CORPORATE DIRECTORY

BOARD OF DIRECTORS

Director	Address	Profession	Nationality
Ng Thin Poh *(Managing Director)*	No.11, Jalan Bidai U8/13D, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan	Company Director	Malaysian
Dato' Ng Lian Poh *(Executive Director)*	No. 9, Jalan Anggerik Eria 31/109B, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan	Company Director	Malaysian
Tan Teck Beng *(Executive Director)*	No. 5, Jalan Puteri 8/6, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan	Company Director	Malaysian
Ng Soh Kian *(Executive Director)*	No.3, Jalan Nakhoda 2, Taman Ungku Tun Aminah, 81300 Skudai, Johor Bahru, Johor Darul Takzim	Company Director	Malaysian
Chooi Chok Khooi *(Executive Director)*	No.48, Jalan Batik Satu, Taman Sinfar, 31650 Ipoh, Perak Darul Ridzwan	Company Director	Malaysian
Dato' Theng Book *(Independent Non-Executive Director)*	13A-07, Block A, Maxwell Towers, Jalan 5/58C, Gasing Indah, Jalan Gasing, 46000 Petaling Jaya, Selangor Darul Ehsan	Advocate & Solicitor	Malaysian
Lee Kong Hoi *(Independent Non-Executive Director)*	42C, Jalan 17/1A, 46400 Petaling Jaya, Selangor Darul Ehsan	General Manager	Malaysian
Wong Tak Keong *(Independent Non-Executive Director)*	7427-C, Lorong Penghulu Abbas, 75150 Bukit Baru, Melaka	Business Consultant	Malaysian

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Name	Designation	Directorship
Dato' Theng Book	Chairman	Independent Non-Executive
Ng Thin Poh	Member	Managing Director
Lee Kong Hoi	Member	Independent Non-Executive

CORPORATE DIRECTORY *(Cont'd)*

NOMINATION COMMITTEE

Name	Designation	Directorship
Lee Kong Hoi	Chairman	Independent Non-Executive
Ng Thin Poh	Member	Managing Director
Dato' Theng Book	Member	Independent Non-Executive

COMPANY SECRETARIES	:	Chua Hooi Sian (MAICSA 7014565) Sujata Menon A/P K.R.D.S. Chandran (LS 0002004) c/o Niche & Milestones International Sdn Bhd 55B, Jalan PJS 1/48 Petaling Utama, Batu 7 Jalan Kelang Lama 46000 Petaling Jaya Selangor Darul Ehsan Tel No. : 03-7783 3837
REGISTERED OFFICE	:	55B, Jalan PJS 1/48 Petaling Utama, Batu 7 Jalan Kelang Lama 46000 Petaling Jaya Selangor Darul Ehsan Tel No. : 03-7783 3837
HEAD / MANAGEMENT OFFICE/ PRINCIPAL PLACE OF BUSINESS	:	Lot 6, Jalan Sungai Kayu Ara 32/39 Seksyen 32 40460 Shah Alam Selangor Darul Ehsan Tel No. : 03-5740 2000 Website : www.samchem.com.my E-mail address : inquiry@samchem.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	Messrs Ernst & Young (AF 0039) Level 23A Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel No. : 03-7495 8000
SOLICITOR	:	Messrs Lee, Perara & Tan Advocates and Solicitors 55, Jalan Thambapillai Off Jalan Tun Sambanthan Brickfields 50470 Kuala Lumpur Tel No. : 03-2273 4307
INDEPENDENT VALUER	:	Raine & Horne International Zaki + Partners Sdn Bhd (V231) 124B, 2nd Floor Jalan SS24/2 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan Tel No. : 03-7780 6542

CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL BANKERS	:	Malayan Banking Berhad G02, East Wing, Wisma Consplant 2, Jalan SS 16/4 47500 Subang Jaya Selangor Darul Ehsan Tel No. : 03-5631 2210
	:	United Overseas Bank (Malaysia) Bhd 1st Floor, Bangunan UOB, Medan Pasar 10-12 Medan Pasar 50050 Kuala Lumpur Tel No. : 03-2772 8000
	:	RHB Bank Berhad Level 10, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No. : 03-9287 8888
ISSUING HOUSE AND SHARE REGISTRAR	:	MIDF Consultancy and Corporate Services Sendirian Berhad Level 8, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No. : 03-2173 8888
INDEPENDENT MARKET RESEARCHER	:	Dun & Bradstreet (D&B) Malaysia Sdn Bhd Level 9-3A, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara 50490 Kuala Lumpur Tel No. : 03-2080 6000
FINANCIAL ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND PLACEMENT AGENT	:	RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel No. : 03-9287 3888
UNDERWRITER	:	MIDF Amanah Investment Bank Berhad Level 8, 9, 10, 11 & 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No. : 03-2173 8888
LISTING SOUGHT	:	Main Board of Bursa Securities
SHARIAH STATUS	:	Approved by the Shariah Advisory Council of the SC

1. INFORMATION SUMMARY

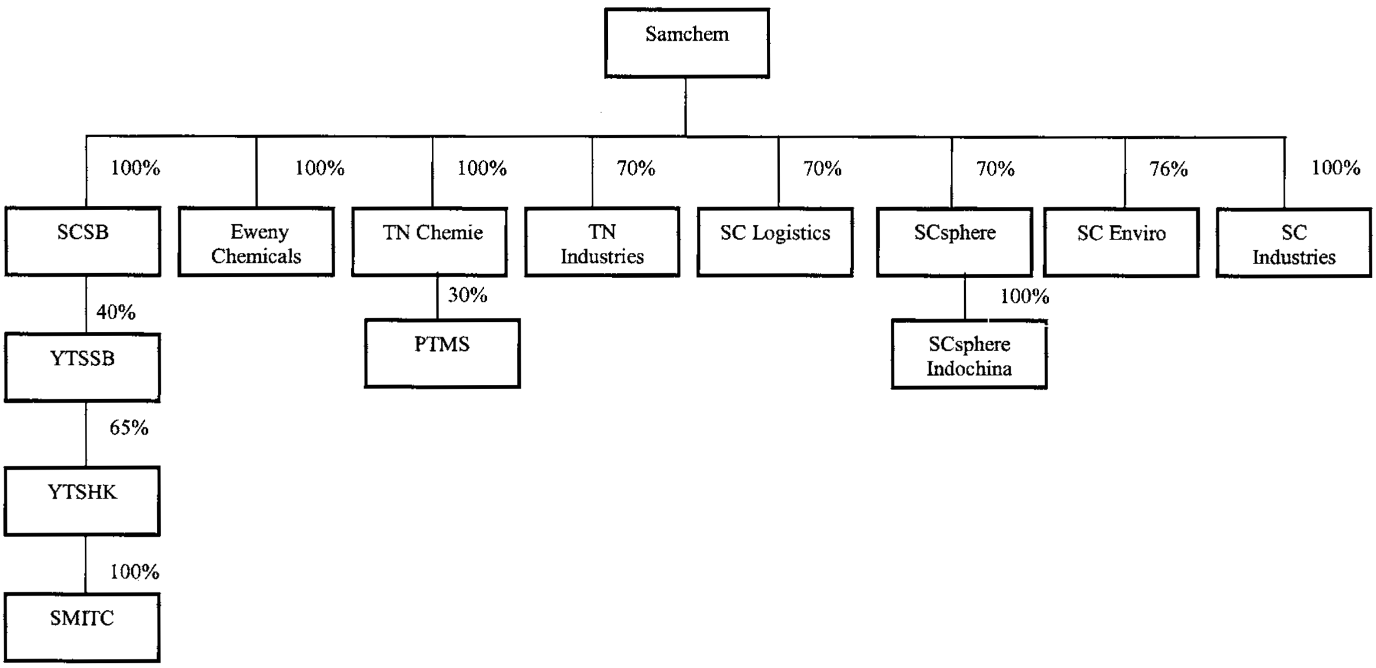
THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP, THE PUBLIC ISSUE AND OFFER FOR SALE, WHICH IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. BEFORE DECIDING TO INVEST IN OUR COMPANY, YOU SHOULD CAREFULLY READ AND UNDERSTAND THE ENTIRE PROSPECTUS.

1.1 Overview of our Group and business

Our Company was incorporated as a public limited company in Malaysia under the name Samchem Holdings Berhad on 29 November 2007 under the Act as an investment holding company to facilitate our Listing.

Our Group and associated companies

The corporate structure of our Group and associated companies is set out below:



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1. INFORMATION SUMMARY *(Cont'd)*

Samchem is the investment holding company of our Group. The details of our subsidiaries and associated companies are as follows:

Company	Effective interest	Principal activities
Subsidiaries of Samchem		
SCSB	100%	Distribution of PU chemicals, intermediate chemicals and specialty chemicals, and investment holding
Eweny Chemicals	100%	Distribution of intermediate and specialty chemicals
TN Chemie	100%	Distribution of intermediate and specialty chemicals and blending of customised solvents
TN Industries	70%	Distribution of intermediate and specialty chemicals and blending of customised solvents
SC Logistics	70%	Provision of logistics services
SCsphere	70%	Export of intermediate and specialty chemicals
SC Enviro	76%	Dormant[(1)]
SC Industries	100%	Distribution of specialty chemicals
Subsidiary of SCsphere		
SCsphere Indochina	70%	Dormant[(2)]
Associated companies		
PTMS	30%	Manufacturing of paint, varnish and lacquer
YTSSB	40%	Investment holding
Subsidiary of YTSSB		
YTSHK	26%	Investment holding
Subsidiary of YTSHK		
SMITC	26%	Distribution of chemical products

Notes:-

(1) To undertake the collection, recycling and supplying of reconditioned drums once commenced operations in the first quarter of 2010

(2) To undertake the blending of petrochemical solvents once commenced operations in the second quarter of 2010

Our history

Samchem was incorporated in Malaysia as a public limited company under the Act on 29 November 2007. Samchem is principally engaged in investment holding. Our Group's founder, Ng Thin Poh, together with Dato' Ng Lian Poh and Tan Teck Beng, have played a pivotal role in steering the growth of our Group to become one of the major players in the distribution of industrial chemicals in Malaysia, particularly in PU, intermediate and specialty chemicals. Further details of our subsidiary and associate companies are set out in Section 4 of this Prospectus.

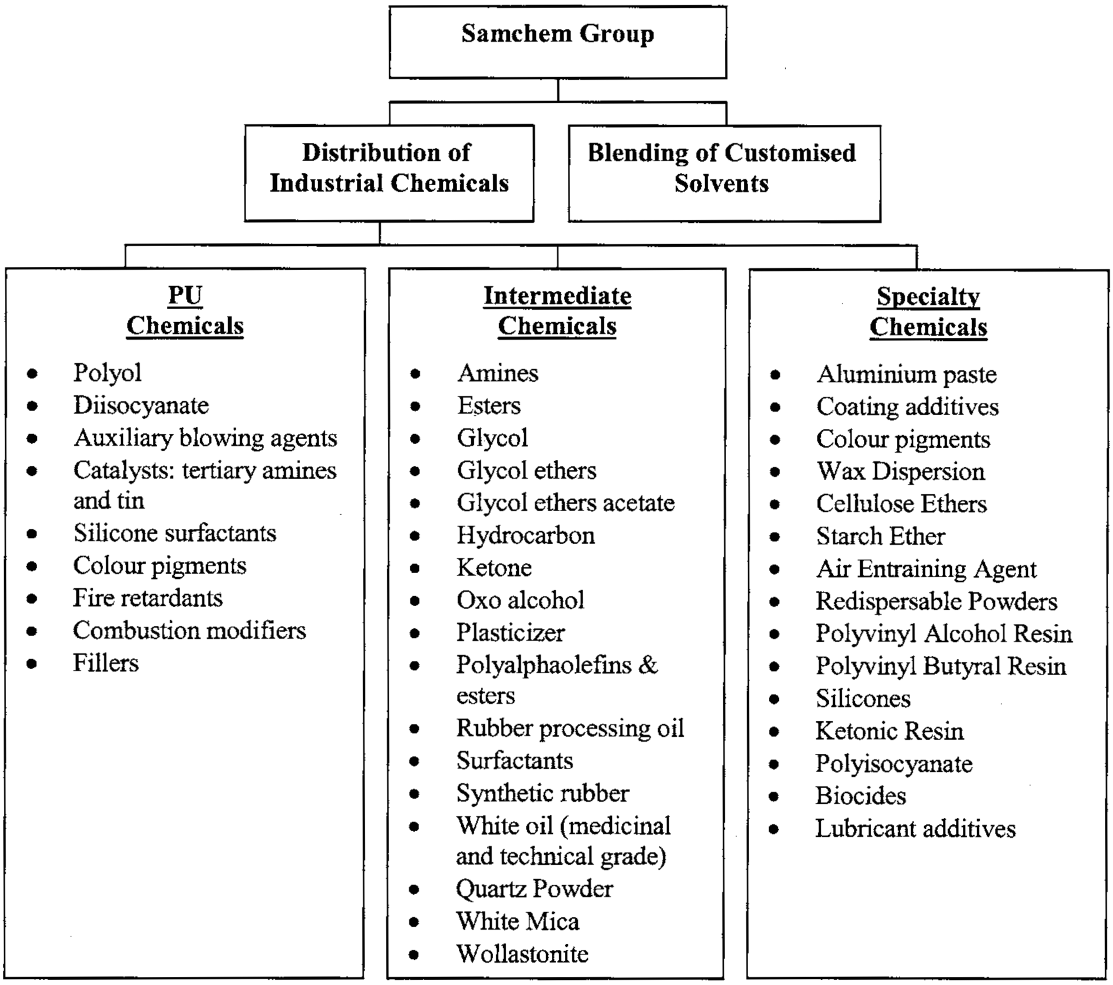
1. INFORMATION SUMMARY *(Cont'd)*

Over the past 20 years, our Group has built a reputation that is synonymous with innovative quality service, excellence and reliability. Today, our Group distributes more than 400 products of which we hold formal distributorship rights for more than 200 products acquired from world-renowned chemical manufacturers such as ExxonMobil, Shell EP, BASF PETRONAS, OPTIMAL Chemicals, Momentive Performance Materials (Thailand) Limited, Celanese Pte Ltd (Singapore), LG International Corporation (South Korea), Shell Malaysia Trading Sdn Bhd, SE Tylose GmbH & Co. KG (Germany), Nagase (M) Sdn Bhd, Kuraray Specialities Asia Pte Ltd (Japan) and Afton Chemical Asia Pacific LLC.

Currently, we have a staff force of 101 and operate in major markets located in Malaysia, Indonesia, Vietnam and PRC. Our Group prides itself as being one of the leading local industrial chemicals distribution companies in the nation's broad chemical industry, within which we have established a customer base of more than 2,500. We offer our customers comprehensive selection of industrial chemicals that cater to a wide spectrum of applications.

<u>Our Business</u>

Our Group is principally involved in the following activities:



Refer to Section 4 of this Prospectus for further information on our Group and business.

The industrial chemicals market in Malaysia is very large, estimated at approximately RM33.3 billion in 2007. The industrial chemicals distribution market size in Malaysia, specifically for PU chemicals, intermediate chemicals and specialty chemicals was estimated at approximately RM1.0 billion in 2007, of which our Group held a market share of 33.4% in the same year. Refer to Section 5 of this Prospectus for further information the industry players, market position and share of Samchem.

1.2 Our competitive advantages

We believe our position as one of the established players in the distribution of industrial chemicals industry in Malaysia is primarily attributable to the following competitive advantages:

(i) Success in securing, maintaining and expanding distributorships from a large pool of top global chemical manufacturers

(ii) Compliance with HSE requirements

(iii) Broad product offerings

(iv) Product differentiation and new application

(v) After-sales service and technical support

(vi) Consistent supply

(vii) Benefiting from market intelligence

(viii) Clientele from multiple market segments

(ix) Market presence and product delivery

(x) International market exposure

(xi) Experienced and dedicated management and sales team

Refer to Section 4 of this Prospectus for further information on our Group and business.

1.3 Our future plans and prospects

The strategies and future plans of our Group are as follows:

Expansion Plans

(i) Geographical Market Expansion Plans

Our Group believes that there are opportunities to improve on our local market penetration further. The increasing number of MNC opting to outsource their distribution arm to achieve cost-savings and time-to-market product delivery have led to rising significance in the role of industrial chemicals distributors. Our Group also plans to focus on building its marketing networks overseas, by expanding our market base in Vietnam, PRC and Indonesia.

