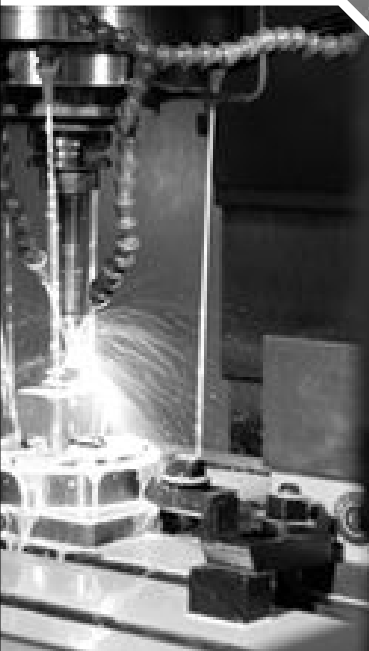


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DIRECTORS' REPORT

For The Year Ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
(Loss)/Profit attributable to :		
Shareholders of the Company	(1,396,935)	18,345,327
Minority interest	(407,755)	-
	<hr/>	<hr/>
	(1,804,690)	18,345,327

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid :

- i) A second interim dividend of 6% per share less 26% tax, totalling RM5,510,006 in respect of the financial year ended 31 December 2007 on 10 January 2008;
- ii) A first interim dividend of 6% per share less 26% tax, totalling RM5,510,006 in respect of the financial year ended 31 December 2008 on 21 August 2008; and
- iii) A second interim dividend of 4% per share less 25% tax, totalling RM3,722,977 in respect of the financial year ended 31 December 2008 on 9 January 2009.

No final dividend has been recommended by the Directors for the financial year ended 31 December 2008.

DIRECTORS' REPORT (cont'd)

For The Year Ended 31 December 2008

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are :

Tan Sri Dato' Seri Fumihiko Konishi, PSM, DGPN, DSPN, DJN
 Lee Siew Khee, Jeffrey
 Wong Kin Chai
 Yap Kee Keong
 Brian Tan Guan Hooi
 Dato' Seri Nazir Ariff Bin Mushir Ariff, DGPN, DMPN, DSPN, PKT, PJM, JP
 Danny Goon Siew Cheang
 Yong Yoon Fook, Dick

In accordance with Article 123 of the Company's Articles of Association, Tan Sri Dato' Seri Fumihiko Konishi, Dato' Seri Nazir Ariff Bin Mushir Ariff and Mr Yap Kee Keong will retire by rotation from the Board of Directors at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests and deemed interests in the shares in the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Balance at 1.1.2008	Bought	(Sold)	Balance at 31.12.2008
Ordinary shares of RM1 each				
The Company				
- Direct interest				
Tan Sri Dato' Seri Fumihiko Konishi	6,932,018	-	-	6,932,018
Yap Kee Keong	8,250	-	-	8,250
Brian Tan Guan Hooi	6,039	-	-	6,039
- Deemed interest				
Tan Sri Dato' Seri Fumihiko Konishi	@ 69,482,485	87,400	-	@ 69,569,885
Related Corporations				
Tan Sri Dato' Seri Fumihiko Konishi				
- Direct interest				
Ocean Pioneer Food Sdn. Bhd.	**** 1,000	-	-	**** 1,000
Texchem-Pack (Bangji) Sdn. Bhd.	## 1,000	-	(1,000)	-
Yap Kee Keong				
- Direct interest				
Texchem-Pack (Bangji) Sdn. Bhd.	## 1,000	-	(1,000)	-



DIRECTORS' REPORT (cont'd)
For The Year Ended 31 December 2008

DIRECTORS' INTERESTS (cont'd)

	Balance at 1.1.2008	Bought	(Sold)	Balance at 31.12.2008
Ordinary shares of RM1 each				
Related Corporations				
Brian Tan Guan Hooi				
- Direct interest				
Texchem Homey Sdn. Bhd.	#### 1	-	-	#### 1
Wong Kin Chai				
- Direct interest				
Texchem-Pack (Bangli) Sdn. Bhd.	## 1,000	-	(1,000)	-
Ordinary shares of Kyats 1,000 each				
Tan Sri Dato' Seri Fumihiko Konishi				
- Direct interest				
Myanmar Texchem Limited	** 1	-	-	** 1
Myanmar Sea Master Company Limited ^	**** 1	-	-	**** 1
Brian Tan Guan Hooi				
- Direct interest				
Myanmar Texcorp Limited	### 1	-	-	### 1
Ordinary shares of USD 1 each				
Tan Sri Dato' Seri Fumihiko Konishi				
- Direct interest				
PT. Texchem Indonesia	** 1	-	-	** 1
Ordinary shares of USD 5,000 each				
Tan Sri Dato' Seri Fumihiko Konishi				
- Direct interest				
PT. Technopia Jakarta +	-	*1	-	*1
Ordinary shares of Thai Baht 100 each				
Tan Sri Dato' Seri Fumihiko Konishi				
- Direct interest				
Texchem Materials (Thailand) Ltd.	** 1	-	-	** 1
Technopia (Thailand) Ltd.	*** 1	-	-	*** 1
Texchem Consumers (Thailand) Ltd.	*** 1	-	-	*** 1
Texchem-Pack (Thailand) Co., Ltd.	# 1	-	-	# 1
Lee Siew Khee, Jeffrey				
- Direct interest				
Texchem Materials (Thailand) Ltd.	** 1	-	-	** 1
Yap Kee Keong				
- Direct interest				
Texchem Materials (Thailand) Ltd.	** 1	-	-	** 1
Texchem-Pack (Thailand) Co., Ltd.	# 1	-	-	# 1

DIRECTORS' REPORT (cont'd)

For The Year Ended 31 December 2008

DIRECTORS' INTERESTS (cont'd)

	Balance at 1.1.2008	Bought	(Sold)	Balance at 31.12.2008
Ordinary shares of Thai Baht 100 each				
Related Corporations				
Brian Tan Guan Hooi				
- Direct interest				
Texchem Consumers (Thailand) Ltd.	*** 1	-	-	*** 1
Technopia (Thailand) Ltd.	*** 1	-	-	*** 1
Wong Kin Chai				
- Direct interest				
Texchem Materials (Thailand) Ltd.	** 1	-	-	** 1

* Share held in trust for Texchem Resources Bhd. ("TRB")

** Share held in trust for Texchem Materials Sdn. Bhd.

*** Share held in trust for Fumakilla Malaysia Berhad

**** Shares held in trust for Sea Master Trading Co. Sdn. Bhd.

Share held in trust for Texchem-Pack (M) Bhd.

Shares held in trust for Texchem-Pack Holdings (S) Ltd.

Share held in trust for Blood Protection Company (Malaysia) Sdn. Bhd.

Share held in trust for Texchem Food Sdn. Bhd.

+ Previously an associate of TRB and became a subsidiary and wholly-owned subsidiary of TRB with effect from 18 April 2008 and 4 July 2008 respectively

^ Disposed subsequent to 31 December 2008 (See Note 32)

@ Deemed interest by virtue of Tan Sri Dato' Seri Fumihiko Konishi's direct and/or indirect interest in Texchem Holdings Sdn. Bhd. and Texchem Corporation Sdn. Bhd. (both are major shareholders of the Company) and also via persons connected with him, i.e. his wife, Puan Sri Datin Seri Atsuko Konishi and his daughters, Ms Mika Konishi and Ms Mari Konishi (all are shareholders of the Company), pursuant to Sections 6A and/or 122A of the Companies Act, 1965.

By virtue of his interests in the shares in the Company, Tan Sri Dato' Seri Fumihiko Konishi is also deemed to be interested in the shares in the Company's related corporations to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2008 had any interest in the ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those transactions entered in the ordinary course of business between the Company and its related corporations with companies in which a Director is deemed to have a substantial financial interest as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except where the benefit is acquired through its related corporations.



ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up share capital of the Company and no debentures were in issue during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT (cont'd)

For The Year Ended 31 December 2008

SIGNIFICANT EVENTS

The details of such events are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENTS

The details of such events are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Tan Sri Dato' Seri Fumihiko Konishi, *PSM, DGPN, DSPN, DJN*

Lee Siew Khee, Jeffrey

Penang,
Date : 9 April 2009

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 RM	2007 RM
Assets			
Property, plant and equipment	3	205,193,197	185,673,113
Prepaid lease payments	4	16,454,613	14,845,305
Investment in associates	5	21,706,309	30,697,243
Other investments	5	3,500,000	3,507,400
Intangible assets	6	54,929,997	51,367,446
Deferred tax assets	7	1,046,558	93,231
Total non-current assets		302,830,674	286,183,738
Receivables, deposits and prepayments	8	214,899,415	268,076,366
Inventories	9	80,804,828	69,648,221
Current tax assets		10,682,497	8,712,503
Cash and cash equivalents	10	60,221,545	51,541,484
Total current assets		366,608,285	397,978,574
Total assets		669,438,959	684,162,312
Equity			
Share capital	11	124,099,235	124,099,235
Reserves	12	44,322,866	53,563,391
Total equity attributable to shareholders of the Company		168,422,101	177,662,626
Minority interest		38,850,692	44,877,754
Total equity		207,272,793	222,540,380
Liabilities			
Borrowings, unsecured	13	119,235,723	124,991,088
Deferred tax liabilities	7	7,007,159	8,112,587
Deferred liability	14	4,759,535	4,276,001
Total non-current liabilities		131,002,417	137,379,676
Payables and accruals	15	149,806,355	182,024,564
Provision	16	2,190,956	1,553,323
Borrowings, unsecured	13	173,547,073	132,476,138
Current tax liabilities		1,896,388	2,678,225
Dividend payable		3,722,977	5,510,006
Total current liabilities		331,163,749	324,242,256
Total liabilities		462,166,166	461,621,932
Total equity and liabilities		669,438,959	684,162,312

The notes on pages 70 to 124 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Continuing operations			
Revenue	17	1,430,245,938	1,257,011,833
Operating profit	17	25,494,645	47,427,238
Finance costs	19	(17,053,779)	(16,656,953)
Share of loss after tax and minority interest of equity accounted associates		(6,077,222)	(1,335,552)
Profit before tax		2,363,644	29,434,733
Tax expense	21	(4,168,334)	(7,465,278)
(Loss)/Profit for the year		(1,804,690)	21,969,455
Attributable to :			
Shareholders of the Company		(1,396,935)	18,084,461
Minority interest		(407,755)	3,884,994
(Loss)/Profit for the year		(1,804,690)	21,969,455
Basic (loss)/earnings per ordinary share (sen)	22	(1.13)	14.57
Gross dividends per ordinary share (sen)	23	10.00	12.00

The notes on pages 70 to 124 are an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2008

Note	Attributable to shareholders of the Company					Distributable			Total equity
	Share capital	Share premium	Revaluation reserve	Exchange translation reserve	Merger reserve	Capital reserve	Retained earnings	Minority interest	
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2007	124,099,235	25,568,175	1,472,190	329,145	10,615,757	1,966,157	7,791,638	42,594,568	214,436,865
Profit for the year	-	-	-	-	-	-	18,084,461	3,884,994	21,969,455
Dividends	-	-	-	-	-	-	(10,945,553)	(3,556,590)	(14,502,143)
Disposal of a subsidiary	-	(400)	-	-	(9,523,979)	-	9,524,379	-	-
Accretion arising from additional shares issued by a subsidiary	-	-	-	-	-	-	(23,369)	23,369	-
Foreign exchange translation differences	-	-	-	(1,295,210)	-	-	-	556,430	(738,780)
Net (losses)/gains recognised directly in equity	-	(400)	-	(1,295,210)	(9,523,979)	-	9,501,010	579,799	(738,780)
Transfer to capital reserve	-	-	-	-	-	572,479	(572,479)	-	-
Dilution arising from additional shares issued by a subsidiary	-	-	-	-	-	-	-	1,374,983	1,374,983
At 31 December 2007	124,099,235	25,567,775	1,472,190	(966,065)	1,091,778	2,538,636	23,859,077	44,877,754	222,540,380
	Note 11	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

For The Year Ended 31 December 2008

Note	Attributable to shareholders of the Company					Non-distributable			Distributable		Total equity
	Share capital	Share premium	Revaluation reserve	Exchange translation reserve	Merger reserve	Capital reserve	Retained earnings	Minority interest	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 1 January 2008	124,099,235	25,567,775	1,472,190	(966,065)	1,091,778	2,538,636	23,859,077	177,662,626	44,877,754	222,540,380	
Loss for the year	-	-	-	-	-	-	(1,396,935)	(1,396,935)	(407,755)	(1,804,690)	
Dividends	-	-	-	-	-	-	(9,232,983)	(9,232,983)	(2,720,023)	(11,953,006)	
Effect of change in tax rate on revaluation reserve	-	-	60,000	-	-	-	-	60,000	-	60,000	
Foreign exchange translation differences	-	-	-	(773,985)	-	-	-	(773,985)	(162,240)	(936,225)	
Dividends paid to an affiliate in prior years adjusted on consolidation	-	-	-	-	-	-	2,222,570	2,222,570	-	2,222,570	
Effect of acquiring additional interest in subsidiaries	-	-	-	-	-	-	(119,192)	(119,192)	(2,737,044)	(2,856,236)	
Net gains/(losses) recognised directly in equity	-	-	60,000	(773,985)	-	-	2,103,378	1,389,393	(2,899,284)	(1,509,891)	
Transfer to capital reserve	-	-	-	-	-	607,442	(607,442)	-	-	-	
At 31 December 2008	124,099,235	25,567,775	1,532,190	(1,740,050)	1,091,778	3,146,078	14,725,095	168,422,101	38,850,692	207,272,793	

Note 11 Note 12 Note 12 Note 12 Note 12 Note 12 Note 12 Note 12

The notes on pages 70 to 124 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Cash flows from operating activities			
Profit before tax from continuing operations		2,363,644	29,434,733
Adjustments for :			
Depreciation of property, plant and equipment	3	33,077,006	31,430,489
Amortisation of prepaid lease payments	4	288,364	289,658
Provision for Directors' retirement/resignation benefits	14	954,574	1,002,535
Provision for restoration cost, net	16	637,633	313,099
Plant and equipment written off	17	805,625	459,960
Gain on disposal of plant and equipment	17	(1,591,686)	(611,475)
Negative goodwill recognised	17	(267,014)	(411,746)
Interest income	17	(275,047)	(780,868)
Other investments written off	17	7,400	3,700
Impairment loss on plant and equipment	17	1,666,851	-
Gain on disposal of leasehold land	17	(963,583)	-
Interest expense	19	17,053,779	16,656,953
Share of loss after tax and minority interest of equity accounted associates		6,077,222	1,335,552
Gain on dilution of interest in a subsidiary	20	-	(160,019)
Gain on disposal of intangible asset	20	-	(634,169)
Gain on disposal of a subsidiary	20	-	(6,204,024)
		57,471,124	42,689,645
Operating profit before changes in working capital		59,834,768	72,124,378
Changes in working capital :			
Inventories		(6,351,210)	3,772,426
Receivables, deposits and prepayments		59,502,747	(46,391,409)
Payables and accruals		(39,524,330)	43,213,791
Cash generated from operations		73,461,975	72,719,186
Income tax paid		(7,935,826)	(8,635,967)
Directors' retirement/resignation benefits paid	14	(431,888)	(639,044)
Net cash generated from operating activities		65,094,261	63,444,175

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Cash flows from investing activities			
Proceeds from disposal of leasehold land		2,178,000	-
Disposal of a subsidiary, net cash received	A	-	10,354,074
Purchase of a subsidiary, net cash (outflow)/inflow	A	(6,723,931)	2,573,422
Purchase of investments in associates		-	(11,954,708)
Acquisition of shares from minority shareholders		(16,787,060)	-
Proceeds from disposal of intangible asset		-	1,000,000
Proceeds from disposal of plant and equipment		9,014,368	2,578,384
Purchase of property, plant and equipment	B	(46,424,347)	(31,681,710)
Interest received		275,047	780,868
Purchase of leasehold land		(105,407)	-
Net cash used in investing activities		(58,573,330)	(26,349,670)
Cash flows from financing activities			
Drawdown of term loans		2,262,000	14,079,650
Repayment of term loans		(14,589,546)	(20,918,179)
Issuance of commercial papers		10,000,000	10,000,000
Repayment of finance lease liabilities		(1,451,402)	(1,606,891)
Dividends paid to			
- shareholders of the Company		(11,020,012)	(9,965,163)
- minority shareholders		(2,720,023)	(3,556,590)
Interest paid		(17,053,779)	(16,656,953)
Drawdown/(Repayment) of borrowings (net)		33,607,606	(16,624,778)
Issue of shares to minority shareholders		-	1,990
Deposits in debt service reserve account		(221,490)	(122,638)
Net cash used in financing activities		(1,186,646)	(45,369,552)
Net increase/(decrease) in cash and cash equivalents		5,334,285	(8,275,047)
Cash and cash equivalents at 1 January		46,000,634	53,534,424
Effects of exchange differences on cash and cash equivalents		84,742	741,257
Cash and cash equivalents at 31 December	C	51,419,661	46,000,634



CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For The Year Ended 31 December 2008

NOTES :

A. *Acquisition and disposal of subsidiaries*

On 18 April 2008, the Group acquired an additional 21% interest in PT. Technopia Jakarta ("PTTJ") which resulted in PTTJ becoming a 51% owned subsidiary of the Group. During the year ended 31 December 2007, the Group acquired a wholly-owned subsidiary, New Material (Malaysia) Sdn. Bhd. ("NMM") and disposed of Texchem Consumers Sdn. Bhd.. The estimated fair values of assets acquired/disposed of and liabilities assumed/relieved are as follows :

