096	2,379 sq. ft/ 3,540 sq. ft	One and a half storey terrace factory/ Industrial	19 years	337,847	2008
Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32 40460 Shah Alam Selangor Darul Ehsan	Freehold	103,431 sq. ft/ 78,470 sq. ft	Single storey detached warehouse annexed with a 3 storey office building and a guard house/ Industrial	4 years	9,969,989	2008
No.3, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan	Freehold	10,887 sq. ft/ 6,678 sq. ft	One and a half storey semi-detached factory/ Industrial	12 years	793,381	2008
No.1, Jalan Biola Satu 33/1A Elite Industrial Park Seksyen 33 40350 Shah Alam Selangor Darul Ehsan	Freehold	14,757 sq. ft/ 6,678 sq. ft	One and a half storey semi-detached factory/ Industrial	12 years	993,261	2008
H.S.(M) 1501, PT 14856 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Leasehold 99 years expiring on 20.1.2068	111,078 sq. ft	Vacant land/ Industrial	N/A	1,181,235	2008
Samchem Enviro Cycle Sdn Bhd						
H.S.(M) 1132, PT 14852 Tempat Telok Gong Mukim and Daerah Klang Selangor Darul Ehsan	Leasehold 99 years expiring on 13.8.2067	111,081 sq. ft	Vacant land/ Industrial	N/A	1,006,771	2008

Location	Tenure	Land/ Built-Up Area	Description/ Existing Use	Approximate Age Of Building	Net Book Value @ 31.12.2010 (Rm)	Year Of Last Valuation
Eweny Chemicals Sdn Bhd						
No. 35 & 35A Jalan Menglembu Impiana 8 Menglembu Impiana Adril 31450 Menglembu Perak Darul Ridzuan	Leasehold 99 years expiring on 7.12.2098	1,400 sq. ft/ 2,788 sq. ft	Shop Lots/ Commercial	10 years	173,176	2008
17, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh Perak Darul Ridzuan	Leasehold 60 years expiring on 22.3.2045	27,384 sq. ft/ 19,785 sq. ft	A 2 storey office building with an annexed single storey detached factory and a single storey open sided store building/ Industrial	13 years	986,345	2008
TN Chemie Sdn Bhd						
No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim	Freehold	7,200 sq. ft	Single storey detached factory with an annexed double storey office building/ Industrial/ Commercialw	14 years	432,750	–
PTD 152691, Mukim Pulai Kawasan Perindustrian SiLC Bandar Nusajaya, 79200 Johor Darul Takzim	Freehold	14,780 sq. ft/ 7,200 sq. ft	2 blocks of single storey factory and 1 block of three storey office building/ Industrial/ Commercial	3 years	8,252,345	2009

Analysis of Shareholdings

AS AT 1 APRIL 2011

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 1 April 2011

Size Of Shareholdings	No. Of Shareholders	% Of Shareholders	No. Of Shares	% Of Shares
Less than 100	4	0.42	72	0.00
100 – 1,000	154	16.33	75,528	0.06
1,001 – 10,000	435	46.13	2,640,000	1.94
10,001 – 100,000	280	29.69	8,952,600	6.58
100,001 – less than 5% of the shares	66	7.00	40,493,495	29.78
5% and above	4	0.43	83,838,305	61.64
	943	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	58,897,602	43.31	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	58,897,602	43.31	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
Chooi Chok Khooi	4,661,046	3.43	–	–
Wong Tak Keong	300,000	0.22	–	–
Dato' Theng Book	–	–	–	–
Lee Kong Hoi	2,000	0.00	–	–

* Indirect interest held by spouse and children

List of Top 30 Shareholders
as at 1 April 2011

No.	Name	No. Of Shares	% Of Issued Shares
1.	Ng Thin Poh	58,897,602	43.31
2.	Ng Soh Kian	8,926,979	6.56
3.	Dato' Ng Lian Poh	8,261,763	6.07
4.	Tan Teck Beng	6,881,661	5.06
5.	Chooi Chok Khooi	4,661,046	3.43
6.	Caroline Chin Ai Wei	4,353,900	3.20
7.	Maryann Ng Su Ling	3,204,800	2.36
8.	Ng Hoi Peng	2,811,000	2.07
9.	Eugene Chong Wee Yip	2,621,420	1.93
10.	SJ SEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Michael Lee Fook Soon (SMT)*	2,230,000	1.64
11.	Wee Chai Peng	2,057,500	1.51
12.	Tan Soon Hock	1,070,000	0.79
13.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong*	1,045,500	0.77
14.	Tee Pee Hoe	953,000	0.70
15.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong (E-KLC)*	912,200	0.67
16.	Ng Soh Kian	870,300	0.64
17.	Choo Chee Chien	748,900	0.55
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hoi Peng (E-SJA/USJ)*	680,000	0.50
19.	Choo Chee Keun	600,000	0.44
20.	Lim Chong Sing	560,000	0.41
21.	Tien Siew Foon	555,000	0.41
22.	Lee Ah Noi	527,100	0.39
23.	Janet Chee Hong Lai	500,000	0.37
24.	Liew Hooi Yee	486,000	0.36
25.	Yeoh Boon Guan @ Yeoh Kok Seng	484,200	0.35
26.	Han Chang Kong	466,700	0.34
27.	Tan She Hoo	430,000	0.32
28.	Tan Bee Ngoh	429,500	0.31
29.	Chooi Chak Lim	419,459	0.31
30.	Liew Hooi Suan	411,000	0.30
Total		**117,056,530**	**86.07**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Samchem Holdings Berhad will be held at Danau 6, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, on Friday, 27 May 2011 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 2010 and the Report of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a First & Final Single Tier Dividend of 3.5 sen per share for the financial year ended 31 December 2010. **(Resolution 2)**
3. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Articles of Association:
   (i) Ng Thin Poh **(Resolution 3)**
   (ii) Dato' Ng Lian Poh **(Resolution 4)**
4. To approve the payment of Directors' Fees amounting to RM84,000.00 in respect of the financial year ending 31 December 2011. **(Resolution 5)**
5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution 6)**