(ii) Expansion of Our Customised Solvent Blending Business

As part of our business development plans to provide more value-added services to our customers, we plan to have a new blending plant by 2010 to expand our existing customised solvent blending operations and increase our production capacity. One blending plant at Nusajaya, Johor has recently been completed and the other at Telok Gong, Selangor has yet to commence construction.

(iii) Expansion of Delivery Truck Fleet for Improved Logistic Capability

Our Group, through our subsidiary SC Logistics, currently manages a fleet of twenty-eight (28) trucks, of which fifteen (15) are owned by our Group, which reduces our dependency on external transporters. In the future, we plan to extend our logistics services to third parties.

(iv) Product Expansion through Wider Range of Product Offerings and Securing More Distributorship Agreements

Riding on our Group's twenty (20) years of experience and learning curve in the distribution of PU chemicals, specialty chemicals and intermediate chemicals, we plan to venture into the distribution of other industrial chemicals, we continuously seek to expand our product range by obtaining more distributorship agreements with our existing suppliers, as well as new suppliers.

Future Development Plans

(i) Recycling And Production Of Reconditioned Drums

In line with our objective to continuously improve our revenue and profit margin, we plan to recycle and produce our own reconditioned 200-litre drums by the first quarter of 2010. Furthermore, these value-added services are consistent with our corporate social responsibility ethics to ensure that industrialisation activities are carried out in ways that do not exhaust our natural resources.

(ii) Larger Volume Purchases And Bulk Shipments

As our business expands, we would seek to purchase chemicals in larger volumes from our suppliers in order to capitalise on the reduction of unit total cost by achieving economies of scale. In addition, this would provide us leverage to negotiate and improve our bargaining power for better terms and prices from our suppliers. We are also improving on our warehouse and inventory management system so as to cater for the increase in stock levels once we embark on large-scale purchasing.

Prospects

Despite the current economic challenges, we are confident that the demand and prices of our products will increase in the medium to long term. Our Directors foresee that both the prices and volume of our industrial chemicals will increase in the long term, driven by the rising demand for industrial chemicals in the emerging markets of South East Asia. Our Group plans to concentrate on expanding our market in Vietnam, where the potential economic outlook in the long term is expected to be favourable as the country enters into a new phase of development, characterised by globalisation and the opening up of its economy to foreign trade and investment. Vietnam is rapidly undergoing an industrialisation process, which is expected to generate additional demand for industrial chemicals. In this context, our Group aims to replicate its success in Malaysia in the Vietnamese market.

Refer to Sections 4.5.18 and 4.5.19 of this Prospectus for further details on our Group's future plans and prospects.

1.4 Financial highlights

1.4.1 Proforma consolidated income statements

The following table summarises the profoma consolidated income statements of our Group for the following financial years, which was prepared on the assumption that our current Group structure had been in existence throughout the financial years under review. You should read the summary together with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and the "Accountants' Report" set out in Section 10.9 and Section 11 respectively of this Prospectus.

	< ---------- FYE	----------	---------- >
	2006	**2007**	**2008**
	RM	**RM**	**RM**
Revenue	296,862,583	336,558,261	355,365,233
Cost of sales	(263,008,288)	(297,722,879)	(314,765,810)
Gross profit	33,854,295	38,835,382	40,599,423
EBITDA	21,281,852	27,213,779	26,028,754
Operating profit	20,083,797	24,977,254	23,773,344
Finance cost	(4,776,461)	(5,726,546)	(7,482,374)
Share of results of associates	93,365	510,113	586,314
PBT	15,400,701	19,760,821	16,877,284
Taxation	(4,403,161)	(5,305,114)	(4,644,406)
PAT	10,997,540	14,455,707	12,232,878
Number of Shares in issue*	114,637,000	114,637,000	114,637,000
Gross EPS	0.13	0.17	0.15
Net EPS	0.10	0.13	0.11
Effective tax rate (%)	28.59	26.85	27.52

Note:

* *Number of existing Samchem Shares in issue after the Acquisitions but before the IPO*

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1.4.2 Proforma consolidated balance sheets

The proforma consolidated balance sheets under the Minimum and Maximum Scenarios set out below are for illustrative purposes only to show the effects of the Acquisitions, Public Issue and use of proceeds arising from the Public Issue and on the assumption that these transactions had been effected as at 31 December 2008. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 10.9 of this Prospectus.

Minimum Scenario:

	As at 31 December 2008 RM	I After Acquisitions RM	After (I) and IPO RM
ASSETS			
Non current assets			
Property, plant and equipment	-	25,724,653	29,224,653
Prepaid land lease payment	-	3,159,670	3,159,670
Investment properties	-	2,092,268	2,092,268
Investment in associates	-	2,516,132	2,516,132
Goodwill	-	275,421	275,421
Other investments	-	669,851	669,851
	-	34,437,995	37,937,995
Current assets			
Marketable securities	-	21,921	21,921
Inventories	-	30,615,766	30,615,766
Trade and other receivables	-	83,385,123	83,385,123
Tax recoverable	-	624,250	624,250
Cash and bank balances	1,467	41,522,526	45,563,736
	1,467	156,169,586	160,210,796
Non-current asset held for sale	-	562,578	562,578
	1,467	156,732,164	160,773,374
TOTAL ASSETS	1,467	191,170,159	198,711,369
EQUITY AND LIABILITIES			
Equity			
Share capital	2	57,318,500	65,094,000
Share premium	-	-	-
Foreign currency translation reserve	-	155,630	155,630
(Accumulated loss)/ retained earnings	(59,156)	36,446,410	36,212,120
Reverse acquisition deficit	-	(40,968,380)	(40,968,380)
	(59,154)	52,952,160	60,493,370
Minority interests	-	486,320	486,320
Total equity	(59,154)	53,438,480	60,979,690
Non current liabilities			
Deferred tax liabilities	-	104,349	104,349
Borrowings	-	11,137,583	11,137,583
	-	11,241,932	11,241,932
Current liabilities			
Trade and other payables	60,621	19,168,609	19,168,609
Borrowings	-	104,436,604	104,436,604
Dividend payables	-	2,697,232	2,697,232
Current tax payable	-	187,302	187,302
	60,621	126,489,747	126,489,747

Total liabilities	60,621	137,731,679	137,731,679
TOTAL EQUITY AND LIABILITES	1,467	191,170,159	198,711,369
Number of ordinary shares in issue	4	114,637,000	130,188,000
Net tangible assets	(59,154)	52,676,739	60,217,949
Net tangible assets per Share (RM)	(14,788.50)	0.46	0.46

Maximum Scenario:

	As at 31 December 2008 RM	I After Acquisitions RM	After (I) and IPO RM
ASSETS			
Non current assets			
Property, plant and equipment	-	25,724,653	29,224,653
Prepaid land lease payment	-	3,159,670	3,159,670
Investment properties	-	2,092,268	2,092,268
Investment in associates	-	2,516,132	2,516,132
Goodwill	-	275,421	275,421
Other investments	-	669,851	669,851
	-	34,437,995	37,937,995
Current assets			
Marketable securities	-	21,921	21,921
Inventories	-	30,615,766	30,615,766
Trade and other receivables	-	83,385,123	83,385,123
Tax recoverable	-	624,250	624,250
Cash and bank balances	1,467	41,522,526	49,690,256
	1,467	156,169,586	164,337,316
Non-current asset held for sale	-	562,578	562,578
	1,467	156,732,164	164,889,894
TOTAL ASSETS	1,467	191,170,159	202,837,889
EQUITY AND LIABILITIES			
Equity			
Share capital	2	57,318,500	68,000,000
Share premium	-	-	986,230
Foreign currency translation reserve	-	155,630	155,630
(Accumulated loss)/ retained earnings	(59,156)	36,446,410	36,446,410
Reverse acquisition deficit	-	(40,968,380)	(40,968,380)
	(59,154)	52,952,160	64,619,890
Minority interests	-	486,320	486,320
Total equity	(59,154)	53,438,480	65,106,210
Non current liabilities			
Deferred tax liabilities	-	104,349	104,349
Borrowings	-	11,137,583	11,137,583
	-	11,241,932	11,241,932
Current liabilities			
Trade and other payables	60,621	19,168,609	19,168,609
Borrowings	-	104,436,604	104,436,604
Dividend payables	-	2,697,232	2,697,232
Current tax payable	-	187,302	187,302
	60,621	126,489,747	126,489,747
Total liabilities	60,621	137,731,679	137,731,679
TOTAL EQUITY AND LIABILITES	1,467	191,170,159	202,837,889
Number of ordinary shares in issue	4	114,637,000	136,000,000
Net tangible assets	(59,154)	52,676,739	64,344,469
Net tangible assets per Share (RM)	(14,788.50)	0.46	0.47

Refer to Section 10 of this Prospectus for further details on our financial performance.

1.4.3 Auditors' qualification

There was no qualification reported in the audited financial statements of Samchem and its subsidiaries for the past three (3) financial years under review.

1.5 Information on the IPO

The Public Issue comprising up to 21,363,000 Samchem Shares at the issue price of RM0.71 per Issue Share and the Offer for Sale comprising 19,500,000 Samchem Shares at the offer price of RM0.71 per Offer Share, which are payable in full on application, will be allocated in the following manner:

Public Issue: Up to 21,363,000 Issue Shares to be issued by way of:

(i) Pink Form Allocation;

(ii) Private Placement;

(iii) Bumiputera Placement; and

(iv) Retail Public Offering.

Offer for Sale: 19,500,000 Offer Shares to be offered to Bumiputera investors approved by MITI

Refer to Section 2 of this Prospectus for detailed information of the Public Issue and Offer for Sale.

1.6 Use of proceeds

The net proceeds from the Public Issue (being gross proceeds from the Public Issue after deducting the expenses relating to the Public Issue) amounting between RM11,041,210 (based on the Minimum Scenario) and RM15,167,730 (based on the Maximum Scenario) will be used for acquisition of plant and machinery, purchase of trucks and working capital. See Section 2.10 of this Prospectus for further details on the use of the proceeds.

Gross proceeds from the Offer for Sale amounting to RM13,845,000 will accrue entirely to the Offerors after deducting the relevant expenses which will be borne by the Offerors.

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1.7 Risk factors

An investment in our Shares involves a certain degree of risk. Before investing in our Shares, you should carefully consider the following risk factors (which may not be exhaustive), along with other matters in this Prospectus.

Risks relating to our Group and the industry in which our Group operates

(i) Dependence on our Directors and key management
(ii) Financial Risks
(iii) Dependency on major suppliers
(iv) Interruption in supply
(v) Fluctuations in chemical prices
(vi) Absence of long-term distributorship agreements
(vii) Exposure to foreign exchange risks
(viii) Risk of doubtful debts
(ix) Competition
(x) Current disruption in the global credit markets and associated impacts
(xi) Sensitivity to economic downturn
(v) Political and economic conditions

Other Risks

(i) Potential delay or failure of our Listing
(ii) No prior market for our Shares
(iii) Volatility in our share price and trading volume
(iv) Control by Promoters

Refer to Section 3 of this Prospectus for further details of the above risk factors.

1.8 Shariah status

Samchem has voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the Shariah Advisory Council of the SC ("SAC") as part of the process of determining its Shariah status at IPO.

The SAC has on 3 March 2009 classified Samchem Shares as Shariah-compliant based on the audited consolidated financial statements of SCSB for the FYE 2007 and the Shariah criteria adopted by the SAC. This classification remains valid from the date of this Prospectus until the next Shariah compliance review, which will be undertaken by the SAC, and the new status is released in the updated list of Shariah-compliant securities, either on the last Friday of the month of May or November.

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2. PARTICULARS OF THE IPO

2.1 Introduction

This Prospectus is dated 22 May 2009.

We have registered a copy of this Prospectus together with the Application Forms with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for its contents.

We have received the SC's approvals vide its letters dated 29 September 2008 and 17 March 2009 for the IPO. However, the approval of the SC shall not be taken to indicate that the SC recommends the IPO and you should rely on your own evaluation to assess the merits and risks of the IPO.

We have also obtained the approval-in-principle from Bursa Securities on 15 April 2009, for, inter-alia, our admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the quotation for our entire enlarged issued and paid-up share capital, including the Issue Shares and Offer Shares, which are the subject of this Prospectus.

Our Shares will be admitted to the Official List of the Main Board of Bursa Securities and an official quotation will commence after, *inter-alia*, the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been issued and despatched to all the successful applicants.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of our entire enlarged issued and fully paid-up share capital on the Main Board of Bursa Securities. Accordingly, all monies paid in respect of any application for the acceptance of Shares will be returned in full without interest within fourteen (14) days if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus, or such longer period as may be specified by the SC, provided that we are notified by or on behalf of Bursa Securities within the aforesaid time frame. If such monies are not repaid within fourteen (14) days after the Company becomes liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. We will not issue share certificate to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of Shares for which listing is sought must be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our listing on the Main Board of Bursa Securities. In such an event all monies paid in respect of all applications will be returned in full without interest.

If you are submitting your application by way of Application Forms or Electronic Share Applications or Internet Share Applications (refer to Section 15 of this Prospectus), you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares.

You should rely on the information contained in this Prospectus or any applicable Prospectus supplement. We, our Financial Adviser and the Offerors have not authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus from the date of registration of this Prospectus with the SC up to the date of the Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

We are not making any offer to sell or invitation to subscribe for any IPO Shares in any jurisdiction and in any circumstances in which such an invitation and/or offer is not authorised or lawful or to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdiction may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser before applying for the Issue Shares and/or Offer Shares.

2.2 Opening and closing of applications

Applications will be accepted from 9.00 a.m. on 22 May 2009 and will be closed at 5.00 p.m. on 10 June 2009 or such other date and time as the Directors, Managing Underwriter and the Offerors in their absolute discretion may mutually decide. **Late applications will not be accepted.**

2.3 Indicative timetable

The indicative timing of events leading up to our Listing is set out below:-

Event	Indicative Date
Opening date of the IPO	22 May 2009 at 9.00 a.m.
Closing date of the IPO	10 June 2009 at 5.00 p.m.
Tentative date of balloting of applications	12 June 2009
Tentative date of allotment of Samchem Shares	16 June 2009
Tentative listing date	23 June 2009

The applications for the Issue Shares and/or Offer Shares will close on the time and date stated above or such later date or dates as our Directors, Managing Underwriter and the Offerors may in their absolute discretion mutually decide. Should the closing date of the application be extended, the dates for the balloting of the application, despatch of notice of allotment and listing of and quotation for the entire issued and paid-up share capital of Samchem on the Main Board of the Bursa Securities will be extended accordingly. In the event the closing date is extended, we will announce such extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

2.4 Details of IPO

2.4.1 Public Issue

The Issue Shares comprising up to 21,363,000 new Shares will be allocated in the following manner, subject to the terms and conditions of this Prospectus:

(i) Pink Form Allocation

Up to 3,000,000 Issue Shares at an issue price of RM0.71 per Issue Share have been reserved for application by our eligible employees, Directors and persons who have contributed to our Group's success.