	Note	2008 Acquisition RM	← 2007 → Acquisition RM	Disposal RM
Property, plant and equipment	3	15,033,264	528,159	2,247,882
Prepaid lease payment	4	3,288,559	-	-
Investment		-	-	3,700
Deferred tax assets	7	1,134,666	-	-
Current assets				
Inventories		4,890,005	5,759,217	28,370,617
Receivables, deposits and prepayments		5,542,727	22,740,671	52,751,386
Current tax assets		-	248,877	253,812
Cash and cash equivalents		4,955	5,573,422	5,867,014
Current liabilities				
Payables and accruals		(5,503,992)	(24,482,765)	(43,394,778)
Borrowings		(2,583,716)	(6,955,835)	(36,248,688)
Provision for Directors' retirement/resignation benefits	14	-	-	(54,969)
Net assets		21,806,468	3,411,746	9,795,976
Minority interest		(10,685,169)	-	-
Cost of investment previously accounted as investment in associate		(8,415,470)	-	-
Gain on disposal	20	-	-	6,204,024
Goodwill/(Negative goodwill) recognised		3,141,510	(411,746)	-
Share of post-acquisition profits and reserves previously accounted for under investment in associates		56,250	-	-
Total (purchase)/sale consideration satisfied by cash		(5,903,589)	(3,000,000)	16,000,000
Less : Cash and cash equivalents				
- acquired		(820,342)	5,573,422	-
- disposed of		-	-	(5,645,926)
Net cash (outflow)/inflow		(6,723,931)	2,573,422	10,354,074

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For The Year Ended 31 December 2008

A. Acquisition and disposal of subsidiaries (cont'd)

The acquisitions of PTTJ and NMM have contributed the following results to the Group :

	2008 PTTJ RM	2007 NMM RM
Revenue	26,601,358	15,663,006
(Loss)/Profit for the year	<u>(2,733,353)</u>	<u>833,275</u>

If the acquisition had occurred on 1 January 2008, management estimates that the consolidated revenue and consolidated loss for the year would have been RM1,447,620,308 (2007 : RM1,332,149,025) and RM1,483,916 (2007: consolidated profit of RM22,854,456) respectively.

B. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM49,319,331 (2007 : RM32,848,454) of which RM1,416,754 (2007 : RM968,014) was acquired by means of finance lease and RM2,066,477 (2007 : RM588,247) remained unpaid at balance sheet date.

C. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts :

	Note	2008 RM	2007 RM
Short term deposits with licensed banks (excluding debt service reserve account)		5,325,387	122,032
Cash and bank balances	10	53,680,805	50,425,589
Bank overdrafts	13	(7,586,531)	(4,546,987)
		<u>51,419,661</u>	<u>46,000,634</u>

The notes on pages 70 to 124 are an integral part of these financial statements.



BALANCE SHEET

At 31 December 2008

	Note	2008 RM	2007 RM
Assets			
Plant and equipment	3	2,519,056	2,985,389
Investment in subsidiaries	5	234,079,273	203,902,347
Investment in associates	5	26,729,303	35,144,773
Other investments	5	3,500,000	3,500,000
Long term receivable	8	2,194,000	6,582,000
Total non-current assets		269,021,632	252,114,509
Receivables, deposits and prepayments	8	66,864,330	53,066,166
Current tax assets		9,210,560	8,279,147
Cash and cash equivalents	10	3,205,242	1,602,974
Total current assets		79,280,132	62,948,287
Total assets		348,301,764	315,062,796
Equity			
Share capital	11	124,099,235	124,099,235
Reserves	12	58,984,607	49,872,263
Total equity		183,083,842	173,971,498
Borrowings, unsecured	13	105,407,866	107,139,352
Deferred liability	14	681,983	531,983
Total non-current liabilities		106,089,849	107,671,335
Payables and accruals	15	6,492,719	2,398,974
Borrowings, unsecured	13	48,912,377	25,510,983
Dividend payable		3,722,977	5,510,006
Total current liabilities		59,128,073	33,419,963
Total liabilities		165,217,922	141,091,298
Total equity and liabilities		348,301,764	315,062,796

The notes on pages 70 to 124 are an integral part of these financial statements.

INCOME STATEMENT

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Continuing operations			
Revenue	17	30,953,332	29,504,116
Operating profit	17	27,780,651	34,988,800
Finance costs	19	(9,253,834)	(8,316,264)
Profit before tax		18,526,817	26,672,536
Tax expense	21	(181,490)	(3,292,138)
Profit for the year		18,345,327	23,380,398
Gross dividends per ordinary share (sen)	23	10.00	12.00

The notes on pages 70 to 124 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2008

	Share capital RM	Non- distributable Share premium RM	Distributable Retained earnings RM	Total equity RM
At 1 January 2007	124,099,235	25,567,775	11,869,643	161,536,653
Profit for the year	-	-	23,380,398	23,380,398
Dividends (Note 23)	-	-	(10,945,553)	(10,945,553)
At 31 December 2007	124,099,235	25,567,775	24,304,488	173,971,498
Profit for the year	-	-	18,345,327	18,345,327
Dividends (Note 23)	-	-	(9,232,983)	(9,232,983)
At 31 December 2008	124,099,235	25,567,775	33,416,832	183,083,842
	Note 11	Note 12	Note 12	

The notes on pages 70 to 124 are an integral part of these financial statements.

CASH FLOW STATEMENT

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Cash flows from operating activities			
Profit before tax from continuing operations		18,526,817	26,672,536
Adjustments for :			
Depreciation of plant and equipment	3	789,207	738,007
Provision for Directors' retirement/resignation benefits	14	150,000	169,800
Interest income	17	(2,504,416)	(2,929,404)
Dividend income	17	(30,953,332)	(29,504,116)
(Gain)/Loss on disposal of plant and equipment	17	(36,959)	4,687
Interest expense	19	9,253,834	8,316,264
Gain on disposal of a subsidiary	20	-	(7,977,522)
Operating loss before changes in working capital		(4,774,849)	(4,509,748)
Changes in working capital :			
Receivables, deposits and prepayments		2,391,285	(1,522,511)
Payables and accruals		(406,255)	96,612
Cash used in operations		(2,789,819)	(5,935,647)
Dividends received		20,592,899	24,364,293
Tax refunded		3,325,948	-
Net cash generated from operating activities		21,129,028	18,428,646
Cash flows from investing activities			
Purchase of investment in subsidiaries		(21,761,456)	-
Purchase of plant and equipment	A	(231,612)	(36,479)
Purchase of investment in an associate		-	(8,415,470)
Interest received		2,504,416	2,929,404
Proceeds from disposal of a subsidiary		-	16,000,000
Proceeds from disposal of plant and equipment		42,697	29,559
Advances to subsidiaries (net)		(1,379,867)	(19,008,872)
Net cash used in investing activities		(20,825,822)	(8,501,858)



CASH FLOW STATEMENT (cont'd)

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Cash flows from financing activities			
Repayment of term loans		(5,054,000)	(6,126,021)
Issuance of commercial papers		10,000,000	10,000,000
Repayment of finance lease liabilities		(293,092)	(292,903)
Dividends paid		(11,020,012)	(9,965,163)
Interest paid		(9,253,834)	(8,316,264)
Drawdown/(Repayment) of borrowings (net)		16,920,000	(4,900,000)
Deposits in debt service reserve account		(221,490)	(122,638)
Net cash generated from/(used in) financing activities		1,077,572	(19,722,989)
Net increase/(decrease) in cash and cash equivalents		1,380,778	(9,796,201)
Cash and cash equivalents at 1 January		609,111	10,405,312
Cash and cash equivalents at 31 December	B	1,989,889	609,111

NOTES :

A. *Purchase of plant and equipment*

During the year, the Company acquired plant and equipment with an aggregate cost of RM328,612 (2007 : RM107,479) of which RM97,000 (2007 : RM71,000) were acquired by means of finance lease. The balance of RM231,612 (2007 : RM36,479) was made by cash payments.

B. *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

	Note	2008 RM	2007 RM
Cash and bank balances	10	1,989,889	609,111

The notes on pages 70 to 124 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Texchem Resources Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows :

Level 18, Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates.

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

The financial statements were approved by the Board of Directors on 9 April 2009.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRS”), accounting principles generally accepted in Malaysia and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective :

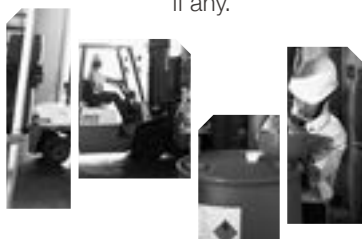
FRSs/Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

FRS 4 and IC Interpretation 9 are not applicable to the Group and the Company. Hence, no further disclosure is warranted. The Group and the Company plan to adopt the remaining FRSs/Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

FRS 8, Operating Segments

FRS 8 which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity’s chief operating decision makers in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information by its business and geographical segments. The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policies :

- i) Property, plant and equipment; and
- ii) Prepaid lease payments.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All information is presented in RM unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 3 - Property, plant and equipment;
- Note 6 - Intangible assets;
- Note 7 - Deferred tax; and
- Note 9 - Inventories.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for Texchem-Pack (M) Bhd. which is accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses.

(iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of the operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are released to the income statement upon disposal of the investment.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses.