As Special Business

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

6. **Ordinary Resolution**

   Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 **(Resolution 7)**

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

7. **Special Resolution**

   Proposed Amendment to Article 142 of the Company's Articles of Association **(Resolution 8)**

   THAT the existing Article 142 of the Company's Articles of Association be deleted in its entirety and the following new Article 142 be inserted to replace the existing Article 142.

   "Any dividend, interest or other money payable in cash in respect of shares may be paid by cheques or warrant sent through the post to the registered address of the Member or person entitled thereto, or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or paid by direct credit or bank transfer via electronic transfer of remittance to the account provided by the Holder who is named on the Register of Members and/or Record of Depositors (as the case may be). Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good and full discharge to the Company in respect of the dividend, interest or other money payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged or that there is discrepancy in the details of the bank account(s) given by the Members or persons entitled to the payment. Every such cheque and warrant or funds crediting shall be sent or credited at the risk of the Members or persons entitled to the money thereby represented. Where the Members or persons entitled thereto have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the company has paid the cash dividends out of its accounts."

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

Notice Of Dividend Payment And Dividend Entitlement Date

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 27 May 2011, a First & Final Single Tier Dividend of 3.5 sen per share will be paid on 23 June 2011 to shareholders whose names appear in the Company's Record of Depositors on 2 June 2011.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 2 June 2010 in respect of transfers; and

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

By Order of the Board

CHUA HOOI SIAN (F)(MAICSA 7014565)
SUJATA MENON A/P K.R.D.S.CHANDRAN (F)(LS 0002004)
Company Secretaries

KUALA LUMPUR
5 May 2011

Notes:

(A) Proxy

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

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

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

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

(B) Explanatory Notes on Special Business

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

The proposed Resolution 7, 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 Third Annual General Meeting held on 26 May 2010 and which will lapse at the conclusion of the Fourth 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.

(C) Explanatory Notes on Special Resolution

Proposed amendment to Article 142 of the Company's Articles of Association

The proposed Resolution 8, if passed, will enable the Company to implement the Electronic Dividend payment ("eDividend") to comply with the directive of Bursa Malaysia Securities Berhad and also for administrative purpose.

The main objective of implementing eDividend is to promote greater efficiency of the dividend payment system to reflect the initiative with regard to the capital market, specifically to provide shareholders with an electronic dividend payment system which is an alternative method of receiving cash dividend that is convenient to shareholders. The eDividend will allow the Company to credit dividend entitlements in respect of the shares of the Company directly into the shareholders' bank accounts and improve efficiency of the Company.

Statement Accompanying Notice of the 4th 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 4th Annual General Meeting of the Company are:

   a) Ng Thin Poh (Resolution 3)

   b) Dato' Ng Lian Poh (Resolution 4)

2. The detailed profile of the above Directors who are standing for re-election are set out in the Directors' Profile 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 2010.

4. The 4th Annual General Meeting of the Company will be held at Danau 6, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 27 May 2011 at 9.30 a.m.

SAMCHEM HOLDINGS BERHAD
(Company Number 797567-U)

Proxy Form

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

of ____
(Address)

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

____
(Full Name in Block Capitals)

of ____
(Address)

or failing him/her, ____

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Fourth Annual General Meeting of the Company to be held at Danau 6, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Friday, 27 May 2011 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 2010, and the Report of the Directors and Auditors thereon.		
2.	Declaration of a First & Final Single Tier Dividend of 3.5 sen per share for the financial year ended 31 December 2010.		
3.	Approval of payment of Directors' fees for the financial year ending 31 December 2011.		
4.	Re-election of Director – Ng Thin Poh		
5.	Re-election of Director – Dato' Ng Lian Poh		
6.	Re-appoint Messrs. Moore Stephens AC as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	**Special Business** – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.		
8.	**Special Resolution** – Proposed amendment to Article 142 of 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 ______________ 2011. ______________________

____
Signature/Seal of Shareholders

[* Delete if not applicable]

Notes:

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

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

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

stamp

To:

Samchem Holdings Berhad (797567-U)

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