2. PARTICULARS OF THE IPO *(Cont'd)*

The Issue Shares in respect of paragraph (i) above are allocated based on the following manner:

Eligibility[1]	No. of persons	Aggregate number of Issue Shares allocated
(a) Eligible Directors of our Group [2]	8	1,000,000
(b) Eligible employees of our Group [2]	101	500,000
(c) Persons who have contributed to the success of our Group [3]	50	1,500,000
Total	180	3,000,000

Notes:

(1) *In the event that any of the eligible person expressly states that they will not take up their allocation of Issue Shares under the Pink Form Allocation on or prior to the closing date of the IPO, our Board reserves the right to re-offer these shares to any other eligible persons under the Pink Form Allocation in the manner that it deems fit in the best interest of our Group.*

(2) *The criteria for allocation (as approved by our Board) to the eligible Directors and employees of our Group are based on, inter-alia, their length of service, their position, their past performances and respective contribution towards our Group. The eligible employees must be employed on a full-time basis with our Company or our subsidiaries as at 31 March 2009 on a permanent basis.*

(3) *The criteria for allocation (as approved by our Board) to the persons who have contributed to the success of our Group are based on, inter-alia, the level of contribution rendered by these persons to the success of our Group's revenue and profitability growth.*

The allocation of the Issue Shares to our Group's Directors is as follows:

Directors	Designation	No. of Issue Shares allocated
Ng Thin Poh	Managing Director	*
Dato' Ng Lian Poh	Executive Director	*
Tan Teck Beng	Executive Director	*
Ng Soh Kian	Executive Director	*
Chooi Chok Khooi	Executive Director	*
Dato' Theng Book	Independent Non-Executive Director	300,000
Lee Kong Hoi	Independent Non-Executive Director	400,000
Wong Tak Keong	Independent Non-Executive Director	300,000
Total		1,000,000

Note:

* *As the Managing Director and Executive Directors are Offerors themselves, no Issue Shares will be allocated to them under the Pink Form Allocation.*

(ii) Private Placement

3,423,000 Issue Shares at an issue price of RM0.71 per Issue Share will be placed to identified public investors by way of private placement;

(iii) Bumiputera Placement

8,140,000 Issue Shares at an issue price of RM0.71 per Issue Share will be placed to Bumiputera investors approved by MITI by way of private placement; and

(iv) Retail Public Offering

Up to 6,800,000 Issue Shares at an issue price of RM0.71 per Issue Share will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

The Public Issue is based on the Minimum Scenario and Maximum Scenario as determined by our Board, which is illustrated below:

	Minimum Scenario (No. of Shares)	Maximum Scenario (No. of Shares)
Retail Public Offering	3,988,000	6,800,000
Pink Form Allocation	-	3,000,000
Private Placement	3,423,000	3,423,000
Bumiputera Placement	8,140,000	8,140,000
Total	**15,551,000**	**21,363,000**
Enlarged issued and paid up share capital	130,188,000	136,000,000

The Minimum Scenario represents the minimum number of Issue Shares and corresponding amount of proceeds to be received by the Company arising from the Public Issue. This scenario will ensure that the Group meets its minimum funding objective and at the same time, comply with the public shareholding spread as well as Bumiputera equity requirements. Based on the table above, the actual number of Issue Shares to be issued may vary depending on the demand by the investing public for Issue Shares under the Retail Public Offering and Pink Form Allocation.

2.4.2 Offer for Sale

19,500,000 Offer Shares will be reserved by the Offerors to Bumiputera investors approved by MITI.

2.4.3 Reallocation

Any Issue Shares not subscribed for by the Bumiputera investors under the Bumiputera Placement shall be made available for application by the Bumiputera public as part of the IPO balloting process. Similarly, any Offer Shares not subscribed for by the Bumiputera investors under the Offer for Sale shall be made available for application by the Bumiputera public as part of the IPO balloting process.

Thereafter, any IPO Shares that were reallocated to the Bumiputera public (as part of the IPO balloting process) and not taken up by the Bumiputera public, shall be made available for application by the public. Any unsubscribed Issue Shares not taken up by the public under the Retail Public Offering will then be offered to the identified investors under the Private Placement if there is demand.

2.5 Listing

In conjunction with the IPO, we have sought the admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital comprising up to 136,000,000 Samchem Shares on the Main Board of Bursa Securities, of which the approval was obtained on 15 April 2009.

2.6 Share capital

	No. of Shares	**RM**
Authorised share capital	200,000,000	100,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	114,637,000	57,318,500
Minimum Scenario		
To be issued pursuant to the Public Issue	15,551,000	7,775,500
Enlarged issued and fully paid-up share capital upon listing on the Main Board	130,188,000	65,094,000
Maximum Scenario		
To be issued pursuant to the Public Issue	21,363,000	10,681,500
Enlarged issued and fully paid-up share capital upon listing on the Main Board	136,000,000	68,000,000
Offer for Sale	19,500,000	9,750,000

The IPO price of RM0.71 per IPO Share is payable in full on application.

We have only one (1) class of shares, namely ordinary shares of RM0.50 each. The Issue Shares upon allotment and issue and the Offer Shares rank pari passu in all respects with our existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment.

Subject to any special rights attaching to any shares which we may issue in the future, the holders of shares in our Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share the whole of the profits that our Company pays out as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the whole of any surplus, in accordance with our Articles of Association.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder or representative, proxy or attorney of a shareholder shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of our Company.

2.7 Market capitalisation

Based on the Minimum Scenario of 130,188,000 Samchem Shares and Maximum Scenario of 136,000,000 Samchem Shares and the IPO price of RM0.71 per IPO Share, our total market capitalisation will range between RM92,433,480 and RM96,560,000 upon the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities respectively .

2.8 Purposes of the IPO

The main purposes of the IPO are as follows:

(a) To achieve listing status;

(b) To provide an opportunity for the investing community including the Malaysian public, eligible employees of our Group, Directors and persons who have contributed to the success of our Group to participate in our continuing growth by way of equity participation;

(c) To enable us to have access to the capital market for cost effective capital raising for future expansion and the continuing growth of our Group; and

(d) To enable us to gain recognition and corporate stature through our listing status and further enhance our corporate reputation and assist us in expanding our customer base and forging global alliances with MNCs.

2.9 Basis of arriving at the IPO price

Our Directors, together with RHB Investment Bank as the Financial Adviser, Managing Underwriter, Underwriter and Placement Agent and the Offerors have determined and agreed to the IPO price of RM0.71 per IPO Share, based on the following factors:

(a) our Group's operating history and financial performance as outlined in Sections 4.1 and 10 respectively of this Prospectus. Based on the proforma consolidated financial statements of our Group for the FYE 2008, we have recorded PAT (attributable to equity holders of Samchem) of RM12.17 million which translates into a net EPS of RM0.093 and RM0.089 based on the issued and paid up share capital of Samchem of 130,188,000 Shares under the Minimum Scenario and the issued and paid-up share capital of Samchem of 136,000,000 Shares under the Maximum Scenario respectively. This in turn, translates to a net PE multiple of approximately 7.63 times and 7.98 times based on the IPO Price of RM0.71;

(b) our competitive advantages as outlined in Section 4.5.5 of this Prospectus;

(c) the future plans and prospects of our Group as outlined in Section 4.5.18 and 4.5.19 of this Prospectus;

(d) the overview and prospects of the chemical distribution industry as outlined in Section 5 and Section 4.5.19 of this Prospectus; and

(e) our Group's proforma consolidated NTA per Share of RM0.46 per Share based on the Minimum Scenario and NTA per Share of RM0.47 per Share based on the Maximum Scenario after taking into account the listing scheme and utilisation of proceeds arising from the Public Issue, details of which are set out in Section 2.10 of this Prospectus.

You should also take note that upon and subsequent to the Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the pricing of our Shares being traded. You are reminded to consider carefully the risk factors as set out in Section 3 of this Prospectus before deciding to invest in the Shares.

2.10 Use of proceeds

The expected total gross proceeds from the Public Issue is approximately RM11.04 million based on the Minimum Scenario and RM15.17 million based on the Maximum Scenario. Based on both scenarios, we intend to utilise the gross proceeds as follows:

	Notes	Minimum Scenario RM	Maximum Scenario RM	Timeframe for utilisation of proceeds
Construction of plant and acquisition of machinery	1	3,000,000	3,000,000	Within 12 months
Purchase of trucks	2	500,000	500,000	Within 12 months
Working capital	3	4,041,210	8,167,730	Within 24 months
Estimated listing expenses	4	3,500,000	3,500,000	Within 1 month
		11,041,210	**15,167,730**	

Notes:

1. *Construction of plant and acquisition of machinery:*

   An amount of RM3,000,000 from the proceeds of the Public Issue will be utilised to partly finance the following:-

   (i) An amount of RM1,000,000 will be allocated to part finance the construction of the blending and drumming facilities at our property located in Telok Gong, Klang, Selangor which will mainly cater for the demand of customised solvent in the Klang Valley. The total cost of constructing the plant and acquisition of machinery will amount to approximately RM7,000,000. The remaining balance will be financed through a combination of internal funds and bank borrowings.

   (ii) An amount of RM2,000,000 will be allocated to part finance the construction of the drum recycling plant at Telok Gong, Klang, Selangor. The construction of plant and acquisition of machinery for our drum recycling plant will enable us to produce our own reconditioned drums, thus enabling us to reduce the need to source for reconditioned drums from external suppliers, and thereby, reducing our cost and increase our efficiency. The total cost of the construction and acquisition of plant and machinery will amount to approximately RM8,000,000. The remaining balance will be financed through a combination of internal funds and bank borrowings.

2. *Purchase of trucks*

   Our Group proposes to allocate RM500,000 for the acquisition of additional delivery trucks to further reduce our dependency on external transporters. This will bring greater efficiency in the provision of logistics services to our customers and further lower our distribution costs.

3. *Working capital*

The proceeds will be set aside as working capital of our Group which will be primarily used to finance the purchase of inventories to meet the growing demand in the local and overseas markets.

Additional inventories will also be required as our Group seeks to expand its product range by obtaining more distributorship agreements with existing and new suppliers as well as purchase chemicals in large volumes in order to capitalise on the benefits of economies of scale.

Our Group will also utilise the proceeds for its day-to-day operational expenses including marketing activities to secure more distributorship arrangements. In addition, the proceeds will also be allocated to meet our liquidity requirements as our Group continues to expand into other geographical markets, in particular Vietnam which entails the setting up of marketing office and warehouse, and other working capital requirement, employment of staff, acquisition of land and the construction of factory for blending facility, if required. Our Group estimates that the total investment in Vietnam to be approximately USD1.0 million or RM3.6 million (at the prevailing exchange rate of USD1 = RM3.60). Part of the proceeds may also be used to reduce the Group's borrowings, as and when the need arises.

The actual amount of proceeds to be utilised for working capital shall vary and/or be adjusted accordingly based on the level of subscription for the Issue Shares.

4. *Estimated listing expenses*

All expenses and fees incidental to the Listing estimated at approximately RM3.5 million shall be borne by us except expenses relating to the Offer for Sale. The breakdown of estimated listing expenses are as follows:

	RM'000
Professional fees	*1,900*
Authorities' fees	*135*
Underwriting, placement and brokerage fees	*560*
Advertising and printing expenses	*500*
Issuing house fees	*100*
Contingencies	*305*
Total	*3,500*

If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

Our Company will not receive any proceeds from the Offer for Sale. The Offer for Sale is expected to raise gross proceeds of approximately RM13,845,000 which will accrue entirely to the Offerors. The Offerors shall bear all other expenses such as underwriting commission, brokerage, stamp duty, registration of share transfer fees, amongst others, relating to the Offer Shares.

The aforesaid proceeds which are not utilised prior to their due dates shall be kept in interest bearing accounts with licensed financial institutions. The financial impact of the utilisation of proceeds on our proforma consolidated balance sheets as at 31 December 2008 is reflected in Section 10.9 of this Prospectus.

2.11 Brokerage, underwriting commission and placement fee

(i) Brokerage

We will bear the brokerage fees relating to the Issue Shares, at the rate of 1.0% of the issue price of RM0.71 per Issue Share in respect of successful applications which bear the stamp of RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association in Malaysia or the Issuing House. Brokerage with respect to the Offer Shares shall be borne by the Offerors.

(ii) Underwriting commission

The Underwriters have agreed to underwrite 31,628,000 IPO Shares comprising 3,988,000 Issue Shares under Retail Public Offering, 8,140,000 Issue Shares under Bumiputera Placement and 19,500,000 Offer Shares. 3,423,000 Issue Shares under the Private Placement will not be underwritten, as Samchem has procured irrevocable written undertakings from the respective placees prior to the signing of the underwriting agreement.

We will pay the Underwriters an underwriting commission of 1.5% of the issue price of RM0.71 per IPO Share in respect of the 12,128,000 Issue Shares.

In respect of the Offer Shares, the Offerors will pay the Underwriters the underwriting commission of 1.5% of the offer price of RM0.71 per IPO Share in respect of the 19,500,000 Offer Shares.

There will be no managing underwriter fees payable to RHB Investment Bank.

(iii) Placement fee

We will pay the placement agent a placement commission of 1.0% and 2.0% of the value of the Shares to be placed out to placees identified by our Group and the placement agent respectively.

2.12 Salient terms of the Underwriting Agreement

Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

We, together with the Offerors have entered into an underwriting agreement with RHB Investment Bank and MIDF Amanah Investment Bank, on 24 April 2009, whereby the Underwriters shall underwrite 12,128,000 Issue Shares and 19,500,000 Offer Shares ("Underwritten Shares"). The salient terms extracted from the underwriting agreement, amongst others, are set out below:

(i) *In consideration of the underwriting commission and in reliance upon each of the representations and warranties set out in Clause 9, undertakings set out in Clause 10 and the terms of this agreement:*

- *the Managing Underwriter agrees to manage the underwriting of the Underwritten Shares; and*

- *the Underwriters agree to severally but not jointly underwrite the Underwritten Shares in accordance with their respective underwriting commitment as set out opposite the respective Underwriter's name in Column II of the First Schedule.*

(ii) *Unless waived by the Underwriters (in which case any condition precedent or any part thereof so waived will be deemed to have been satisfied), the obligations of the Underwriters under this agreement is conditional upon:-*

- *this agreement having been duly executed by all parties and stamped;*

- *the delivery to the SC of the Prospectus for registration in accordance with the requirement under section 232 of the CMSA together with copies of all documents required for submission under section 233 of the CMSA;*

- *the lodgment with the ROC of the Prospectus in accordance with Section 234 of the CMSA before the date of issue of the Prospectus;*

- *Bursa Securities having agreed in principle on or prior to the closing date or such other date as may be agreed between the Managing Underwriter and the Company, and in any event not later than thirty (30) days from the closing date, to the listing of and quotation for (on terms satisfactory to the Underwriters) the paid-up shares on the Main Board of Bursa Securities;*

- *there not being, on or prior to the closing date, any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the IPO or any occurrence of any event rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations in Clause 9 below as though given or made on such date. The Managing Underwriter will be entitled to receive a written confirmation to the effect from the Company in such form and substance satisfactory to the Managing Underwriter;*

- *no material variation in the draft prospectus will be made without the consent of the Managing Underwriter (which consent shall not be unreasonably withheld) with regard to the matters following, namely:*

  (a) the constitution of the Board and the key management of the Company;

  (b) the authorised and issued share capital of the Company (other than any change to the issued and paid-up share capital of the Company arising from the Minimum and Maximum Scenario);

  (c) the number of Issue Shares comprised in the Public Issue and the number of Offer Shares comprised in the Offer for Sale and the price thereof;

  (d) the statement as to any litigation, arbitration or other legal proceedings of a material nature in which the Company or its subsidiaries is presently involved or pending;

  (e) the statement as to any contingent liabilities, the net tangible asset value per share, the gearing ratio and capital commitments of the Company or its subsidiaries;

  (f) the nature of business and the principal activities of the Company and its subsidiaries; and

  (g) the utilisation of proceeds from the Public Issue.