Revalued property, plant and equipment where no revaluation policy is adopted

The Group has availed itself to the transitional provision when the MASB first adopted International Accounting Standards 16, Property, Plant and Equipment in 1998. Certain leasehold land and buildings were revalued in 1983, 1992/93 and 1994/95 and no later valuation has been recorded for these property, plant and equipment (except in the case of impairment adjustments based on a valuation).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced parts is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal annual rates used for the current and comparative periods are as follows :

	%
Buildings, office renovation and land improvements	2 - 20
Plant and machinery and other equipment	10 - 33 ¹ / ₃
Furniture, fittings and equipment	10 - 33 ¹ / ₃
Motor vehicles	16 - 20

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Certain leasehold land were revalued in 1983, 1992/93 and 1994/95 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases in 2007.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition :

- Investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value;
- Investments in non-current debt securities are stated at amortised cost using the effective interest method less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current debt and equity securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to :

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Impairment of assets

The carrying amounts of assets except for financial assets (other than investments in subsidiaries and associates), inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(m) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(o) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(p) Revenue recognition

(i) Goods sold

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

(ii) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(iii) Dividend income

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Directors' retirement/resignation benefits

The Group operates an unfunded defined benefit scheme for its Directors. Provision is made based on the length of service and fixed sum approved by the Board of Directors.

(t) Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

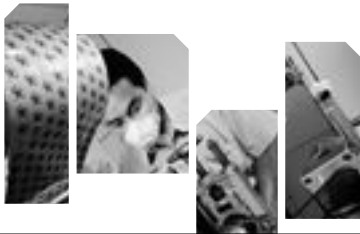
2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) Affiliate

For the purpose of these financial statements, an affiliate is one which holds a long term interest of between 20% to 50% of the Company's issued share capital and is in a position to exercise significant influence over the Company's operating and financial policies.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation		At cost					Total
	Buildings	Freehold land	Buildings, office renovation and land improvements	Plant and machinery and other equipment	Furniture, fittings and equipment	Motor vehicles	Capital expenditure-in-progress	
	RM	RM	RM	RM	RM	RM	RM	
Cost/Valuation								
At 1 January 2007	5,086,865	7,196,411	80,409,087	230,980,660	48,927,866	21,117,449	816,684	394,535,022
Additions	-	8,208,338	3,342,851	14,394,625	3,647,500	2,287,514	967,626	32,848,454
Additions through acquisition of a subsidiary	-	-	-	-	307,684	220,475	-	528,159
Disposals	-	-	-	(6,900,411)	(397,047)	(1,259,696)	-	(8,557,154)
Disposal of a subsidiary	-	-	-	(4,000)	(7,654,327)	(1,990,610)	-	(9,648,937)
Written off	-	-	-	(2,567,427)	(1,184,848)	(95,903)	(1,322)	(3,849,500)
Exchange difference	-	692,771	166,713	458,832	45,859	90,186	42,133	1,496,494
Reclassification	-	-	(162,522)	888,458	438,632	20,902	(1,185,470)	-
At 31 December 2007/ 1 January 2008	5,086,865	16,097,520	83,756,129	237,250,737	44,131,319	20,390,317	639,651	407,352,538
Additions	-	-	1,538,879	17,888,009	5,438,525	4,195,290	20,258,628	49,319,331
Additions through acquisition of a subsidiary	-	-	6,951,872	7,581,090	207,813	292,489	-	15,033,264
Disposals	-	-	(3,841,428)	(8,596,557)	(406,321)	(2,973,126)	-	(15,817,432)
Written off	-	-	(122,297)	(3,402,658)	(678,609)	-	(112,943)	(4,316,507)
Exchange difference	-	(942,891)	(2,065,020)	(3,350,272)	(430,502)	(337,458)	717,586	(6,408,557)
Reclassification	-	-	15,991,266	5,545,932	(5,128,552)	953	(16,409,599)	-
At 31 December 2008	5,086,865	15,154,629	102,209,401	252,916,281	43,133,673	21,568,465	5,093,323	445,162,637

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Group	At valuation		At cost					Total
	Buildings	Freehold land	Buildings, office renovation and land improvements	Plant and machinery and other equipment	Furniture, fittings and equipment	Motor vehicles	Capital expenditure-in-progress	
	RM	RM	RM	RM	RM	RM	RM	
Accumulated depreciation and impairment loss								
At 1 January 2007	1,417,610	-	21,641,311	139,275,685	31,457,427	13,036,134	-	206,828,167
Charge for the year	54,730	-	3,594,288	19,439,676	5,435,980	2,905,865	-	31,430,489
Disposals	-	-	-	(5,180,476)	(283,702)	(1,126,067)	-	(6,590,245)
Disposal of a subsidiary	-	-	-	(3,999)	(5,689,402)	(1,707,654)	-	(7,401,055)
Written off	-	-	-	(2,179,835)	(1,142,717)	(66,988)	-	(3,389,540)
Exchange difference	-	-	264,646	399,743	93,468	43,752	-	801,609
Reclassification	-	-	(4,186)	(26,813)	17,761	13,238	-	-
At 31 December 2007/ 1 January 2008	1,472,340	-	25,496,059	151,723,981	29,888,765	13,098,280	-	221,679,425
Charge for the year	104,730	-	4,021,294	20,952,168	4,847,701	3,151,113	-	33,077,006
Disposals	-	-	(1,016,647)	(4,552,982)	(352,776)	(2,472,345)	-	(8,394,750)
Impairment loss	-	-	312,775	1,343,800	10,276	-	-	1,666,851
Written off	-	-	(22,495)	(2,901,808)	(586,579)	-	-	(3,510,882)
Exchange difference	-	-	(1,430,330)	(2,312,933)	(510,066)	(294,881)	-	(4,548,210)
Reclassification	-	-	1,511,404	(18,196)	(1,493,163)	(45)	-	-
At 31 December 2008	1,577,070	-	28,559,285	162,890,230	31,793,882	13,482,122	-	238,302,589
- Accumulated depreciation	-	-	312,775	1,343,800	10,276	-	-	1,666,851
- Accumulated impairment loss	1,577,070	-	28,872,060	164,234,030	31,804,158	13,482,122	-	239,969,440
Carrying amounts								
At 1 January 2007	3,669,255	7,196,411	58,767,776	91,704,975	17,470,439	8,081,315	816,684	187,706,855
At 31 December 2007/ 1 January 2008	3,614,525	16,097,520	58,260,070	85,526,756	14,242,554	7,292,037	639,651	185,673,113
At 31 December 2008	3,509,795	15,154,629	73,337,341	88,682,251	11,329,515	8,086,343	5,093,323	205,193,197

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Company	Office renovation RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Cost				
At 1 January 2007	3,525,638	331,204	1,554,687	5,411,529
Additions	-	29,009	78,470	107,479
Disposals	-	(8,296)	(46,829)	(55,125)
At 31 December 2007/ 1 January 2008	3,525,638	351,917	1,586,328	5,463,883
Additions	10,800	9,663	308,149	328,612
Disposals	-	(29,160)	(97,982)	(127,142)
At 31 December 2008	3,536,438	332,420	1,796,495	5,665,353
Accumulated depreciation				
At 1 January 2007	848,764	139,093	773,509	1,761,366
Charge for the year	391,738	44,718	301,551	738,007
Disposals	-	(5,269)	(15,610)	(20,879)
At 31 December 2007/ 1 January 2008	1,240,502	178,542	1,059,450	2,478,494
Charge for the year	392,538	42,506	354,163	789,207
Disposals	-	(23,422)	(97,982)	(121,404)
At 31 December 2008	1,633,040	197,626	1,315,631	3,146,297
Carrying amounts				
At 1 January 2007	2,676,874	192,111	781,178	3,650,163
At 31 December 2007/ 1 January 2008	2,285,136	173,375	526,878	2,985,389
At 31 December 2008	1,903,398	134,794	480,864	2,519,056

3.1 Property, plant and equipment under revaluation model

The buildings of the Group are shown at Directors' valuation based on valuation exercises carried out in 1983, 1992/93 and 1994/95 by a firm of professional valuers on an open market value basis. Subsequent additions are stated at cost while deletions are at cost or valuation as appropriate.

Had the revalued buildings of the Group been carried at historical cost less accumulated depreciation, the carrying amount of the revalued buildings that would have been included in the financial statements at the end of the year would be RM3,682,356 (2007 : RM3,724,098).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

3.2 Assets under finance lease

Included in the carrying amounts of property, plant and equipment are the following assets acquired under finance leases :

	2008 RM	Group 2007 RM	Company 2008 RM	2007 RM
Motor vehicles	3,606,316	3,839,464	317,180	525,828
Plant and machinery	-	269,600	-	-

3.3 Impairment of assets

(a) Packaging Division

During the year, the Group reviewed the recoverable amount of its property, plant and equipment relating to the division's expanded polystyrene moulding products business in Vietnam as well as its profile extrusion business in view of reduced customer demand and unfavourable operating results recorded, based on the fair value less cost to sell.

Based on the review performed, the Group recognised an impairment loss of RM1,666,851.

(b) Food Division

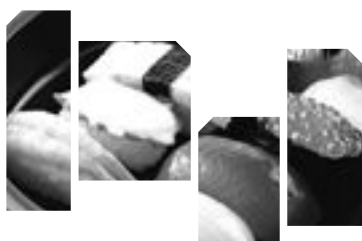
The carrying amounts of property, plant and equipment of a subsidiary are assessed by the management for impairment due to the historical and current year operating loss of the subsidiary.