- *the IPO in accordance with the provisions of this agreement is not prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);*

- *the IPO has been approved by the SC and any other relevant authority or authorities and has not been withdrawn, revoked, suspended or terminated on or prior to the closing date;*

- *the IPO, the prospectus and the underwriting of the Underwritten Shares by the Underwriters have been approved by the Board and a copy of the resolution duly certified by a director or secretary of the Company is delivered to the Managing Underwriter;*

- *the Prospectus having been issued within two (2) month from the date of this agreement or within such extended period as may be consented by the Managing Underwriter;*

- *the Public Issue has been approved by the members of the Company at an extraordinary general meeting;*

- *there not having occurred on or prior to the closing date, any event rendering untrue, inaccurate or incorrect any of the representations or warranties contained in Clause 9 of this agreement;*

- *there not having occurred on or prior to the closing date any breach of and/or failure to perform any of the undertakings contained in Clause 10 of this agreement;*

- *the Managing Underwriter having been satisfied that arrangements have been made by the Company and/or the Offerors to ensure payment of the expenses referred to in this agreement;*

- *an application being made to Bursa Securities within three (3) Market Days from the date of issue of the prospectus for admission to the Official List of the Main Board of Bursa Securities;*

- *the funds for the placement shares have been deposited into the joint account that is opened under the name of the Company and the Managing Underwriter before the registration of the Prospectus or such other extended date as agreed by the Managing Underwriter, but in no event later than the closing date; and*

- *as at the closing date, the Managing Underwriter or any of the Underwriter being reasonably satisfied that the Company can meet the public shareholding spread requirements under the Listing Requirements of Bursa Securities for the Main Board.*

(iii) *If any of the conditions in Clauses 3.1.1 to 3.1.17 is not satisfied on or before the closing date, any one of the Underwriters is entitled by notice in writing to the Company, Offerors and Managing Underwriter to:-*

- *terminate this agreement to the extent of its obligations contained in it; and*

- *cease performance of its obligations under this agreement.*

(iv) *In the event this agreement is terminated pursuant to Clause 3.2, the parties to this agreement will be released and discharged from their obligations under this agreement (except for the liability of the Company for payments of fees, costs and expenses (including the obligation to pay the underwriting commission) as provided in Clauses 8.2 and 16.3 below incurred prior to or in connection with such termination and then obligation to indemnify each of the Underwriter pursuant to Clauses 10.1.11 and 10.1.12).*

(v) *Subject to Clause 14.2, but notwithstanding other terms of this agreement, the Managing Underwriter and/or the Underwriters may at any time terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares and withdraw remittance of the payments to be made pursuant to Clause 6 of this agreement (as the case may be), by delivering a notice in writing to the Company and the Offerors on occurrence of all or any of the following matters stated in this Clause 14.1 on or before the closing date if:-*

- *there is any breach by the Company and/or any of the Offeror of any of the representations, warranties or undertakings contained in Clauses 9 and 10 or which is contained in any statement or notice provided under or in connection with this agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or*

- *there is failure on the part of the Company or any of the Offeror to perform any of its material obligations under this agreement; or*

- *there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this agreement; or*

- *any of the condition precedent in Clause 3 of this agreement is not fulfilled or not waived by the Managing Underwriter and/or the Underwriters, as the case may be, on the closing date; or*

- *there have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*

- *there occurs any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is and will be material in any of the representations, warranties or undertakings of the Company and/or any of the Offeror; or*

- *the Kuala Lumpur Composite Index shall fall to a level below seven hundred (700) points and remains below seven hundred (700) points for five (5) consecutive Market Days; or*

- *there have occurred, or happened any of the following circumstances:-*

  (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas), or exchange controls, foreign or local, currency exchange rates or the occurrence of any combination of any of the foregoing; or

  (b) any change in law, regulation, guideline, directive, policy or ruling in any jurisdiction or any event or series of event beyond the reasonable control of the Underwriters (including without limitation, acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

  which in the opinion of the Underwriters, would have or can reasonably be expected to have a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the IPO, or the application, distribution, sale or payment of the Shares, or which has or is likely to have the effect of making any material part of this agreement incapable of performance in accordance with its terms, or which would prohibit or impede the obligations of the Underwriters under this agreement, the Underwriters may terminate this agreement by giving written notice to the Company before 5.00 p.m on the closing date.

(vi) *In the event that this agreement is terminated pursuant to Clause 14.1, the Underwriters, through the Managing Underwriter, the Company and the Offerors may agree to defer the IPO by amending the terms of the IPO or of this agreement and may enter (but shall not be obligated to) into a new underwriting agreement accordingly.*

(vii) *Upon such notice being given under Clause 14.1, the Underwriters will be released and discharged of their obligations without prejudice to their rights and this agreement will be of no further force or effect and no party will be under any liability to any other in respect of this agreement, except that the Company will remain liable in respect of any of its obligations and liabilities under Clause 16.3 for the payment of the costs and expenses already incurred up to the date on which such notice was given (including but not limited to the payment of the Underwriting Commission pursuant to Clause 8.2), any antecedent breach and the Underwriting Commission which will be paid to the Underwriters within three (3) Market Days from the receipt of such notice and thereafter, each party will return any moneys paid free of interest to the other party within three (3) Market Days of the receipt of such notice of termination pursuant to Clause 14.1.*

2. PARTICULARS OF THE IPO *(Cont'd)*

(viii) In the event of default by any of the Underwriter in any or all of its material obligations under this agreement:

- *the Company is entitled to terminate this agreement by giving written notice to the defaulting Underwriter before 5.00 p.m. on the closing date; and*
- *the parties will thereafter (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 below incurred prior to or in connection with such termination) be released and discharged from their respective obligations under this agreement.*

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3. RISK FACTORS

WE ARE EXPOSED TO A NUMBER OF POSSIBLE RISKS THAT MAY ARISE FROM ECONOMIC, BUSINESS, MARKET AND FINANCIAL FACTORS AND DEVELOPMENTS WHICH MAY HAVE AN ADVERSE IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION.

THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY HAVE A MATERIAL ADVERSE EFFECT ON THE FINANCIAL PERFORMANCE OF OUR GROUP.

3.1 Risks relating to our Group and the industry in which our Group operates

(i) Dependence on our Directors and key management

Our Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of our existing Directors and our key management. The loss of certain key members of the Board and key management team may affect our Group's ability to compete competitively in the industry. However, our Group has adequate competent personnel and a succession programme in place. As part of our succession plan, we shall continually provide training and career development opportunities to our management in order to groom them to succeed the Board in the event of loss of our existing Directors.

Our Group's future success will also depend upon its ability to continually attract highly competent personnel. Towards this end, our Group will strive to continue attracting and retaining skilled personnel to support our business operation and has made efforts to train our staff. We offer a competitive remuneration package and performance based incentives and as a result of this, our Group has enjoyed the support of management staff.

Notwithstanding the above, there is no assurance that any change in the key management staff will not have a material adverse effect on our future performance.

(ii) Financial risks

Our working capital requirements are funded by internally generated funds and external financing. Our interest on the borrowings are mainly based on floating rates. Hence any fluctuations of interest rates, could materially affect our Group's interest repayment. Presently, we enjoy good credit standing with our bankers and have adequate credit facilities.

Based on the proforma consolidated balance sheet for FYE 2008 as set out in Section 10.9 of this Prospectus, the interest bearing borrowings of our Group upon completion of the IPO, is expected to be approximately RM115.574 million representing a gearing ratio of approximately 1.91 times (Minimum Scenario) and 1.79 times (Maximum Scenario). In addition, our Group may from time to time obtain credit facilities from financial institutions to finance its operations and business activities.

These credit facilities may be subject to terms and conditions which may constrain the Group's operations. Any act or omission by our Group that is in breach of the stated terms and conditions may then allow the relevant financial institutions to terminate the relevant facilities and/or enforce security in relation to the aforesaid facilities, as well as the possibility of cross defaulting other facilities. Although our Group will take all reasonable efforts to observe such terms and conditions at all times, there can be no assurance that our operations and/or financial performance will not be affected should any breach occur.

Notwithstanding the above, our Directors are confident of our ability to meet our financial obligations when they become due and payable, with internally generated funds and/ or external borrowings. In addition, our Listing will enable us to tap into the capital markets in the future to meet long-term funding requirements when the need arises. The effective usage of the capital markets will result in relatively cheaper sources of funds, which may enhance our profitability due to interest savings, and enable us to further expand our operations and lessen our exposure to fluctuations in interest rates. However there is no assurance that future fluctuations of interest rates will not adversely impact our ability to meet financial obligations when they become due and payable.

Please refer to Sections 10.2 and 10.3 of this Prospectus for "Capitalisation and indebtedness" and "Management's discussion and analysis of financial condition and results of operations" and Section 10.3.1 under "Exposure to risks". Please also refer to Sections 10.4.4, 10.4.6 and 10.4.7 under "Financial instruments for hedging purposes", "Material capital commitments" and "Contingent liabilities" respectively.

(iii) Dependency on major suppliers

It is an industry norm that industrial chemicals distributors usually purchase in bulk from a handful of established chemical manufacturers. Our top four (4) suppliers make up more than 50% of our Group's total purchases over the past three (3) FYE 2006 to 2008. These suppliers are amongst the leading MNCs that manufacture a comprehensive range of industrial chemical products which cater for a multitude of end user applications.

Notwithstanding the above, our management are of the view that our Group will not face any problems in sourcing our raw materials due to the following:

(a) our Group's proven track record in meeting the stringent selection criteria set by our MNC suppliers (such as having in place a strict code of corporate governance and compliance with HSE standards) and having maintained distributorship agreements from large MNC chemical manufacturers for more than five (5) years, shows that we have established good reputation and business relationships with our suppliers. For example, Shell EP and ExxonMobil have been our suppliers for more than ten (10) and nine (9) years, respectively; and

(b) our Group has a proven track record in securing distributorship agreements even after changes in the ownership of some of our suppliers. For example, Momentive Performance Materials (Thailand) Limited, being one of our suppliers for PU silicone surfactants and catalysts, has gone through a number of changes in ownership and still remain as one of our major suppliers to-date.

(iv) Interruption in supply

Our supplies primarily consist of chemicals and in the past we have not experienced any significant shortages in chemical and drum supply. Should there be any such shortages in supply, our operations may be affected significantly and could potentially have a material impact on our financial performance.

However, shortages in chemical supply is mitigated due to our extensive range of products, amounting to more than 400 products, and thus allowing us to ease shortages in any one or a small group of products. We normally do not face any interruption in supply due to the various distributorship arrangements with large MNCs. These distributorship arrangements will ensure some certainty to the continuity and supply of chemicals to us.

To further mitigate any risk of shortages in chemical supply, our Group had in 2005 began building a supplier database in PRC, from which we source our industrial chemicals that are distributed by our Group in Malaysia and Vietnam. Further, it is an internal practice of our Company to keep stock of some of our chemicals sourced from overseas to ensure smooth delivery to customers.

Notwithstanding the above, there can be no assurance that our Group's operations will not be adversely affected should there be any inadequate supply or delays in the delivery of our chemical supply.

(v) Fluctuations in chemical prices

The manufacturing of chemicals is energy-intensive. In the chemical industry, energy costs are important because hydrocarbons and coal are extensively used as raw materials to manufacture chemical products and to power the production process as well as for transportation. Chemical manufacturers are constantly driven to minimise costs and due to the volatility and price increases of oil in the global market, this objective has become more difficult for petroleum-based chemical products.

An increase in the prices of the primary raw materials would quickly affect the prices of chemicals. Due to the competitive market as a result of the industry dynamics, the suppliers may not able to pass on the full effects of the increase in prices of chemicals to their end users easily. The price that the distributor sells its products is based on local acceptable prices, which in turn, is based on given prices that are dictated by demand and supply in the market. Chemical distributors will then negotiate with suppliers on the purchase price that is below the market price to allow for acceptable margins. It is also in the suppliers' interests that its strategic market share is maintained and generally, they will sell the chemicals at a price that the distributor can re-sell in the market to the end users.

However, in 2008, crude oil price has undergone a significant decrease since the record peak it reached in July 2008. By the last quarter of FYE 2008, the fall in global crude oil prices was unprecedented and affected all industries across the board. Samchem was affected to an extent due to its inability to pass on the high cost of purchase during this period to its customers as a consequence of its inventory holding period that ranges from one (1) to two (2) months and the demand for Samchem's products was weak during this period.

Notwithstanding the above, there is no assurance that we will be able to negotiate and maintain the profit margins which can affect our business and operating results.

(vi) Absence of long-term distributorship agreements

Our distributorship rights arise from both, written and/or unwritten agreements between our Group and suppliers. In respect of written distributorship agreements, we have formal distributorship rights for more than 200 products presently. The distribution rights arising from such written agreements are mostly short term in nature usually ranging from 1 to 3 years, which then would normally be automatically renewed on a yearly basis unless terminated by either us or our supplier. Furthermore, it is the norm in the industrial chemicals distribution industry that the transactions are not based on long-term formal distributorship agreements, we have always obtained automatic renewal of our short-term formal distributorship rights and/or secured distributorship rights with or without any written agreement. Although the formal distributorship rights are essential to a certain extent by ensuring some certainty to the continuity and supply, we are not overly dependent on any single formal distributorship rights.

Although there are no long-term formal distributorship agreements, our Group has developed a long-term business relationship with our MNC suppliers. As a result thereof, our (short-term) formal distributorship rights would generally be automatically renewed.

Notwithstanding the above, constant change in business conditions, both domestically and globally, may affect the long-term retention of our distributorship rights particularly those without any long term written agreements. Therefore, despite the mitigating factor above, the absence of long-term formal distributorship agreements could adversely affect our business operations.

(vii) Exposure to foreign exchange risks

Fluctuations in foreign exchange rates will have an impact on the prices of imported supplies as well as export earnings. In general, companies in the chemical industry in Malaysia usually transact in the same currency when conducting transactions among themselves. Thus, companies within the chemical industry will be somewhat affected by any adverse fluctuations in the exchange rate, as chemicals are based on USD quoted prices.

Majority of our overseas transactions are transacted in USD. For the FYE 2008, approximately 4.93% of our revenue was in USD and approximately 44.12% of our purchases were transacted in USD. As such, we are exposed to any adverse fluctuations of the USD against the RM, as it will have an impact on the RM price of our Group's imported chemicals which may consequently effect our financial performance.

The risk of foreign exchange fluctuations is, to a certain extent, mitigated by the managed float mechanism adopted by Bank Negara Malaysia on the RM versus USD conversion rate since the de-pegging of the RM on 21 July 2005. This may prevent any extreme fluctuations of the RM vis-à-vis the USD. Our Group does not hedge its foreign currency exposure but will undertake to regularly monitor and review the need to enter into forward foreign exchange contract. As at LPD, we have a forward foreign exchange contract line, which allows the Group to enter into forward contracts of up to RM68.92 million. Our Group maintains a USD bank account to deposit USD receipts and to make payments in USD, thus, creating a natural hedge against any unfavourable foreign currency movements. However, there is no assurance that any foreign exchange fluctuations in the future will not adversely affect our financial performance.

(viii) Risk of doubtful debts

Based on the proforma consolidated financial information of our Group as set out in Section 10.9 of this Prospectus, our trade receivables represent approximately 40% of our total assets under the Minimum Scenario and 39% under the Maximum Scenario. As such, trade receivables not collected may result in a shortage of working capital for our operations while provisions for receivables may affect our Group's financial performance. We generally grant our customers credit terms between 30 days and 120 days. In order to check the creditworthiness of our existing, new and potential customers, we undertake regular credit analysis and evaluation checks on our customers.

We have an internal credit control department, which prepares the status of customers' receivables staggered on a one (1) to four (4) months ageing basis and our Group's policy for provision for doubtful debts is to make full provision for amounts with ageing exceeding six (6) months.

We place a lot of effort in reducing our doubtful debt risks such as active monitoring of these debts and to take reasonable steps to ascertain proper action had been taken in relation to the writing off of bad debts and adequate provision for doubtful debts. Further details on our debt collection efforts are in Section 10.4.2 of this Prospectus.

In spite of all the precautions we have taken to limit these risks, there is no assurance that the risk of doubtful debts will not materially affect our business and financial performance.

(ix) Competition

Our Group faces competition from local and foreign companies in the distribution of industrial chemicals comprising the following:

(a) Chemical manufacturers which have distribution capabilities;
(b) Other chemical distributors; and
(c) Chemical traders.

As set out in the Executive Summary of the Independent Market Research Report of D&B in Section 5 of this Prospectus, in 2007, the industrial chemicals distribution market size in Malaysia, specifically for PU chemicals, specialty chemicals and intermediate chemicals, was estimated at approximately RM1.0 billion of which our Group held a market share of 33.4%. However, the industrial chemicals market in Malaysia is very large, estimated at approximately RM33.3 billion in 2007.

As chemical manufacturers are increasingly outsourcing their functions, including marketing and distribution, they are turning towards the appointment of chemical distributors like our Group to sell their products. Our reputation for timely delivery and compliance with stringent HSE requirements among our customers also ensures that we continue to compete effectively in the market.

Whilst there are no assurances that our Group can maintain its market share, we believe that we will continue to be competitive given our experience and track record.

(x) Current disruption in the global credit markets and associated impacts

Since the second half of 2008, disruption in the global credit markets, coupled with the repricing of credit risks, deterioration in the property markets in developed countries and a slowdown in the global economy have created increasingly difficult conditions in the financial markets. These conditions have resulted in historic volatility, less liquidity, widening of credit spreads and a lack of price transparency in certain markets. Most recently, these conditions have resulted in the failures of a number of companies and financial institutions and unprecedented corrective action by governmental authorities and central banks around the world.

These conditions may be exacerbated by persisting volatility in the financial sector and capital markets which may impact the real economies within which our Group, customers and suppliers operate. Therefore, it is difficult to predict how long these conditions will exist and how our markets, products and businesses will be adversely affected.

Whilst we will continue to adopt prudent financial management, there is no assurance that these adverse conditions, which are beyond our control, will not affect our financial condition or results of operations in the future.

(xi) Sensitivity to economic downturn

Any downturn in the local and global economies will normally impact overall consumption and demand in the market. Our Group may also be impacted by the economic downturn as our customers are involved in a wide range of industries such as manufacturing, agriculture and oil and gas which may be invariably impacted by the economic downturn.

In the case of any downturn in a particular sector, our Directors are of the view that it would not materially affect our business as the main end-users of our Group's products are involved in a diversified range of industries, some of which are more resilient compared to others. Further, despite the economic slowdown during the period 1997 to 1999 and 2001 to 2002, our Group was able to weather such slowdown and had continued to be profitable during those periods.

However, there is no assurance that any adverse change in the local and global economic conditions will not materially affect our business.

(xii) Political and economic conditions

Adverse developments in political, economic and regulatory conditions in Malaysia as well as other countries where we operate, purchase our supplies and/or market our products, could materially and adversely affect the financial and operational conditions as well as the overall profitability of our Group.

Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, political leadership, government legislations and policies affecting manufacturers, inflation, interest rates, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

Whilst our Group practices prudent financial management and efficient operating procedures, there is no assurance that adverse economic and political developments, which are beyond our control, will not materially affect the performance of our Group.

3.2 Other risks

(i) Potential delay or failure of our Listing

Our Listing may potentially be delayed or aborted in the event of the following:

(a) our Underwriters exercising their rights pursuant to the Underwriting Agreement respectively to discharge themselves from their stated obligations;

(b) the placees identified under the private placement fail to pay for the subscription of the Issue Shares and/or Offer Shares allocated to them, notwithstanding that they have furnished their irrevocable undertaking letters to subscribe for such Issue Shares and/or Offer Shares;

(c) we are unable to meet the public spread requirements of at least 25% of the enlarged issued and paid-up share capital of our Company being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of listing; and

(d) any force majeure event(s) which are beyond our control before our listing.

(ii) No prior market for our Shares

Prior to the IPO, there has been no market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon Listing or, if developed, that such market will be sustained. We, together with the Offerors, our advisers and the Managing Underwriter, have determined and agreed to the IPO price of RM0.71 per IPO Share, after taking into consideration several factors. These include but are not limited to, our Group's financial performance and operating history and conditions, our Group's future plans and prospects, the prospects of the chemical industry and the prevailing market conditions. The prices, at which our Shares are traded on Bursa Securities at any point in time after the IPO, may vary significantly from the IPO price.

(iii) Volatility in our share price and trading volume

Shares of other companies listed on Bursa Securities have experienced considerable price volatility in the past. It is possible that our Shares will be subject to price volatility, which may have no direct correlation with our Company's net asset value, financial results or performance. Price volatility may also affect the ability of our shareholders to sell and the price at which our Shares can be sold.

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations. The market price of our Shares is also susceptible to certain new developments within the industrial chemicals industry, acquisition or strategic alliance by our competitors or us or gain or loss of our major customers or contracts.

On the other hand, the performance of Bursa Securities, which affects the volatility of our share price, is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of our Shares, which could potentially result in substantial losses for investors in acquiring our Shares.

(iv) Control by Promoters

Upon the Listing of our Company, the Promoters who are also Directors of our Company as listed in Section 6.1.1, will collectively hold approximately 61.15% or 58.54% of our enlarged and paid-up share capital based on the Minimum Scenario and Maximum Scenario respectively. Subsequently, our Promoters will be able to control the business directions and outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

We have appointed three (3) Non-Executive Independent Directors and an audit committee has been set up to ensure that all future transactions involving related parties, if any, are entered into an arms-length basis.

4. INFORMATION ON OUR GROUP

4.1 History and business

Our Company was incorporated in Malaysia as a public limited company under the Act on 29 November 2007 to facilitate our Listing. Samchem is principally engaged in investment holding. Through our subsidiaries, we are principally engaged in the distribution of industrial chemicals, specialising in PU chemicals, intermediate chemicals and specialty chemicals. We also have operations in the blending of customised solvents. Our Group's founder, Ng Thin Poh, together with Dato' Ng Lian Poh and Tan Teck Beng, have played a pivotal role in steering the growth of our Group to become one of the major players in the distribution of industrial chemicals in Malaysia, particularly in PU, intermediate and specialty chemicals.

Ng Thin Poh's foresight in the growth of industrial chemicals distribution activities has shaped the vision of our Group to become a leading player within this market segment. Dato' Ng Lian Poh is instrumental in building and expanding the specialty and intermediate chemicals business segment, while Tan Teck Beng played a major role in the expansion of our Group's PU business segment in Peninsular Malaysia. Global events in the chemical industry witnessed rapid changes and advancements such as mergers and acquisitions, gradual shift in manufacturing activities to East Asia and rapidly rising prices of petroleum, which have had a spillover effect on the local chemical industry. With Ng Thin Poh's vast experience within the chemical industry and keen business acumen, coupled with in-depth awareness of market demand trends, he anticipated a shift within the industry towards creating opportunities for industrial chemical distributors like Samchem.

Over the past 20 years, our Group has built a reputation that is synonymous with innovative quality service, excellence and reliability. Today, our Group distributes more than 400 products of which we hold formal distributorship rights for more than 200 products acquired from world-renowned chemical manufacturers, such as ExxonMobil, Shell EP, BASF PETRONAS and OPTIMAL Chemicals.

Presently, we have a staff force of 101 and operate in major markets located in Malaysia, Indonesia, Vietnam and PRC. Our Group prides itself as being one of the leading local industrial chemicals distribution companies in the nation's broad chemical industry, within which we have established a customer base of more than 2,500. We offer our customers comprehensive selection of industrial chemicals that cater to a wide spectrum of applications.

With our experience and proven track record in the industrial chemicals distribution industry, our Group is able to provide value-added services such as single sourcing for customers, customised and exclusive mixing and blending, inventory management, global sourcing, extended technical support, drum recycling and production as well as after-sales services such as drum return handling.

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With an increasingly competitive business environment, our Group's in-depth understanding of the various application markets enables us to compete with other players. We have successfully offered products and services to meet the demands of existing and new market conditions.

Our Group has achieved numerous milestones since our inception and some of the major milestones are listed below:

Year	Event
1989	▪ SCSB commenced operations as an industrial chemical distributor, operating from an office in SS2, Petaling Jaya, Selangor.
1994	▪ SCSB relocated to a light industrial terrace factory in Bandar Sunway, Selangor (acquired in 1992) to further expand its business.
1996	▪ SCSB commenced the development of intermediate and specialty chemicals business and expanded its PU business to the Northern and Southern regions of Peninsular Malaysia.
1998	▪ SCSB became the sole distributor of PU chemicals for Shell EP (Singapore) throughout Malaysia. ▪ SCSB secured BP Chemicals (Malaysia) Sdn Bhd and Exxon Chemical (M) Sdn Bhd as its major suppliers.
1999	▪ SCSB was appointed as a key distributor of ExxonMobil after the merger between Exxon Corporation and Mobil Corporation.
2000	▪ SCSB relocated its operations to two (2) units of semi-detached factories at Elite Industrial Park, Selangor. ▪ SCSB successfully increased distributorships held and expanded its Intermediate and Specialties Divisions by securing distributorship agreements in this chemical segment, including amongst others, becoming a distributor for BASF PETRONAS.
2002	▪ SCSB was awarded as one of the key distributors by OPTIMAL Chemicals.
2003	▪ SCSB began exporting its PU chemicals to Indonesia.
2004	▪ SC Industries commenced operations to distribute specialty chemicals. ▪ SCSB together with Yong Tai Berhad formed YTSSB. YTSHK was incorporated in Hong Kong as an investment holding company as part of the Group's venture into PRC. Subsequently, SMITC was incorporated in Shanghai, PRC, to distribute industrial chemicals for major petrochemical companies based in PRC. ▪ SCSB officially joined the CICM.
2005	▪ SCSB acquired TN Chemie and Eweny Chemicals to further expand its distribution networks in the Northern and Southern regions of Peninsular Malaysia. ▪ SCSB acquired TN Industries to handle customised solvents for the central region, distribute more intermediate and specialty chemicals and to provide marketing services. ▪ SCSB appointed as "ExxonMobil Chemical Branded Distributor".
2006	▪ In April 2006, SMITC secured distributorship rights for polyol produced by CNOOC Shell Petroleum Chemicals Manufacturing Company Limited and these products were sold to customers within Zhejiang and North Jiangsu provinces, PRC. ▪ In November 2006, SCsphere was incorporated.
2007	▪ SCSB moved into a new warehouse and office located at Lot 6, Jalan Sungai Kayu Ara 32/39, Seksyen 32, 40460 Shah Alam, Selangor. ▪ SC Logistics commenced operations to provide a more cost efficient integrated logistics services to other companies within our Group. ▪ In April 2007, SC Enviro was incorporated. ▪ SCsphere commenced operations. In August 2007, MITCO appointed SCsphere to develop and distribute products to Vietnam.
2008	▪ SCsphere Indochina was incorporated.

4.2 Share capital

Our authorised share capital is currently RM100,000,000 comprising 200,000,000 Samchem Shares, of which RM57,318,500 comprising 114,637,000 Samchem Shares are issued and fully paid-up. The changes in our issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
29.11.2007	2	1.00	Subscribers' Shares	2
12.05.2008	4	0.50	Share split	2
19.02.2009	105,464,700	0.50	Shares issued pursuant to Acquisitions	52,732,352
20.02.2009	9,172,296	0.50	Shares issued pursuant to Acquisitions	57,318,500

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities and uncalled capital. Upon completion of the IPO, our issued and paid-up share capital will subsequently increase up to 136,000,000 Shares by way of a Public Issue of up to 21,363,000 Shares.

4.3 Flotation Scheme

In conjunction with the flotation of our Company on the Bursa Securities, and as an integral part of our Listing, the Company has and shall undertake the following exercises:

(i) Acquisitions of subsidiaries

(a) Acquisition of SC Industries

On 16 June 2008, Samchem entered into a sale and purchase agreement with the vendors of SC Industries namely, SCSB, Tan Lin Lou and Chu Team Sooi for the acquisition of the entire issued and paid-up share capital of SC Industries amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM3,457,814 was satisfied by the issuance of 2,074,688 new Samchem Shares at an issue price of RM0.50 per Samchem Share to Tan Lin Lou and Chu Team Sooi, credited as fully paid-up and the creation of an amount owing from Samchem to SCSB amounting to RM2,420,470.

The purchase consideration for SC Industries was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of SC Industries as at 30 September 2008 less a declared dividend of 30% from SC Industries's PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of SC Industries as at 30 September 2008	3,850,293
Less: Dividend of 30% from SC Industries's PAT for the period beginning 1 January 2008 to 30 September 2008	(392,479)
Purchase consideration	**3,457,814**

The Acquisition of SC Industries was completed on 21 February 2009. The new Shares issued pursuant to the Acquisition of SC Industries ranked equally in all respects with the then existing Samchem Shares.

(b) Acquisition of Eweny Chemicals

On 16 June 2008, Samchem entered into a sale and purchase agreement with the vendors of Eweny Chemicals namely, SCSB, Chooi Chok Khooi and Chooi Chak Lim for the acquisition of the entire issued and paid-up share capital of Eweny Chemicals amounting to RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM2,847,295 was satisfied by the issuance of 1,708,376 new Samchem Shares at an issue price of RM0.50 per Samchem Share to Chooi Chok Khooi and Chooi Chak Lim, credited as fully paid-up and the creation of an amount owing from Samchem to SCSB amounting to RM1,993,107.

The purchase consideration for Eweny Chemicals was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of Eweny Chemicals as at 30 September 2008 and adjustments including a net revaluation surplus arising from the revaluation of property and less a declared dividend of 30% from Eweny Chemicals' PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of Eweny Chemicals as at 30 September 2008	2,640,742
Add: Net revaluation surplus arising from the revaluation of property	383,307
Less: Dividend of 30% from Eweny Chemicals' PAT for the period beginning 1 January 2008 to 30 September 2008	(176,754)
Purchase consideration	**2,847,295**

The Acquisition of Eweny Chemicals was completed on 21 February 2009. The new Shares issued pursuant to the Acquisition of Eweny Chemicals ranked equally in all respects with the then existing Samchem Shares.

(c) Acquisition of TN Chemie

On 16 June 2008, Samchem entered into a sale and purchase agreement with the vendors of TN Chemie namely, SCSB, Ng Soh Kian and Francis Huang Low Soo Yee for the acquisition of the entire issued and paid-up share capital of TN Chemie amounting to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM8,982,054 was satisfied by the issuance of 5,389,232 new Samchem Shares at an issue price of approximately RM0.50 per Samchem Share to Ng Soh Kian and Francis Huang Low Soo Yee, credited as fully paid-up and the creation of an amount owing from Samchem to SCSB amounting to RM6,287,438.

The purchase consideration for TN Chemie was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of TN Chemie as at 30 September 2008 and adjustments including a net revaluation surplus arising from the revaluation of property and less a declared dividend of 30% from TN Chemie's PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of TN Chemie as at 30 September 2008	9,315,176
Add: Net revaluation surplus arising from the revaluation of property	493,032
Less: Dividend of 30% from TN Chemie's PAT for the period beginning 1 January 2008 to 30 September 2008	(826,154)
Purchase consideration	**8,982,054**

The Acquisition of TN Chemie was completed on 21 February 2009. The new Shares issued pursuant to the Acquisition of TN Chemie ranked equally in all respects with the then existing Samchem Shares.

(d) Acquisition of TN Industries

On 16 June 2008, Samchem entered into a sale and purchase agreement with SCSB for the acquisition of 350,000 ordinary shares of RM1.00 each representing 70% of the entire issued and paid-up share capital of TN Industries.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM342,665 was wholly satisfied by the creation of an amount owing from Samchem to SCSB.

The purchase consideration for TN Industries was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of TN Industries as at 30 September 2008 less a declared dividend of 30% from TN Industries's PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of TN Industries as at 30 September 2008	501,353
Less: Dividend of 30% TN Industries PAT for the period beginning 1 January 2008 to 30 September 2008	(11,831)
Adjusted NA of TN Industries	489,522
Purchase consideration (representing 70% equity interest in TN Industries)	**342,665**

The Acquisition of TN Industries was completed on 21 February 2009.

(e) Acquisition of SC Logistics

On 16 June 2008, Samchem entered into a sale and purchase agreement with SC Logistics, namely SCSB for the acquisition of 175,000 ordinary shares of RM1.00 each representing 70% of the entire issued and paid-up share capital of SC Logistics.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM308,195 was wholly satisfied by the creation of an amount owing from Samchem to SCSB.

The purchase consideration for SC Logistics was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of SC Logistics as at 30 September 2008 less a declared dividend of 30% from SC Logistics' PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of SC Logistics as at 30 September 2008	471,120
Less: Dividend of 30% SC Logistics PAT for the period beginning 1 January 2008 to 30 September 2008	(30,842)
Adjusted NA of SC Logistics	440,278
Purchase consideration (representing 70% equity interest in SC Logistics)	**308,195**

The Acquisition of SC Logistics was completed on 21 February 2009.

(f) Acquisition of SCsphere

On 16 June 2008, Samchem entered into a sale and purchase agreement with SCsphere, namely SCSB for the acquisition of 70,000 ordinary shares of RM1.00 each representing 70% of the entire issued and paid-up share capital of SCsphere.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM307,747 was wholly satisfied by the creation of an amount owing from Samchem to SCSB.

The purchase consideration for SCsphere was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of SCsphere as at 30 September 2008 less a declared dividend of 30% from SCsphere's PAT for the period beginning 1 January 2008 to 30 September 2008. The computation of the adjusted NA is as follows:

	RM
Audited NA of SCsphere as at 30 September 2008	517,696
Less: Dividend of 30% SCsphere PAT for the period beginning 1 January 2008 to 30 September 2008	(78,057)
Adjusted NA of SCsphere	439,639
Purchase consideration (representing 70% equity interest in SCsphere)	**307,747**

The Acquisition of SCsphere was completed on 21 February 2009.

(g) Acquisition of SC Enviro

On 16 June 2008, Samchem entered into a sale and purchase agreement with SCSB for the acquisition of 380,000 ordinary shares of RM1.00 each representing 76% of the entire issued and paid-up share capital of SC Enviro.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM266,204 was wholly satisfied by the creation of an amount owing from Samchem to SCSB.

The purchase consideration for SC Enviro was arrived at on a willing buyer-willing seller basis and represents a 76% equity interest of the audited NA of SC Enviro as at 30 September 2008.

The Acquisition of SC Enviro was completed on 21 February 2009.

(ii) Acquisition of SCSB

On 16 June 2008, Samchem entered into a sale and purchase agreement with the Vendors of SCSB, for the acquisition of 12,065,760 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of SCSB.