The recoverable amount of the cash generating unit relating to the property, plant and equipment of the above-mentioned subsidiary were estimated based on their value in use and the terminal value of the property, plant and equipment. The value in use was determined by discounting the future cash flows generated from the continuing use of the property, plant and equipment based on the subsidiary's financial budget and approved business plan covering a period of 5 years.

The financial budget and approved business plan are determined based on management's expectations of the market growth in the industry, anticipated improvement in production yield and lower operating costs principally attributed to the expected stabilisation of the diesel price at an average price lower than those historically incurred by the subsidiary.

A pre-tax discount rate of 6.00% was applied in determining the recoverable amount of the property, plant and equipment. The discount rate was estimated based on the Group's weighted average cost of capital.

Based on the impairment review performed, the recoverable amount of the property, plant and equipment exceeded the carrying amount.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PREPAID LEASE PAYMENTS - GROUP

	Note	Unexpired period less than 50 years RM	Unexpired period more than 50 years RM	Total RM
Cost				
At 1 January 2007		9,967,001	8,552,940	18,519,941
At 31 December 2007/ 1 January 2008		9,967,001	8,552,940	18,519,941
Addition		105,407	-	105,407
Addition through acquisition of a subsidiary		3,288,559	-	3,288,559
Disposal		-	(1,481,000)	(1,481,000)
Exchange difference		(281,877)	-	(281,877)
At 31 December 2008		13,079,090	7,071,940	20,151,030
Accumulated amortisation				
At 1 January 2007		2,390,375	994,603	3,384,978
Amortisation for the year	17	193,584	96,074	289,658
At 31 December 2007/ 1 January 2008		2,583,959	1,090,677	3,674,636
Amortisation for the year	17	193,938	94,426	288,364
Disposal		-	(266,583)	(266,583)
At 31 December 2008		2,777,897	918,520	3,696,417
Carrying amounts				
At 1 January 2007		7,576,626	7,558,337	15,134,963
At 31 December 2007/ 1 January 2008		7,383,042	7,462,263	14,845,305
At 31 December 2008		10,301,193	6,153,420	16,454,613

4.1 Prepaid lease payments previously under revaluation model

The prepaid lease payments of the Group were previously shown at Directors' valuation based on valuation exercises carried out in 1983, 1992/93 and 1994/95 by a firm of professional valuers on an open market value basis.

Upon the adoption of FRS 117, Leases in 2007, the Group has retained the unamortised amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Subsidiaries				
Quoted shares, at cost	-	-	32,919,722	32,919,722
Unquoted shares, at cost	-	-	201,159,551	170,982,625
	-	-	234,079,273	203,902,347
Associates				
Unquoted shares, at cost	33,807,780	42,223,249	26,729,303	35,144,773
Share of post acquisition reserves	(12,101,471)	(11,526,006)	-	-
	21,706,309	30,697,243	26,729,303	35,144,773
Other investments				
Unquoted bond	3,500,000	3,500,000	3,500,000	3,500,000
Quoted shares in Malaysia	-	7,400	-	-
	3,500,000	3,507,400	3,500,000	3,500,000
	25,206,309	34,204,643	264,308,576	242,547,120
Market value of quoted shares	-	2,400	35,465,093	44,837,000



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Texchem Materials Sdn. Bhd.	Malaysia	Trading of dyestuffs, textile auxiliaries and chemicals used in the electronics, plastics and other manufacturing industries, renting of properties and investment holding	100.00	100.00
Fumakilla Malaysia Berhad	Malaysia	Manufacture and sale of household insecticides and investment holding	87.29	87.27
Texchem Food Sdn. Bhd.	Malaysia	Investment holding and sale and marketing of marine products	100.00	90.29
Sushi Kin Sdn. Bhd.	Malaysia	Operation of a chain of retail sushi outlets	100.00	100.00
Texchem-Pack Holdings (S) Ltd. #	Singapore	Investment holding	70.48	70.48
PT. Technopia Jakarta ("PTTJ") * ###	Indonesia	To produce and sell mosquito coils for local and export markets	^ 100.00	-
Subsidiaries of Texchem Materials Sdn. Bhd.				
Texchem Singapore Private Limited *	Singapore	Dealers in chemicals, plastic resins and other products and sales commission agents	100.00	100.00
Myanmar Texchem Limited *	Myanmar	Dormant	100.00	100.00
Texchem Materials (Thailand) Ltd. #	Thailand	Trading of chemicals, dyestuffs and resins	100.00	100.00
Texchem Materials (Vietnam) Co., Ltd. * @	Vietnam	Conducting import and export of chemical and plastic materials	100.00	-
Texchem Malaysia Sdn. Berhad	Malaysia	Manufacture and sale of textile auxiliaries, chemicals and finishing resins	100.00	100.00
PT. Texchem Indonesia *	Indonesia	Trading in export and import of chemicals materials	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the subsidiaries are as follows : (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Subsidiaries of Texchem Materials Sdn. Bhd. (cont'd)				
Texchem Trading (Wuxi) Co., Ltd. *	People's Republic of China	Trading in chemicals, dyestuffs and resins	100.00	100.00
New Material (Malaysia) Sdn. Bhd.	Malaysia	Trading and acting as agent in foreign and local electronic component parts and general merchandise	100.00	100.00
Subsidiary of New Material (Malaysia) Sdn. Bhd.				
New Material Hong Kong Limited ## *	Hong Kong	Trading and acting as agent in foreign and local electronic component parts and general merchandise	100.00	-
Subsidiaries of Texchem-Pack Holdings (S) Ltd.				
Texchem-Pack (M) Bhd.	Malaysia	Manufacture and sale of thermoformed packaging products and embossed carrier tapes and investment holding	70.48	70.48
Texchem Polymers Sdn. Bhd.	Malaysia	Manufacture and sale of extruded plastic sheets and polymer compounds and providing consultation services	70.48	70.48
Eye Graphic Sdn. Bhd.	Malaysia	Trading, designing and manufacturing of flexo photopolymer printing plates	70.48	70.48
Texchem-Pack (Bangji) Sdn. Bhd.	Malaysia	Manufacture of plastic engineering precision parts	70.48	64.14
Texchem-Pack (HK) Limited *	Hong Kong	Dormant	70.48	70.48



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the subsidiaries are as follows : (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Subsidiaries of Texchem-Pack (M) Bhd.				
Texchem-Pack (Thailand) Co., Ltd. #	Thailand	Manufacture and sale of thermoformed packaging products, precision injection moulded trays/parts and mould and tooling	70.48	70.48
Texchem-Pack (Johor) Sdn. Bhd.	Malaysia	Manufacture and sale of thermoformed packaging products	70.48	70.48
Texchem-Pack (Wuxi) Co., Ltd. *	People's Republic of China	Manufacture and sale of thermoformed packaging products and precision injection moulded trays/parts	70.48	70.48
Texchem-Pack (KL) Sdn. Bhd.	Malaysia	Manufacture and sale of expanded polystyrene products, heavy-duty triple wall corrugated carton products, thermoformed packaging products, shipping rails and investment holding	70.48	70.48
Texchem-Pack (PP) Sdn. Bhd.	Malaysia	Manufacture and sale of shipping rails, profiles and precision injection moulded trays/parts	70.48	70.48
Texchem-Pack (Vietnam) Co., Ltd. ("TXPV") # **	Vietnam	Manufacture and sale of expanded polystyrene products, heavy-duty triple wall corrugated carton products and thermoformed packaging parts and provision of packaging product design services	70.48	70.48
Subsidiary of Eye Graphic Sdn. Bhd.				
Eye Graphic (Vietnam) Co., Ltd. #	Vietnam	Designing and manufacturing of flexo printing plates	70.48	70.48

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the subsidiaries are as follows : (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Subsidiaries of Fumakilla Malaysia Berhad				
Technopia Vietnam Pte. Ltd. #	Vietnam	Produce and trade various kinds of household insecticides	87.29	87.27
Texchem Consumers (Thailand) Ltd. *	Thailand	Dormant	87.29	87.27
Ting Tai Industries (Malaysia) Sdn. Berhad	Malaysia	Renting of property, plant and equipment	87.29	87.27
Technopia (Thailand) Ltd. #	Thailand	Manufacture and trading of mosquito coil	83.72	83.70
Texchem Consumers (Cambodia) Ltd. *	Cambodia	Dormant	87.29	87.27
Subsidiary of Ting Tai Industries (Malaysia) Sdn. Berhad				
Blood Protection Company (Malaysia) Sdn. Bhd.	Malaysia	Trading of household insecticides and renting of machinery	87.29	87.27
Subsidiaries of Blood Protection Company (Malaysia) Sdn. Bhd.				
Zenith Enterprises Sdn. Berhad ^^^	Malaysia	Dormant	-	87.27
Myanmar Texcorp Limited *	Myanmar	Agency, technical, business, management consulting and advisory services	87.29	87.27
Subsidiaries of Texchem Food Sdn. Bhd.				
A.S.K. Andaman Limited *	Myanmar	Manufacture and marketing of surimi, fishmeal and other marine products	90.00	81.26
Sea Master Trading Co. Sdn. Bhd.	Malaysia	Manufacture, wholesale and export of seafood products	100.00	90.29
Seapack Italia S.r.l. ^^ @@	Italy	Dormant	100.00	81.26
Texchem Homey Sdn. Bhd.	Malaysia	Dormant	100.00	90.29



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the subsidiaries are as follows : (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Subsidiaries of Sea Master Trading Co. Sdn. Bhd.				
Myanmar Sea Master Company Limited * @@@	Myanmar	Dormant	100.00	90.29
Ocean Pioneer Food Sdn. Bhd.	Malaysia	Manufacture, wholesale and export of seafood products	91.72	82.82

* KPMG are not the auditors

** Previously a wholly-owned subsidiary of Texchem-Pack (KL) Sdn. Bhd. ("TXPKL"). On 30 September 2008, TXPKL transferred all its equity interest in TXPV to Texchem-Pack (M) Bhd. ("TXPM"). Subsequent to the transfer, TXPV became a wholly-owned subsidiary of TXPM.