Thereafter on 22 January 2009, a supplemental sale and purchase agreement was entered into by the relevant parties to revise the purchase consideration. The revised purchase consideration of RM52,732,343 was wholly satisfied by the issuance of 105,464,700 new Samchem Shares at an issue price of approximately RM0.50 per Samchem Share.

The Vendors of SCSB and their respective equity interests in SCSB acquired by Samchem together with the number of new Samchem Shares issued as consideration are as follows:

Name of vendor	Shareholding in SCSB No. of shares held	% held	Purchase Consideration (RM)	No. of new Samchem Shares issued as consideration
Ng Thin Poh	7,237,280	59.98	31,628,859	63,259,800
Dato' Ng Lian Poh	1,039,680	8.62	4,545,528	9,087,661
Tan Teck Beng	1,039,680	8.62	4,545,528	9,087,661
Imran Bin Ismail	800,000	6.63	3,496,154	6,992,660
Syed Zafilen Bin Syed Alwee	800,000	6.63	3,496,154	6,992,660
Ng Soh Kian	574,560	4.76	2,510,060	5,022,129
Chooi Chok Khooi	574,560	4.76	2,510,060	5,022,129
Total	12,065,760	100	52,732,343	105,464,700

The purchase consideration of SCSB was arrived at on a willing buyer-willing seller basis after taking into consideration the audited NA of SCSB as at 30 September 2008 including a net revaluation surplus arising from the revaluation of properties, the proforma gain on disposal of SCSB Subsidiaries, the dividend declared by its subsidiaries for the period beginning 1 January 2008 to 30 September 2008 and less a declared dividend of 30% from its PAT for the period beginning 1 January 2008 to 30 September 2008.

	RM
Audited NA of SCSB as at 30 September 2008	41,839,581
Add: Net revaluation surplus arising from the revaluation of properties	3,859,216
Add: Gain on disposal of SCSB Subsidiaries	8,636,826
Add: Dividend declared by SCSB Subsidiaires	1,061,282
Less: Dividend of 30% from SCSB's PAT for the period beginning 1 January 2008 to 30 September 2008	(2,664,562)
Purchase consideration	**52,732,343**

The Acquisition of SCSB was completed on 21 February 2009. The new Shares issued pursuant to the Acquisition of SCSB ranked equally in all respects with the then existing Samchem Shares.

(iii) IPO

The Offerors and our Company will undertake the IPO comprising the following:

(a) Public Issue

Our Company will issue up to 21,363,000 Issue Shares at the Issue Price.

(b) Offer for Sale

The Offerors will collectively make an offer for sale of 19,500,000 Offer Shares at the Offer Price.

The details of the Offerors are as follows:

Name of Offeror	No. of Offer Shares
Ng Thin Poh	8,000,000
Dato' Ng Lian Poh	2,650,000
Tan Teck Beng	2,650,000
Ng Soh Kian	2,930,000
Chooi Chok Khooi	1,800,000
Chooi Chak Lim	170,000
Tan Lin Lou	200,000
Chu Team Sooi	400,000
Francis Huang Low Soo Yee	100,000
Syed Zafilen bin Syed Alwee	300,000
Imran bin Ismail	300,000
Total	19,500,000

(iv) Listing

Upon completion of the abovementioned exercises, the entire enlarged issued and paid-up share capital of up to RM68,000,000 comprising up to 136,000,000 Shares shall be listed and quoted on the Main Board of Bursa Securities.

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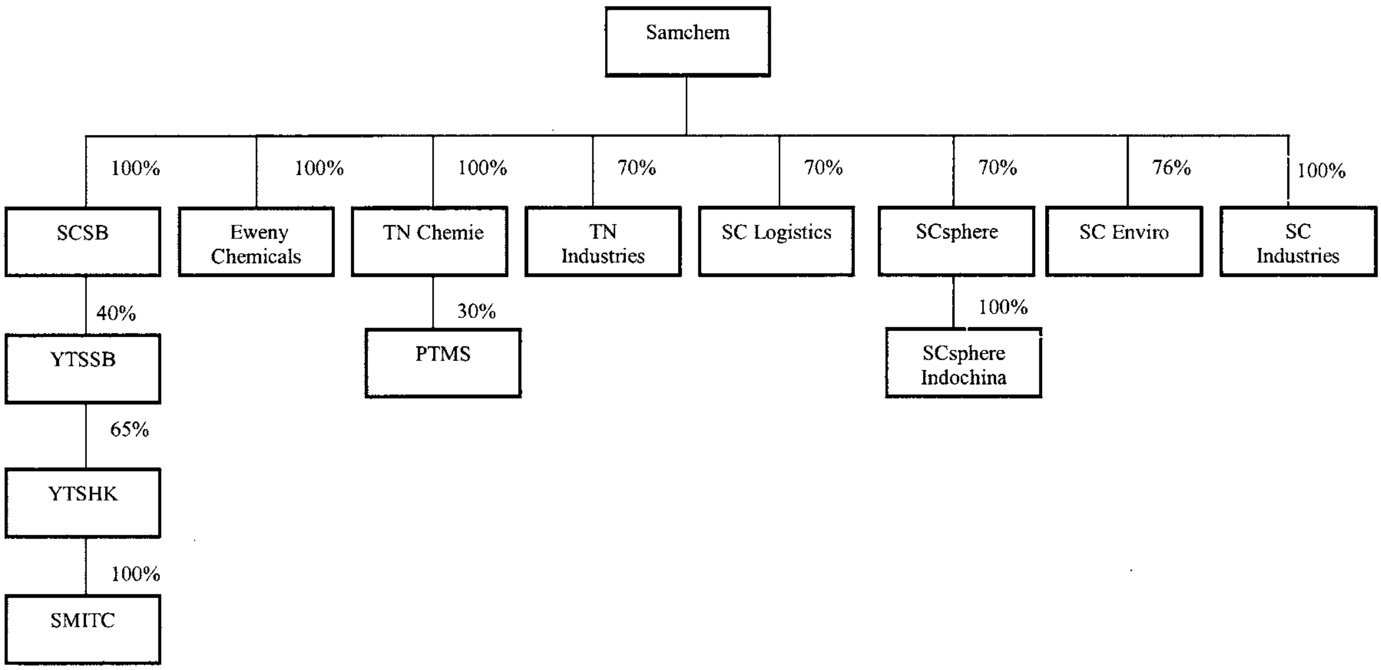
4.4 Group Structure

The corporate structure of our Group and associated companies is set out below:



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4. INFORMATION ON OUR GROUP *(Cont'd)*

The principal activity of Samchem is investment holding. The details of the subsidiary and associated companies of our Company are as follows:

Company	Effective interest	Principal activities
Subsidiary companies		
SCSB	100%	Distribution of PU chemicals, intermediate chemicals, and specialty chemicals and investment holding
Eweny Chemicals	100%	Distribution of intermediate and specialty chemicals
TN Chemie	100%	Distribution of intermediate and specialty chemicals and blending of customised solvents
TN Industries	70%	Distribution of intermediate and specialty chemicals and blending of customised solvents
SC Logistics	70%	Provision of logistics services
SCsphere	70%	Export of intermediate and specialty chemicals
SC Enviro	76%	Dormant(1)
SC Industries	100%	Distribution of specialty chemicals
Subsidiary of SCsphere		
SCsphere Indochina	70%	Dormant(2)
Associated companies		
YTSSB	40%	Investment holding
PTMS	30%	Manufacturing of paint, varnish and lacquer
Subsidiary of YTSSB		
YTSHK	26%	Investment holding
Subsidiary of YTSHK		
SMITC	26%	Distribution of chemical products

Notes:-

(1) To undertake the collection, recycling and supplying of reconditioned drums once commenced operations in the first quarter of 2010

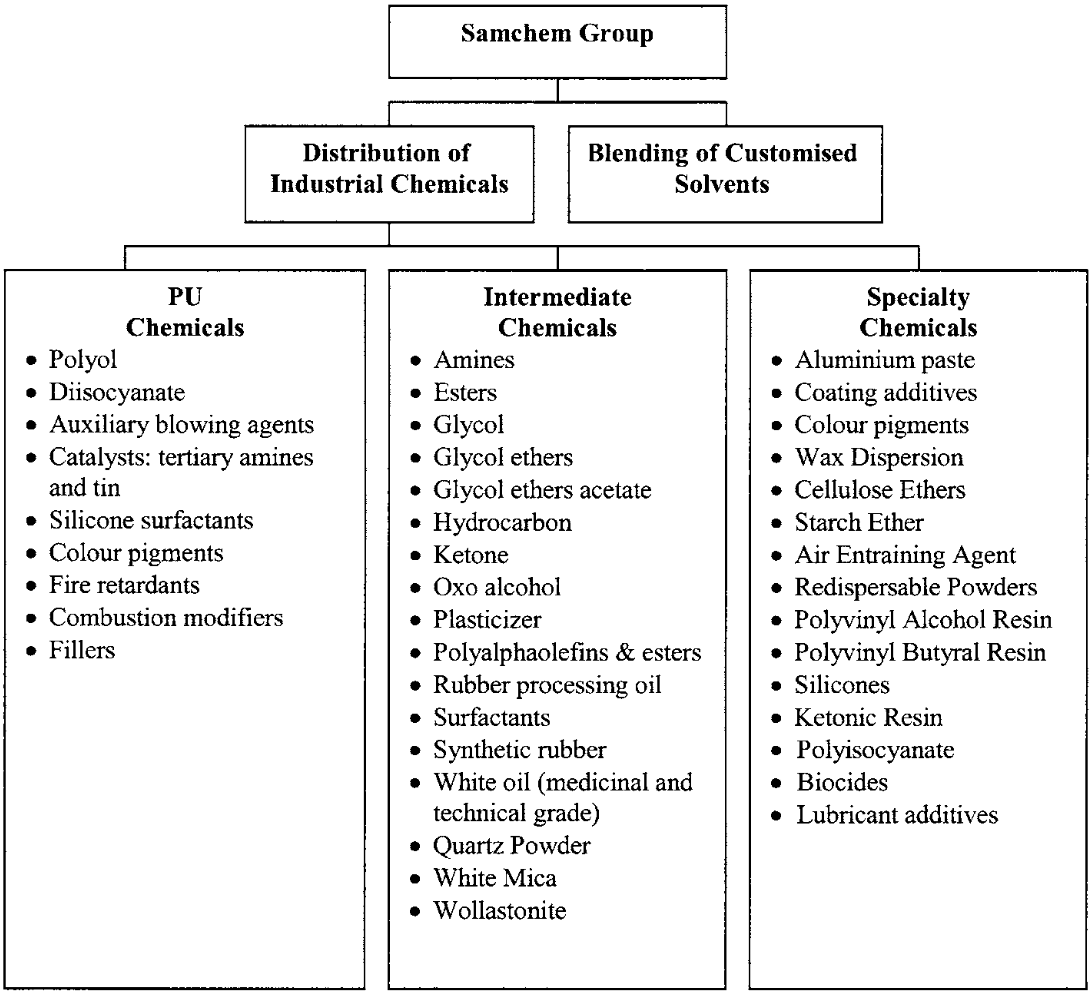
(2) To undertake the manufacturing of petrochemical solvents once commenced operations in the second quarter of 2010

Please refer to Section 4.6 of this Prospectus for further information on our subsidiary and associated companies.

4.5 Business overview

4.5.1 Principal activities

Our Group is principally involved in the distribution of industrial chemicals, specialising in PU chemicals, intermediate chemicals and specialty chemicals. We also have operations in the blending of customised solvents. An illustration of our Group's activities is as set out below:



Our principal activities are described as follows:

(i) Distribution of Industrial Chemicals

Our Group's core business is the distribution of chemicals, which include PU chemicals, intermediate chemicals and specialty chemicals. We are one of the leading local industrial chemicals distributing companies which offer a seamless distribution solution to manufacturers of industrial chemicals. With a number of dedicated and strategically located warehousing facilities and distribution centres throughout Malaysia, we offer an effective distribution solution to many of our suppliers, thus allowing them to concentrate primarily on the manufacturing of chemicals, whilst the marketing and distribution activities are carried out by our Group.

The description of the industrial chemical products which we distribute are as set out as follows:

(a) PU Chemicals

Generally, PU is a broad class of polymer which is known for its good abrasion and solvent-resistant characteristics. PU exists in a variety of forms, namely flexible foams, rigid foams, semi-integral skin, chemical-resistant coatings, specialty adhesives and sealants, and elastomers. Our Group specialises in the distribution of flexible PU foam chemicals. In the FYE 2008, PU chemicals contributed RM91.32 million, approximately 25.7% of our Group's total revenue.

Flexible PU foams are used as cushioning for a wide variety of consumer and commercial products, such as furniture, automobiles, textile accessories, bedding, packaging, medical and industrial applications. Major types of PU foam chemicals distributed by our Group and their respective applications are listed as follows:

PU Foam Chemicals	Applications
Essential Components	
Polyol	A key chemical in foam formulation which, when mixed with diisocyanates and other specific ingredients, produces the reaction that causes flexible PU foam to form.
Diisocyanate	Diisocyanates are used for reaction with polyols in the production of PU. It is one of the two (2) major ingredients in the chemical process by which PU foam is made. The other major ingredient is polyol.
Auxiliary blowing agents	An additive used in the production of foam that supplements the primary blowing agent (water), and can be used to make foam softer or lighter.
Catalysts: tertiary amines and tin	A chemical that changes the rate of reaction of a chemical process, but is not consumed or produced during the reaction. Catalysts are required for foam production to balance rates of competing reactions and to attain desired physical properties.
Silicone surfactants	A surfactant is essential to control the foaming process. It assists the mixing of the components to form a homogeneous liquid and to stabilise the bubbles in the foam during the expansion, as such preventing collapse before the liquid phase polymerises.
Optional Components	
Colour Pigments	Dyes or pigments added to impart colour to the final foam.
Fire retardants	A material that, when added to flexible PU foam, will cause the foam to be more difficult to ignite, burn less rapidly or lose less weight during a fire.
Combustion modifiers	Flexible PU foams manufactured by using additives based on chlorine, bromine, and phosphorus chemistry to reduce ease of ignition. Hydrated alumina or melamine is also used.
Fillers	Inorganic materials, such as marble dust, barium sulfate, silica or clay, which are added in foam to increase the density.

Currently, our Group holds distributorship rights from a number of large MNCs and SMEs, including Shell EP, BASF Polyurethanes (M) Sdn Bhd, Momentive Performance Materials (Thailand) Limited, Nagase (M) Sdn Bhd (Daihaichi Japan) and Soundwave Enterprise (DIC Taiwan) for each of the PU chemicals listed above.

(b) Intermediate Chemicals

Chemicals are normally produced when some substances are transformed to a desired product in a succession of steps. Intermediate chemicals are any chemical substances produced after the first step of transformation of some readily available and often inexpensive substance and is used for the succeeding steps in the production of other chemical products of various applications. In the FYE 2008, intermediate chemicals contributed RM200.85 million, approximately 56.5% of our Group's total revenue.

The intermediate chemical products distributed by our Group and their respective applications (which are not meant to be exhaustive) are as follows:

Intermediate Chemical	**Applications**
Amines	Agriculture, electronics, household and industrial cleaning, lubricant, and personal care-related products.
Esters	Paint and coating, printing ink, adhesive, plastics, personal care, packaging, and thinner.
Glycol	Adhesive, lubricant, tile and concrete, oil and gas, pharmaceutical, paint and coating, personal care, printing ink, rubber-related products as well as thinner.
Glycol ethers	Paint and coating, printing ink, adhesive, household and industrial cleaning, lubricant, oil and gas related products as well as thinner.
Glycol ethers acetate	Paint and coating, printing ink related products as well as thinner.
Hydrocarbon	Adhesive, agriculture, car care, electronics, lamination, ultraviolet varnish, household and industrial cleaning, lubricant, metal stamping, tile and concrete, oil and gas, paint and coating, printing and packaging, printing ink, rubber-related products as well as thinner.
Ketone	Paint and coating, adhesive, agriculture, electronics, lubricant, personal care, printing and packaging, printing ink, rubber-related products as well as thinner.
Oxo alcohol	Paint and coating, adhesive, agriculture, car care, electronics, lamination, household and industrial cleaning, lubricant, oil and gas, pharmaceutical, personal care, printing and packaging, printing ink, rubber-related products as well as thinner.
Plasticizer	Plastics, cement, concrete, adhesive, paint and coating and rubber-related products.
Polyalphaolefins & esters	Synthetic products, such as lubricants, greases and fluids.
Rubber Processing Oil	Natural and synthetic rubber products.
Surfactants	Soap and detergent, car care, household and industrial cleaning and personal care-related products.
Synthetic Rubber	Serves as a substitute for natural rubber.
White Oil (medicinal and technical grade)	Rubber, pharmaceutical and personal care-related products.
Quartz Powder	Epoxy floorings, tile grouts and joint compounds.
White Mica	Welding electrode and joint compounds.
Wollastonite	Exterior coatings, repair mortars and anti-corrosive paints.

For this product segment, our Group secured distributorship rights from global manufacturers and SMEs, such as ExxonMobil, BASF PETRONAS, OPTIMAL Chemicals, BASF (Malaysia) Sdn Bhd, Celanese Pte Ltd (Singapore), Brenntag Malaysia Sdn Bhd *(formerly known as Rhodia Malaysia Sdn Bhd)*, LG International Corporation (South Korea), Dalian Yet Tat Ultra Fine Mineral Co. Ltd (PRC) and Shell Malaysia Trading Sdn Bhd. Most of these suppliers have awarded distributorship rights to our Group for the Malaysian market.

(c) Specialty Chemicals

Specialty chemicals are considered to be higher-end chemical products compared to PU chemicals and intermediate chemicals. Unlike bulk chemicals, specialty chemicals are sold based on performance-in-use characteristics rather than price per kilogram. Specialty chemicals are high value added chemicals and are manufactured using specialised manufacturing technologies. These specialty chemicals are primarily for use in the construction sector as well as the paints and coatings application markets. In the FYE 2008 specialty chemicals contributed RM53.99 million, approximately 15.2% of our Group's total revenue.

In order to serve this niche market, our Group offers a broad spectrum of different products of different grades, such as additives, anti-oxidants, polyisocyanate and colour pigments. The major specialty chemicals distributed by our Group and their respective applications (which are not meant to be exhaustive), are as follows:

Specialty Chemical	Applications
Aluminium paste	Paint and coating, printing ink-related products.
Colour Pigment	Paint and coating, printing ink-related products.
Polyisocyanate	Paint and coating, printing ink-related products.
Coating additive	Paint and coating, printing ink-related products.
Wax Dispersion	Paint and coating, printing ink-related products.
Cellulose Ethers	Paint and coating, dry-mix building materials, polymerisation, household cleanings, personal care products and agrochemicals.
Starch Ether	Paint and coating, dry-mix building materials and plasters.
Air-Entraining Agent	Light weight building blocks and plasters.
Redispersable Powders	Dry-mix building materials, non-shrink grouts, paint and coating and self-levelling floor compound.
Polyvinyl Alcohol Resin	Water-based adhesives, polymerisation, sizing agent for paper and textile.
Polyvinyl Butyral Resin	Paint and coating and printing ink for food packaging.
Silicones	Impregnator and waterproofing, paint and coating.
Biocides	Preservatives for paint and coating, adhesives and polymers.
Ketonic Resin	High-gloss printing ink, paint and coating and ball-point inks.
Lubricant additives	Automotive and industrial lubricant-related products.

Currently, our Group holds distributorship rights from MNCs and SMEs such as SE Tylose GmbH & Co. KG (Germany), Nagase (M) Sdn Bhd, Nippon Synthetic Chemical Industry Co. Ltd, Kuraray Specialities Asia Pte Ltd (Japan), Shin-Etsu Singapore Pte Ltd., Lanxess Pte Ltd (Germany), Afton Chemical Asia Pacific LLC and Suparna Chemicals Ltd (India).

The number of products with formal distributorship rights acquired by our Group and the respective suppliers for the past three (3) years are set out below:

Name of Supplier	PU Chemicals			Intermediate Chemicals			Specialty Chemicals		
	FYE			FYE			FYE		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
ExxonMobil				8	9	9	19	26	26
Shell EP	5	5	5	4	4	4			
BASF PETRONAS				3	3	3	1	3	3
OPTIMAL Chemicals				7	7	7			
BASF Polyurethanes (M) Sdn Bhd	3	3	6						
SE Tylose GmbH & Co. KG							21	21	19
Celanese Pte Ltd				1	1	1	1	1	1
MITCO					11	13			
Nagase (M) Sdn Bhd	8	6	5				19	19	19
Brenntag Malaysia Sdn Bhd *(formerly known as Rhodia Malaysia Sdn Bhd)*				5	5	5	10	14	14
Afton Chemical Asia Pacific LLC							36	50	50
Momentive Performance Materials (Thailand) Limited	16	18	21						
Shell Malaysia Trading Sdn Bhd					1	1			1
Kuraray Specialities Asia Pte Ltd							3	3	4
Shin-Etsu Singapore Pte Ltd							4	4	2
Nippon Synthetic Chemical Industry Co. Ltd							2	2	3
Suparna Chemicals Ltd (India)							3	3	3
Ineos Oxide Pte Ltd									4
Mitsui & Co. (Asia Pacific) Pte Ltd						2			
LG International Corporation (South Korea)						5			
Arkema Pte Ltd									1
TOTAL	32	32	37	28	41	50	119	146	150

(ii) Blending of Customised Solvents

Apart from distribution of chemicals, our Group also offers blending of customised solvents at our blending facilities in Johor. In the FYE 2008 our blending activities contributed RM9.21 million, approximately 2.6% of our Group's total revenue. This value-added service allows us to offer a wider range of products as well as meeting the demand of our existing and new customers. With an in-depth understanding of chemicals and market demands, we are able to blend solvents which meet the requirements of our customers.

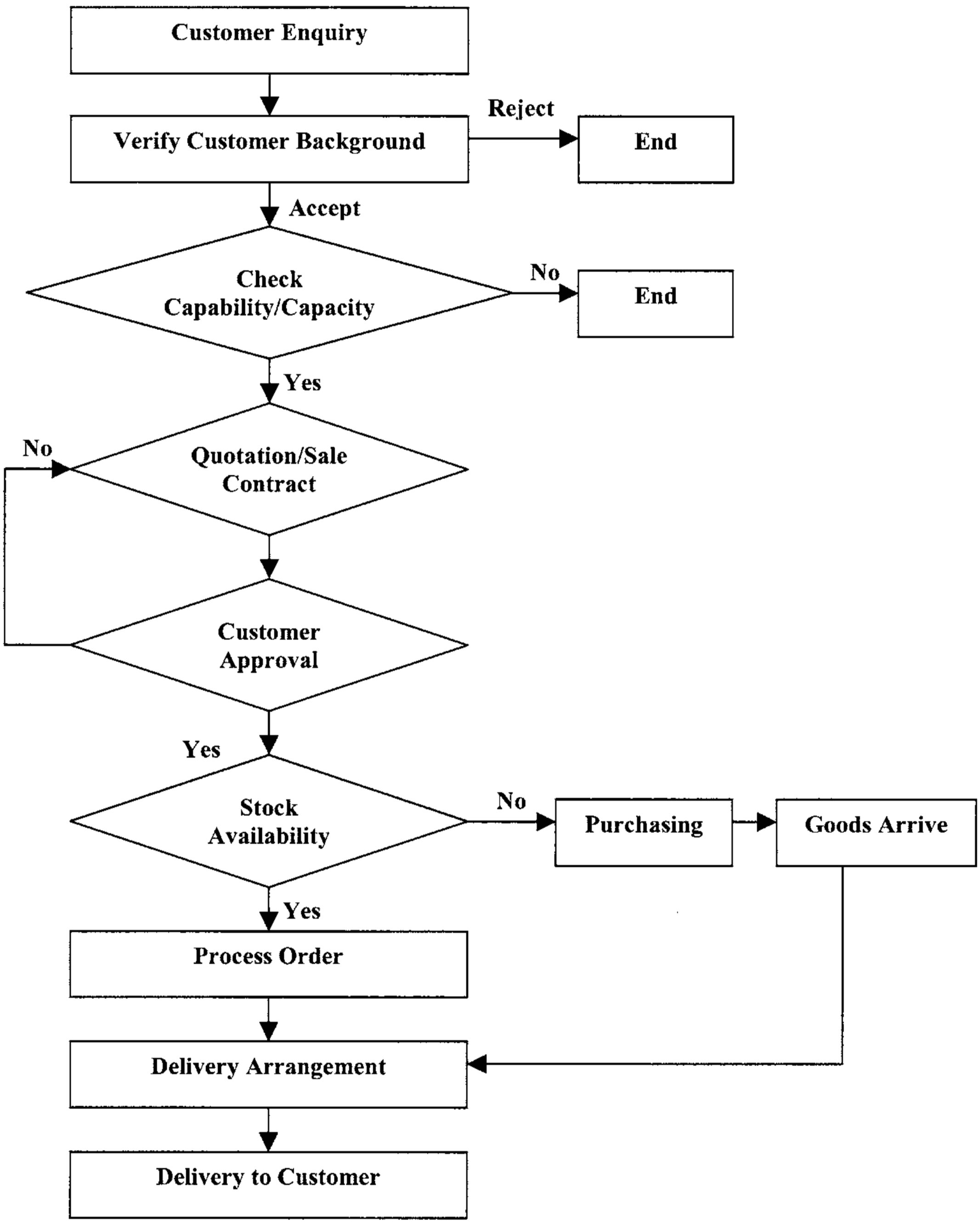
4.5.2 Distribution Process

(i) Distribution Process Flow

We receive enquiries from both new and existing customers. Upon receipt of enquiries from new customers, our sales and marketing team will evaluate these new customers to ensure that they meet our criteria such as creditworthiness, before they are added to our list of approved customers. For enquiries received from our existing customers, we would verify the details of the respective customers before we proceed to prepare a quotation/sales contract.

Once our customers agree on the quotation/sales contract, their orders will be checked for stock availability and processed accordingly. Each delivery is customised based on customer requirements, which include types of packaging, namely, drums, intermediate bulk containers or road tankers.

Finally, the products are delivered to our customers, via our fleet of trucks or outsourced transporters. Any customer feedback, including customer complaints, will be recorded and rectified, if necessary. An illustration of our distribution process is as set out below:



(ii) Storage Capacity

Our large clientele base of more than 2,500 customers requires us to always keep adequate stock levels to ensure readily available supplies as well as to meet urgent delivery schedules to our customers. With numerous warehousing facilities located within Peninsular Malaysia, namely Perak, Selangor and Johor, coupled with our logistics ability, we are able to ensure a fast turnaround time usually within two (2) working days, from the point of receiving customer orders to the final delivery of industrial chemical products to our customers.

Our Group's storage facilities can be divided into two (2) categories, namely, our Group's owned warehouses and rented warehouses.

Types of Storage	Types of Chemical Products Stored ^	Units	Capacity per Unit	Total Capacity
Our Group's warehouses				
SCSB's warehouse				
Drum	Catenex S523, DPG, BA, BC, IBA, MEG, DEG, IPA, Toluene, MEK, D 40, EA, MIBK, PM, PMA, Hexane, DSP 80/100, S100, S150, SC Polyols 56-16, TDI, Elastan T8009 CB, Caradol MD 30-45, Silicone L-580	N/A	N/A	2,200 MT
Eweny Chemicals' warehouse				
Storage Tank	EA, Toluene, Xylene	6	20 MT	120 MT
Storage Tank	Turp-K	3	15 MT	45 MT
Intermediate bulk container	DOP	9	1 MT	9 MT
Drum	Acetone, BA, BC, B Carbitol, C Acetate, DSP 80/100, D-range, DEG, DOP, Ethoxypropanol, Hexane, IBA, IPA, Isopar-range, MC, MEK, MEG, Methanol, MIBK, N-butanol, N-propanol, Pegasol 3040, Solvesso, Toluene, White Oil, Xylene	N/A	N/A	502.97 MT
Pallet	BR 1208, SBR 1502, tiles adhesives and others	N/A	22.32 MT	22.32 MT
Tin/Carboy	Davco products, woodfill & others	N/A	5.04 MT	5.04 MT
Can	Aerosol product	N/A	5.31 MT	5.31 MT
TN Chemie's warehouse				
Drum	Acetone, BC, DAA, DSP 80/100, Hexane, Isophorone, MEK, MIBK, P.3040, PMA, PM Solvent, Thinner, Toluene, Xylene	N/A	N/A	1,000 MT
ISO Tank	EA, IBA, IPA, S.100, D 40, Toluene, Xylene	4	18 m^3	72 m^3
ISO Tank	DOP, BA, MEK, Actrel 1140, Isopar L, N-Butanol, Toluene, Xylene	9	25 m^3	225 m^3
Blending Tank	Thinner	1	7.5 m^3	7.5 m^3
Blending Tank	Thinner	2	18 m^3	36 m^3

Types of Storage	Types of Chemical Products Stored ^	Units	Capacity per Unit	Total Capacity
TN Chemie's rented warehouse				
Drum	Cyclohexanone, DEG, MEG, PEG 400, DAA, MC, TCE, PCE, White Oil	N/A	N/A	200 MT
Our Group's rented third-party terminals/warehouse				
Bersatu Freight Agency Sdn Bhd				
Drum	MPG (U), Rhodapex ESB-70-MU (SLES), Seetec 1712, and Trimethylolpropane	N/A	N/A	150 MT
Stolthaven (Westport) Sdn Bhd				
Tank	Caradol SC 56-16	1	1,011 MT	1,011 MT
Ancom-ChemQuest Terminals Sdn Bhd				
Fix Tank	Toluene, Solvesso 150, and Xylene	2	800 m^3	1,600 m^3
ISO Tank	Solvesso 150, DOP, D 80, IBA, and Flexon 847	3	24 m^3	72 m^3
Drum	Acetone, Actrel 1100 NHD, DOP, DSP 80/100, EA, Exxol D 40, Flexon 847, Hexane, Isobutanol, and PA	N/A	N/A	700 MT
Inn-Chem Enterprise				
Drum	Acetone, BA, B Carbitol, BC, Caradol MD 34-05, D-19 (Stannous Octate), Dimethylethanolamine, Elastan TC 8009 C-B, MC, and Silicone L-3002	N/A	N/A	104 MT
Syarikat Jaya Kimia Sdn Bhd				
Drum	41B, Amine A-33, Caradol MD 34-05, Clearam CH20, D-19 (Stannous Octate), Dimethylethanolamine, Elastan TC 8009 C-B, MC, MR-200, and Polymer Polyol GPOP-2042	N/A	N/A	82 MT
AG Terminal Sdn Bhd				
ISO Tank	D 60	1	22 m^3	22 m^3
Drum	Acetone, BA, BC, DEG, EA, IBA, MIBK and N-Butanol	N/A	N/A	193 MT

Note:

^ *The type of chemical products listed is based on the most practical use of classification in the industry*

We engage external terminals to receive our bulk cargos, which are shipped in via chemical vessels. These terminals also provide storage services for our bulk liquid chemicals and offer bulk breaking or re-packing services, namely re-packing of bulk liquid chemicals into drums, before being transported to our own warehouse for distribution to customers. In the event of insufficient storage space at our existing premises, we will utilise readily available third party warehouses for the storage of our chemicals for distribution.

(iii) Major Assets Used in Distribution Activities

Our Group's distribution activities mainly utilise a fleet of twenty-eight (28) delivery trucks, of which fifteen (15) units belong to us, while the rest are either hired on contract or on ad-hoc basis. We also have eleven (11) forklifts that are used in the process of moving our chemical products from our warehouse onto trucks for onward delivery to our customers.

4.5.3 Blending of Customised Solvents

(i) Blending Process Flow

Upon the receipt of orders from the customer, a blending worksheet will be prepared to identify the correct type of chemicals to be used for the blending process. Then, the materials will be prepared for the blending process.