^ Shares held in trust for Texchem Resources Bhd. ("TRB") by Texchem Corporation Sdn. Bhd. ("Texcorp")

^^ The unaudited management financial statements of Seapack Italia S.r.l. were consolidated in the Group financial statements as this subsidiary was not required by the local legislation to have its financial statements audited

^^^ Dissolved on 14 August 2008

Audited by other member firms of KPMG International

Became a subsidiary of New Material (Malaysia) Sdn. Bhd. with effect from 10 June 2008

Previously an associate of TRB and became a subsidiary and wholly-owned subsidiary of TRB with effect from 18 April 2008 and 4 July 2008 respectively

@ Incorporated on 16 October 2008

@@ Became a wholly-owned subsidiary of Texchem Food Sdn. Bhd. with effect from 11 November 2008

@@@ Disposed subsequent to 31 December 2008 (See Note 32)

Details of the associates are as follows :

Name of associates	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Texchem Corporation Sdn. Bhd.	Malaysia	Investment holding and provision of management services for Texchem Group	49.88	49.88
PT. Technopia Jakarta	Indonesia	To produce and sell mosquito coils for local and export markets	-	* 30.00

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS (cont'd)

Details of the associates are as follows : (cont'd)

Name of associates	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
M.A.C. Technology (Malaysia) Sdn. Bhd. ("MAC")	Malaysia	Manufacture of all types of mechatronics components for electronics and automobile industries, precision mould for engineering parts, high-tech ceramics precision parts and ultra precision parts	21.14	21.14

* Shares held in trust for TRB by Texcorp
The financial year end of the above associates is 31 December.

Summary financial information on associates:

	Revenue (100%) RM	Profit/(Loss) (100%) RM	Total assets (100%) RM	Total liabilities (100%) RM
Group 2008				
Texcorp	48,031,410	(7,122,195)	79,574,950	39,056,997
MAC	56,540,000	(57,000)	33,041,000	4,219,000
	<u>104,571,410</u>	<u>(7,179,195)</u>	<u>112,615,950</u>	<u>43,275,997</u>
2007				
Texcorp	100,051,704	792,212	123,615,574	70,305,566
PTTJ	51,814,808	1,140,128	30,209,992	8,875,050
MAC	60,787,770	3,502,433	36,653,458	8,978,156
	<u>212,654,282</u>	<u>5,434,773</u>	<u>190,479,024</u>	<u>88,158,772</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INTANGIBLE ASSETS - GROUP

	Goodwill on consolidation RM	Trademarks RM	Total RM
Cost			
At 1 January 2007	49,750,271	365,831	50,116,102
Acquisition of additional equity interests in subsidiaries	1,617,175	-	1,617,175
Disposal	-	(365,831)	(365,831)
At 31 December 2007/1 January 2008	51,367,446	-	51,367,446
Acquisition of additional equity interests in subsidiaries	3,562,551	-	3,562,551
At 31 December 2008	54,929,997	-	54,929,997

Acquisition of subsidiaries and minority interest

During the year, the Group acquired additional interests in PT. Technopia Jakarta ("PTTJ") and Texchem Food Sdn. Bhd. ("TFSB") for a total cash consideration of RM19.6 million and RM1.98 million respectively. Arising from these acquisitions, the Group recognised an increase in goodwill of RM3,562,551.

The goodwill recognised is attributable mainly to the acquisition of PTTJ which is expected to give rise to synergies with the other existing businesses of the Group involved in the household insecticides industry.

In April 2008, Texchem-Pack Holdings (S) Ltd. ("TXPHS"), a subsidiary of the Company, acquired the remaining 9% interest in Texchem-Pack (Bangli) Sdn. Bhd. for a total cash consideration of RM810,000. The acquisition resulted in a negative goodwill of RM267,014 which is recognised immediately in the income statement. The negative goodwill represents a bargain purchase.

The Group also acquired an additional 0.02% interest in Fumakilla Malaysia Berhad, increasing its ownership from 87.27% to 87.29% for a total cash consideration of RM14,158. The acquisition did not result in any goodwill being recognised.

As a result of the above acquisitions, the Group recognised a decrease in minority interest of RM2,737,044.

Impairment testing for goodwill

The aggregate carrying amount of goodwill on consolidation is allocated to the respective cash generating units ("CGU") for the purpose of annual impairment testing as described below.

- (i) Packaging Division (RM20.2 million)
- (ii) Industrial Division (RM13.4 million)
- (iii) Family Care Division (RM9.5 million)
- (iv) Food Division (RM11.8 million)

The Group has determined the recoverable amount of the goodwill relating to the above CGUs based on value in use calculations for each of the division. These calculations were determined using projected cash flows based on financial budgets and a five-year approved business plan extrapolated using growth rates determined based on historical experience, management's assessment of future trends and expectations of market developments in the respective industries.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INTANGIBLE ASSETS - GROUP (cont'd)

Impairment testing for goodwill (cont'd)

The key assumptions on which the cash flow projections are based relate to discount rates, sales growth rates and expected changes in operating costs. The projected cash flows also took into consideration the projected terminal values for property, plant and equipment of the respective divisions and the estimated market value of the trademarks owned by the Family Care Division.

In determining the recoverable amount of the CGUs, the respective projected cash flows were discounted using pre-tax discount rates ranging from 6.00% to 7.25% which are specific to the relevant CGUs.

7. DEFERRED TAX - GROUP

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	2008 RM	2007 RM
<i>Deferred tax assets</i>		
Tax loss carry-forwards	249,338	-
Capital allowance carry-forwards	694,638	-
Other temporary differences	102,582	93,231
	<hr/>	<hr/>
	1,046,558	93,231
<i>Deferred tax liabilities</i>		
Property, plant and equipment		
- capital allowances	5,554,717	6,499,616
- revaluation (including prepaid lease payments)	3,341,002	3,369,108
Other temporary differences	(1,888,560)	(1,756,137)
	<hr/>	<hr/>
	7,007,159	8,112,587

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Deferred tax assets on tax loss carry-forwards, capital allowance carry-forwards are recognised when management considered it probable that future taxable profits will be available against which they can be utilised.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. DEFERRED TAX - GROUP (cont'd)

Movements in temporary differences during the year are as follows :

	At 1 January 2007	Charged to income statement	Exchange difference	At 31 December 2007/ 2008	Charged to income statement	Acquisition of a subsidiary	Recognised in equity	Exchange difference	At 31 December 2008
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Deferred tax assets	(171,039)	77,808	-	(93,231)	83,226	(1,134,666)	-	98,113	(1,046,558)
Deferred tax liabilities	7,605,460	505,096	2,031	8,112,587	(1,048,208)	-	(60,000)	2,780	7,007,159
	7,434,421	582,904	2,031	8,019,356	(964,982)	(1,134,666)	(60,000)	100,893	5,960,601

Note 21

Note 21

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. DEFERRED TAX - GROUP (cont'd)

Unrecognised deferred tax assets

No deferred tax has been recognised for the following items :

	2008 RM	2007 RM (Restated)
Tax loss carry-forwards	4,526,000	2,413,000
Capital allowance carry-forwards	9,321,000	6,526,000
Other temporary differences	(3,018,000)	(3,598,000)
	10,829,000	5,341,000

The tax loss carry-forwards, capital allowance carry-forwards and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

The comparative figures have been restated to reflect the revised tax loss carry-forwards and capital allowance carry-forwards available to the Group.