After blending the materials, the solvent mixture will be checked against the specifications, to ensure the requirements set by the customer are met. Solvent mixtures that meet the necessary requirements will be sent for packaging and the specifications of the packed items are then checked again. Finally, a COA and product drumming details (if necessary) will be prepared by the production department before the solvent is delivered to the customer. An illustration of our blending process flow is as set out below:

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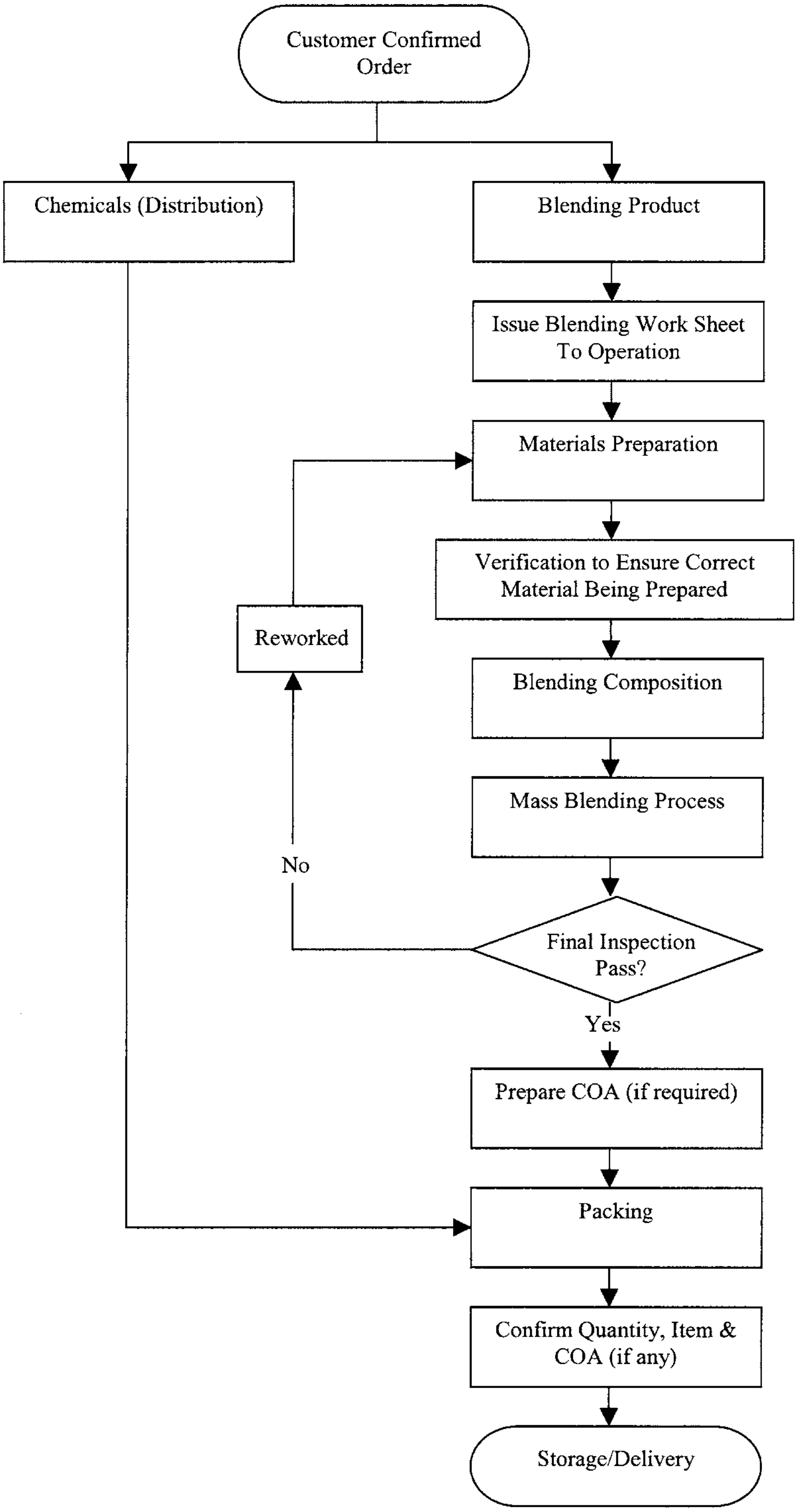
Blending Production, Final and Outgoing Inspection



(ii) Blending Capacity and Output

Currently, our Group has a blending facility at Nusajaya, Johor which is running at 50% capacity. The blending capacity and output of our Group as at LPD are as follows:

Maximum Production Capacity (per annum)	12,000 MT
Actual Production Output (per annum)	6,000 MT
Utilisation Rate	50%
Average no. of shifts per day	1

In line with our management's plans to further expand our customised solvents blending activities, we have purchased land for the construction of a new office, warehouse and blending facility at Telok Gong. As at LPD, construction works have not commenced. This new facility will be equipped with new machinery, thus expanding our blending capacity by an additional 12,000 MT per annum within the next two (2) years.

(iii) Major Blending Equipment Used

Our Group's blending equipments are mainly sourced locally. A list of the major blending and drumming equipment used as at 31 December 2008 in our Group's blending activities is set out in Section 9.2.3 of this Prospectus.

4.5.4 Seasonality

Chemical distributors market and sell chemicals to a diverse range of industries. Albeit the amount of orders may vary from month to month but there are generally no significant pattern of sales to indicate seasonality. Ultimately, a fall in demand from an application market may be offset by a rise in demand from another application market. With so many application markets being served, ranging from primary and agricultural industry to the manufacturing industry, fluctuations in demand tend to balance out over a period of time. The exception happens during a period of severe recession, when demand across all application markets decline in tandem, due to a general contraction in the economy.

4.5.5 Competitive advantages

Our business strengths and viabilities lie in our ability to differentiate our services from other industrial chemicals distribution companies, wherein we are able to continuously secure distributorship rights for a wide range of chemical products from both existing and new chemical manufacturers.

We pride ourselves as one of the leading industrial chemicals distribution companies in Malaysia with our proven track record in the distribution of a comprehensive range of chemical products to a broad spectrum of end user industries which comprise a clientele base of over 2,500 customers.

MNC chemical manufacturers increasingly seek to outsource their marketing functions to chemical distributors. This bodes well for our Group as our ability to act as the "bridge" to communicate market demand trends, end user needs and product feedback to our suppliers, puts us in a key position to support and serve our MNC chemical suppliers in their product R&D and manufacturing functions. With our wide distribution network and customer contacts, experience, specialisation and scale of operations, we play a critical role as the extended sales and marketing arm of these large MNCs.

(i) Success in securing, maintaining and expanding distributorships from a large pool of top global chemical manufacturers

Formal distributorship agreements with top global chemical manufacturers are difficult to secure. As at FYE 2008 our Group has managed to secure new formal distributorship rights for an additional 18 products. Distributors that are recognised by large MNCs as "preferred vendors" must have a qualified marketing team that is technically sound and possess the necessary experience and knowledge in the local chemical industry. These distributors must demonstrate, amongst others, stringent corporate governance practice, proper code of conduct and consistent conformance to HSE standards requirements. We are one of the companies that have the capability and track record to gain and maintain formal distributorship agreements with these MNCs.

Our Group maintains good rapport and good payment records with a number of major chemical manufacturers. The relationship with our four (4) major suppliers, namely ExxonMobil, Shell EP, BASF PETRONAS and OPTIMAL Chemicals has exceeded more than five (5) years. These suppliers have maintained long term relationships with us because we have always ensured that our operations are in compliance with their operational policies such as their HSE policies, as well as having a good payment record, ability to market the products effectively, possessing a relatively large customer base, having a strong marketing team and of good financial standing. We also maintain a competent management and operations workforce to effectively support all our suppliers. To-date, none of our suppliers have terminated their formal distributorship rights with our Group.

We continually strive to expand our industrial chemical product offerings, with a positive outcome as seen in the increase of formal distributorship rights from FYE 2007 to FYE 2008. Our range of chemical products with formal distributorship rights have increased by 15.63% for PU Chemicals from 32 to 37, 21.95% for intermediate chemicals from 41 to 50 and 2.74% from 146 to 150 for specialty chemicals. We actively seek new chemicals distribution opportunities to widen our supplier base. This is in line with our Group's intention to increase the range of industrial chemical products offered in order to better serve and support our customers.

(ii) Compliance with HSE requirements

Stringent HSE compliance is a critical requirement under our distributorship agreement and is vital to us in securing more and maintaining our existing distributorship agreements. 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 other external organisers. Over the years, we have consistently complied with stringent HSE standards set by our customers and suppliers.

Our operations do not result in negative environmental impacts as minimal waste is produced from our distribution and blending activities. Any waste produced is disposed off via a scheduled waste collector.

As the industrial chemicals distribution industry deals with products which may be unstable and hazardous, our Group has continuously improved our HSE standards to meet the stringent requirements set by our suppliers and the authorities. Our Group undergoes regular audits of its warehousing and logistics functions which are carried out by representatives from our MNC suppliers, and has passed all such audits to-date.

In addition, both SCSB and TN Chemie have been accredited with ISO 14001:2004 Environmental Management System ("ISO 14001:2004") by the Independent European Certification Limited and BSI Management Systems respectively, for the recognition of its control of the organisational processes and activities having an impact on the environment as well as being an environmentally responsible organisation.

Meanwhile, in ensuring a safe and comfortable working environment in our Group, we have established a HSE committee. This committee headed by Dato' Ng Lian Poh is responsible for:

(a) ensuring employees, affected communities and the environment are protected through taking more responsibility and care of all the operations and processes;

(b) creating awareness and importance of HSE in our Group;

(c) ensuring compliance of HSE policy within our Group;

(d) organising safety training and providing HSE knowledge to our Group's employees;

(e) promoting HSE awareness to customers via safety talk or seminar;

(f) maintaining routine checks on all the safety equipments;

(g) attending to customer complaints on chemical leakage and spillage;

(h) maintaining and updating all relevant product material safety data sheet from principals;

(i) ensuring all contractors fulfil our HSE requirements; and

(j) responding to and taking corrective actions promptly to public concerns about the chemical industry.

We include HSE performance in the appraisal of all staff. Our HSE's objective is also to earn the confidence of our customers, shareholders and the community as well as to contribute to sustainable development.

Since the commencement of our operations in 1989, there has been no major accidents at our premises nor has our Group been subject to any fines, impounds, suspension of service, penalties or had any legal proceedings taken against us as at to date by our suppliers or the authorities.

Presently, we are a member of CICM and are committed to the Responsible Care Programme launched by CICM. This programme aims to continuously improve the HSE performance of CICM members' operations and products in a manner that is responsible to the concerns of the public. Through this programme, we are committed to ensuring that our employees, affected communities and the environment are protected by taking responsibility and care for all our operations and processes.

With the ISO 14001:2004 certification and our commitment to strict compliance to HSE standards, we are able to assure our clients that we are able to deliver quality products and services and thus ensuring customer satisfaction and long-term customer loyalty.

(iii) Broad product offerings

Currently, out of our entire range of over 400 products, our Group has secured formal distributorship rights for more than 200 chemical products of different grades. Most of our products can cater to a wide range of end-user markets including amongst others, flexible PU foam, paint, printing and packaging, printing ink, plastics, oil and gas, construction chemicals, adhesives, agrochemicals, as well as household and industrial cleaning.

Our broad product offering also ensures that we are able to cater and meet the demands and requirements of our existing, new and potential customers. Our sales team are able to offer more products to customers and promote cross-selling. Thus, customers have increasingly demonstrated confidence in our Group, as we are able to provide the convenience of a one-stop supply centre for chemical products by offering a large pool of products from MNCs.

With such broad offerings, we reduce our reliance on the sales of any single product. Our Group is targeting to increase our product offerings every year through the increase in the number of distributorship rights from existing and new suppliers. The CAGR for our total products distributed in the past three (3) full financial years is recorded at approximately 20.01%, with the number of products distributed increasing from 280 at the beginning of 2006 to 484 in 2008. The CAGR for our products with formal distributorship rights in the past three (3) full financial years is recorded at approximately 18.34%, with the number of products with formal distributorship rights increasing from 143 at the beginning of 2006 to 237 in 2008.

As one of the leading local industrial chemicals distribution companies, our Group benefits from both economies of scale and bargaining power when purchasing chemicals in bulk from MNC chemical suppliers. Subsequently, we are able to pass on cost-savings to end users in most cases. In addition, we can offer suitable and economical package deals for end users that purchase many different chemicals in bulk or drum.

(iv) Product differentiation and new application

Besides market research, we also conduct research on potential substitutes for hazardous chemicals and ways to save cost by using substitute chemicals. We use the information to collaborate with our suppliers to launch improved products. Examples of some of our successful research activities are as follows:

(a) Conversion of white spirit to dearomatised hydrocarbon for application in the paint and coating industry

Traditional mineral spirits or white spirits are widely used as solvents in the paint and coating industry. Paint formulated with white spirit having aromatic concentrations generally between ten (10) and twenty-five (25) weight percent tends to have strong odour. With the technical expertise from our supplier, our Group has successfully worked with MNC coating formulators to develop low odour paint for the local market. Dearomatised hydrocarbon including specialty brands *Isopar*™ and *Exxsol*™ D-Grades are range of ExxonMobil fluids well suited to replace white spirit. The *Exxsol*™ D-Grade fluids have been dearomatised, and aromatic concentrations are less than one (1) weight percent. Thus, they have lower odour and lower order of toxicity. Low odour formulations result in fewer nuisance complaints, less interference with smell during and after application, and lead to more rapid re-entry of rooms after painting.

(b) Conversion of chlorinated solvent to *Actrel*™ cleaning fluids for application in the electronics industry

Chlorinated solvents such as MC, TCE and PCE are widely used as degreasing solvents in metal parts and precision cleaning for the electronics industry due to their effectiveness, lower cost and non-flammable nature. However, with the increased awareness on environmental issues, ExxonMobil has successfully developed *Actrel*™ cleaning fluids, which are viable alternatives to chlorinated solvents as they have no ozone-depleting potential and have comparatively high Occupational Exposure Limits, plus their lower toxicity and reduced odour translate into greater worker comfort and health.

(c) Conversion of Aromatic RPO to Paraffinic RPO for application in the rubber industry

Aromatic RPO used as extender oils in general purpose rubbers and finished tyres are known to be potentially hazardous to the environment and health. *Shell Catenex SNR*, manufactured from paraffinic distilled fraction process, is a special non-carcinogenic oil developed to replace the highly aromatic RPO. It can be used as a kneader sealing oil in rubber compounding or as an extender oil in natural and synthetic rubbers for tyre manufacturing. Our Group has worked closely with the Shell technical team to create awareness and to educate the local market on the benefits of using paraffinic RPO as compared to aromatic types in meeting the requirements of the Europe Directive (2005/69/EC).

(v) After-sales service and technical support

Our sales team also provides guidance and information with regards to HSE. For example, with the technical support from our suppliers, our sales and marketing team has assisted our customers to produce CMHR (Combustion Modified High Resilience) foam, a kind of foam that meets the British Standards BS 5852. The foams used for furniture to be exported to the UK and Europe need to conform to this standard.

(vi) Consistent supply

One of our Group's competitive edges is our ability to provide consistent supply. For the FYE 2008, our Group supplied a total of 59,350 tonnes of industrial chemical products to the local and overseas markets. Our major suppliers are mainly large MNCs, therefore we are ensured of an uninterrupted supply of products.

Most of our MNC suppliers generally have manufacturing plants all over the world. In the event of shortage of supply due to plant shut down, increase in market demand and/or raw materials shortage, our suppliers can always source it from another plant within that particular MNC. As such, we are assured of continuous supply to our customers.

Before the end of each year, our Group will set "targets" for the following year with our suppliers. Targets generally comprise volume, market share, and pricing policy, amongst others. As such, we do not expect to face any problems with regards to the sourcing of products for sale. Nevertheless, we would keep adequate stock of certain chemicals to ensure uninterrupted supply to customers.

If a product is sourced from Europe, the shipment time ranges from around one-half (1½) to two (2) months and as such we would normally keep up to 2½ months of stock to ensure consistent supply to our customers. However, if the product is from within the region and the lead time is about two (2) weeks, we would keep about a month's amount of stock. The additional stock serves as buffer in the event that there is any delay in shipment or when demand suddenly increases. Furthermore, we would build up our stock level whenever a supplier announces a scheduled plant shut down for maintenance or if there is any indication that market demand will increase.

(vii) Benefiting from market intelligence

Our suppliers are large MNCs with global footprints. They are familiar with import and export requirements of various countries of which our customers may have a presence. Our close relationships with our suppliers allow us to obtain valuable information on these countries' rules and regulations with respect to the chemicals industry. Therefore, our Group is able to use this information to educate our customers which in turn will nurture stronger relationship, satisfaction and loyalty with our customers.

Furthermore, when our suppliers launch new products, they would provide us with technical information with regard to these new products. This allows us to conduct joint marketing efforts together with our suppliers which in turn will enhance our marketing intelligence and understanding of the market.

(viii) Clientele from multiple market segments

Our products can be used in multiple application markets. The following chart sets out the revenue contribution by market segments of our Group for the FYE 2008:

Samchem Group - Revenue contribution by market segments for FYE 2008