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Trade					
Trade receivables		181,699,335	240,114,449	-	-
Associates	8.3	4,148,946	1,506,345	-	-
		185,848,281	241,620,794	-	-
Less : Allowance for doubtful debts		(1,871,716)	(1,862,753)	-	-
		183,976,565	239,758,041	-	-
Non-trade					
Subsidiaries	8.2	-	-	57,678,080	47,410,213
Associates	8.3	329,287	2,569,050	151,956	2,403,910
Deposits		5,754,394	4,432,820	225,120	225,120
Prepayments		9,867,717	7,532,007	2,864,399	2,974,358
Other receivables		15,071,508	13,784,448	23,193	52,565
Dividend receivable from subsidiaries		-	-	5,921,582	-
		31,022,906	28,318,325	66,864,330	53,066,166
Less : Allowance for doubtful debts		(100,056)	-	-	-
		214,899,415	268,076,366	66,864,330	53,066,166



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Long term receivable					
Amount due from a subsidiary - non-trade	8.2	-	-	2,194,000	6,582,000

8.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	2008 RM	Group 2007 RM
USD	52,285,675	55,681,562
JPY	5,184,393	2,256,490
RMB	2,388,771	2,515,333

8.2 Amount due from subsidiaries

Included in the amount due from subsidiaries in current assets is RM33,569,994 (2007 : RM37,569,994) which earns interest at rates ranging from 5.23% to 7.50% (2007 : 4.84% to 7.00%) per annum. Except as disclosed above, the non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

The long term receivable represents advances due from a subsidiary which are unsecured, earns interest at a fixed rate of 7.00% (2007 : 7.00%) per annum and are not repayable within the next twelve months.

8.3 Amount due from associates

The trade amount due from associates is subject to normal trade terms.

The non-trade amount due from associates are unsecured, interest-free and repayable on demand.

9. INVENTORIES - GROUP

	2008 RM	2007 RM
Raw materials	21,967,849	16,630,514
Work-in-progress	2,053,650	3,111,730
Manufactured inventories	26,906,315	19,996,629
Trading inventories	29,877,014	29,909,348
	80,804,828	69,648,221

During the financial year, the Group wrote down inventories to their net realisable values amounting to RM2,320,270. The amount of inventories written back during the previous financial year amounted to RM366,655.

The write down or write back is based on management's estimate of the net realisable values after taking into consideration the age of the inventories and developments affecting the industries in which the Group operates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Short term deposits with licensed banks	10.1	6,540,740	1,115,895	1,215,353	993,863
Cash and bank balances		53,680,805	50,425,589	1,989,889	609,111
		<u>60,221,545</u>	<u>51,541,484</u>	<u>3,205,242</u>	<u>1,602,974</u>

10.1 Short term deposits with licensed banks

Included in the short term deposits with licensed banks of the Group and of the Company is RM1,215,353 (2007 : RM993,863) representing amount invested in debt service reserve account set aside solely for the payment of interest.

10.2 Analysis of foreign currency exposure for significant cash and cash equivalents

Significant cash and cash equivalents outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group	
	2008 RM	2007 RM
USD	14,600,516	10,496,897
JPY	1,101,094	3,148,904
SGD	<u>329,287</u>	<u>8,996</u>

11. SHARE CAPITAL - GROUP/COMPANY

	2008		2007	
	RM	Number of shares	RM	Number of shares
Ordinary shares of RM1 each :				
Authorised	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>124,099,235</u>	<u>124,099,235</u>	<u>124,099,235</u>	<u>124,099,235</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. RESERVES

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Non-distributable :					
Share premium		25,567,775	25,567,775	25,567,775	25,567,775
Revaluation reserve	12.1	1,532,190	1,472,190	-	-
Exchange translation reserve	12.2	(1,740,050)	(966,065)	-	-
Merger reserve		1,091,778	1,091,778	-	-
Capital reserve	12.3	3,146,078	2,538,636	-	-
		<u>29,597,771</u>	<u>29,704,314</u>	<u>25,567,775</u>	<u>25,567,775</u>
Distributable :					
Retained earnings	12.4	14,725,095	23,859,077	33,416,832	24,304,488
		<u>44,322,866</u>	<u>53,563,391</u>	<u>58,984,607</u>	<u>49,872,263</u>

The movement in the reserves are disclosed in the statements of changes in equity.

12.1 Revaluation reserve

The non-distributable revaluation reserve of the Group represents unrealised surplus on revaluation of properties.

12.2 Exchange translation reserve

The exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

12.3 Capital reserve

The non-distributable capital reserve of the Group represents the statutory reserve of foreign subsidiaries as required by the respective foreign legislations.

12.4 Section 108 tax credit and exempt income account

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute its entire retained earnings at balance sheet date if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution. The Company has not made this election. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. BORROWINGS, UNSECURED

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current :				
Bank overdrafts	7,586,531	4,546,987	-	-
Bankers' acceptances	61,814,041	62,463,563	-	-
Revolving credit	75,568,445	46,240,223	37,100,000	20,180,000
Term loans				
- Fixed rate	1,024,128	2,122,912	-	750,000
- Variable rate	7,557,328	11,209,063	1,612,000	4,304,000
Trust receipts	7,739,972	4,200,952	-	-
Foreign currency trade line	1,162,426	-	-	-
Commercial papers	10,000,000	-	10,000,000	-
Promissory notes	-	435,893	-	-
	172,452,871	131,219,593	48,712,000	25,234,000
Finance lease liabilities	1,094,202	1,256,545	200,377	276,983
	<u>173,547,073</u>	<u>132,476,138</u>	<u>48,912,377</u>	<u>25,510,983</u>
Non-current :				
Commercial papers	70,000,000	70,000,000	70,000,000	70,000,000
Term loans				
- Fixed rate	4,551,680	6,113,632	-	-
- Variable rate	7,961,852	12,257,024	299,535	1,911,535
Collateralised loan obligations	35,000,000	35,000,000	35,000,000	35,000,000
	117,513,532	123,370,656	105,299,535	106,911,535
Finance lease liabilities	1,722,191	1,620,432	108,331	227,817
	<u>119,235,723</u>	<u>124,991,088</u>	<u>105,407,866</u>	<u>107,139,352</u>

13.1 Interest rates

The term loans of the Group and of the Company are repayable by equal monthly/quarterly instalments over a period of 2 to 7 years. The fixed rate term loans of the Group and of the Company bear interest at 5.70% (2007 : 5.60% to 6.10%) per annum and Nil (2007 : 5.60%) per annum respectively. The variable rate term loans of the Group and of the Company bear interest at rates ranging from 0.75% to 1.75% (2007 : 0.75% to 1.75%) per annum above the respective bankers' base lending rates or cost of funds as the case may be.

The collateralised loan obligations bear interest at a fixed rate of 6.90% (2007 : 6.90%) per annum and is subject to a bullet payment in year 2011.

The commercial papers are subject to interest at rates ranging from 5.85% to 6.06% (2007 : 5.11% to 5.70%) per annum. The commercial papers were issued under a 7-year underwriting programme and the entire amount will be fully redeemed upon maturity.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. BORROWINGS, UNSECURED (cont'd)

13.1 Interest rates (cont'd)

Finance lease liabilities of the Group and of the Company are subject to fixed interest at rates ranging from 2.32% to 4.56% (2007 : 1.75% to 4.95%) per annum and 2.35% to 4.10% (2007 : 2.55% to 4.10%) per annum respectively.

Other bank borrowings of the Group and of the Company are subject to interest at rates ranging from 0.50% to 10.5% (2007 : 0.50% to 8.55%) and 0.75% to 1.00% (2007: 0.75% to 1.00%) per annum respectively above the respective bankers' base lending rates or cost of funds as the case may be. The bank borrowings of a subsidiary in Indonesia are subject to interest at rates ranging from 0.25% to 2.75% (2007 : Nil) per annum below the banks' base lending rates.

13.2 Terms and debts repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2008						
Bank overdrafts						
- RM		5,105,704	5,105,704	-	-	-
- SGD		983,379	983,379	-	-	-
- USD		469,124	469,124	-	-	-
- IDR		1,028,324	1,028,324	-	-	-
Bankers' acceptances						
- RM	2009	60,751,000	60,751,000	-	-	-
- THB	2009	1,063,041	1,063,041	-	-	-
Revolving credit						
- RM	2009	70,900,000	70,900,000	-	-	-
- USD	2009	1,051,200	1,051,200	-	-	-
- VND	2009	2,977,245	2,977,245	-	-	-
- IDR	2009	640,000	640,000	-	-	-
Term loans						
- RM	2009-2012	9,352,816	4,355,464	2,062,140	2,935,212	-
- USD	2009	1,250,908	1,250,908	-	-	-
- SGD	2009-2012	4,020,500	1,056,000	1,056,000	1,908,500	-
- THB	2009-2014	5,791,129	1,239,449	1,024,128	3,072,384	455,168
- VND	2009	679,635	679,635	-	-	-
Trust receipts						
- VND	2009	85,729	85,729	-	-	-
- USD	2009	4,948,927	4,948,927	-	-	-
- THB	2009	2,705,316	2,705,316	-	-	-
Collateralised loan obligations						
- RM	2011	35,000,000	-	-	35,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. BORROWINGS, UNSECURED (cont'd)

13.2 Terms and debts repayment schedule (cont'd)

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Finance lease liabilities						
- RM	2009-2015	2,541,395	974,100	677,718	882,698	6,879
- SGD	2009	11,463	11,463	-	-	-
- THB	2009-2010	263,535	108,639	95,806	59,090	-
Commercial papers						
- RM	2009-2012	80,000,000	10,000,000	20,000,000	50,000,000	-
Foreign currency trade line						
- USD	2009	1,162,426	1,162,426	-	-	-
		292,782,796	173,547,073	24,915,792	93,857,884	462,047

Group

2007

Bank overdrafts						
- RM		4,146,894	4,146,894	-	-	-
- THB		400,093	400,093	-	-	-
Bankers' acceptances						
- RM	2008	61,482,010	61,482,010	-	-	-
- THB	2008	981,553	981,553	-	-	-
Revolving credit						
- RM	2008	43,480,000	43,480,000	-	-	-
- USD	2008	2,082,343	2,082,343	-	-	-
- VND	2008	677,880	677,880	-	-	-
Promissory notes						
- THB	2008	435,893	435,893	-	-	-
Term loans						
- RM	2008 - 2012	16,383,557	9,123,772	4,139,757	3,120,028	-
- USD	2009	2,718,177	1,755,600	962,577	-	-
- THB	2014	7,793,897	1,440,603	1,362,574	3,368,736	1,621,984
- SGD	2008 - 2012	4,807,000	1,012,000	1,012,000	2,783,000	-
Trust receipts						
- SGD	2008	4,200,952	4,200,952	-	-	-
Collateralised loan obligations						
- RM	2011	35,000,000	-	-	35,000,000	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. BORROWINGS, UNSECURED (cont'd)

13.2 Terms and debts repayment schedule (cont'd)

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Finance lease liabilities						
- RM	2008 - 2015	2,478,620	996,576	758,007	707,563	16,474
- SGD	2008 - 2009	70,187	59,318	10,869	-	-
- THB	2009 - 2010	328,170	200,651	77,646	49,873	-
Commercial papers						
- RM	2010 - 2012	70,000,000	-	-	70,000,000	-
		257,467,226	132,476,138	8,323,430	115,029,200	1,638,458

Company

2008

Revolving credit						
- RM	2009	37,100,000	37,100,000	-	-	-
Term loans						
- RM	2009 - 2010	1,911,535	1,612,000	299,535	-	-
Collateralised loan obligations						
- RM	2011	35,000,000	-	-	35,000,000	-
Finance lease liabilities						
- RM	2009 - 2011	308,708	200,377	44,318	64,013	-
Commercial papers						
- RM	2009 - 2012	80,000,000	10,000,000	20,000,000	50,000,000	-
		154,320,243	48,912,377	20,343,853	85,064,013	-

2007

Revolving credit						
- RM	2008	20,180,000	20,180,000	-	-	-
Term loans						
- RM	2008 - 2010	6,965,535	5,054,000	1,612,000	299,535	-
Collateralised loan obligations						
- RM	2011	35,000,000	-	-	35,000,000	-
Finance lease liabilities						
- RM	2008 - 2011	504,800	276,983	181,944	45,873	-
Commercial papers						
- RM	2010 - 2012	70,000,000	-	-	70,000,000	-
		132,650,335	25,510,983	1,793,944	105,345,408	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. BORROWINGS, UNSECURED (cont'd)

13.3 Covenants

The commercial papers are subject to the fulfilment of the following significant covenants amongst other affirmative and negative covenants :

- i) The Group's Debt Service Cover Ratio shall not be less than 1.2 times; and
- ii) The Group's Debt to Equity Ratio shall not exceed 2.8 : 1 for the first three years and 2.3 : 1 from the fourth year to the seventh year.

13.4 Finance lease liabilities

Finance lease liabilities are payable as follows :

	← 2008 →	← 2007 →				
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Group						
Less than 1 year	1,243,104	148,902	1,094,202	1,403,793	147,248	1,256,545
Between 1 and 5 years	1,901,020	185,708	1,715,312	1,786,489	182,531	1,603,958
Over 5 years	9,462	2,583	6,879	28,532	12,058	16,474
	3,153,586	337,193	2,816,393	3,218,814	341,837	2,876,977
Company						
Less than 1 year	210,410	10,033	200,377	298,465	21,482	276,983
Between 1 and 5 years	115,477	7,146	108,331	237,357	9,540	227,817
	325,887	17,179	308,708	535,822	31,022	504,800

14. Deferred liability

Directors' retirement/resignation benefits

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Balance at beginning of year	4,276,001	3,906,354	531,983	362,183
Provision made during the year (Note 17)	954,574	1,002,535	150,000	169,800
Amount paid	(431,888)	(639,044)	-	-
Disposal of a subsidiary	-	(54,969)	-	-
Exchange difference	(39,152)	61,125	-	-
Balance at end of year	4,759,535	4,276,001	681,983	531,983



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Trade					
Trade payables		92,768,472	126,733,472	-	-
Associates	15.2	125,575	230,407	-	-
		<u>92,894,047</u>	<u>126,963,879</u>	<u>-</u>	<u>-</u>
Non-trade					
Subsidiary	15.3	-	-	4,500,000	-
Associates	15.2	1,584,015	3,341,625	481	-
Other payables		24,079,984	16,003,056	799,516	723,199
Accrued expenses		31,248,309	35,716,004	1,192,722	1,675,775
		<u>56,912,308</u>	<u>55,060,685</u>	<u>6,492,719</u>	<u>2,398,974</u>
		<u>149,806,355</u>	<u>182,024,564</u>	<u>6,492,719</u>	<u>2,398,974</u>

15.1 Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	2008 RM	Group 2007 RM
USD	35,706,039	66,000,837
JPY	12,296,982	17,160,461
RMB	4,207,401	4,158,867

15.2 Amount due to associates

The trade payables due to associates are subject to normal trade terms.

The non-trade payables due to associates are unsecured, interest-free and payable on demand.

15.3 Amount due to a subsidiary

The non-trade amount due to a subsidiary is unsecured, interest-free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. PROVISION - GROUP

	2008 RM	2007 RM
Balance at beginning of year	1,553,323	1,240,224
Provision made during the year	669,133	391,496
Write back during the year	(31,500)	(78,397)
	637,633	313,099
Balance at end of year	<u>2,190,956</u>	<u>1,553,323</u>

The provision is in relation to the restoration cost for the rented premises of a subsidiary. The provision is made based on historical expenses incurred on restoration cost which represents management's estimate of the liability that the subsidiary will incur when the leases are terminated.

17. OPERATING PROFIT

	2008 RM	2007 RM
Group		
Revenue		
- Invoiced/Contracted value of goods sold less discounts and returns	1,430,245,938	1,257,011,833
Cost of sales	(1,200,580,587)	(1,022,075,430)
Gross profit	<u>229,665,351</u>	<u>234,936,403</u>
Distribution costs	(102,473,069)	(100,662,139)
Administrative expenses	(106,260,567)	(101,864,422)
Other operating expenses	(8,642,440)	(4,752,848)
Other income	13,205,370	19,770,244
Operating profit	<u>25,494,645</u>	<u>47,427,238</u>
Company		
Revenue		
- Dividend income	30,953,332	29,504,116
Administrative expenses	(5,718,148)	(5,715,311)
Other income	2,545,467	11,199,995
Operating profit	<u>27,780,651</u>	<u>34,988,800</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. OPERATING PROFIT (cont'd)

Operating profit is arrived at :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
After charging :				
Allowance for doubtful debts	526,733	-	-	-
Amortisation of prepaid lease payment (Note 4)	288,364	289,658	-	-
Auditors' remuneration				
- current year	864,436	817,064	17,000	17,000
- prior year	(2,646)	3,884	(2,550)	-
Bad debts written off	-	3,259	-	-
Directors' emoluments				
Directors of the Company				
- fees	3,073,633	3,621,220	660,000	1,140,000
- others	4,923,162	4,356,338	1,213,488	1,155,415
Other Directors				
- fees	2,263,631	2,606,949	-	-
- others	8,710,971	8,788,283	-	-
Directors' retirement/ resignation benefits (Note 14)	954,574	1,002,535	150,000	169,800
Depreciation on property, plant and equipment (Note 3)	33,077,006	31,430,489	789,207	738,007
Inventories written down, net (Note 9)	2,320,270	-	-	-
Inventories written off	-	107	-	-
Impairment loss on plant and equipment (Note 3)	1,666,851	-	-	-
Loss on disposal of plant and equipment	-	-	-	4,687
Loss on foreign exchange				
- Realised, net	-	-	192	5,575
- Unrealised, net	1,564,208	500,135	-	-
Other investments written off	7,400	3,700	-	-
Plant and equipment written off	805,625	459,960	-	-
Rental of premises	18,155,740	13,660,065	68,773	75,548
Research and development expenses	1,067,856	1,122,457	-	-
And crediting :				
Allowance for doubtful debts written back, net	-	637,604	-	-
Bad debts recovered	3,259	270,000	-	270,000
Dividends (gross) receivable from subsidiaries	-	-	30,953,332	29,504,116
Exceptional items (Note 20)	-	6,998,212	-	7,977,522
Gain on disposal of plant and equipment	1,591,686	611,475	36,959	-
Gain on disposal of leasehold land	963,583	-	-	-
Interest income	275,047	780,868	2,504,416	2,929,404
Inventories written back, net (Note 9)	-	366,655	-	-
Negative goodwill recognised	267,014	411,746	-	-
Rental income	1,170,834	1,227,197	-	-
Gain on foreign exchange				
- Realised, net	4,064,381	3,665,792	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. EMPLOYEE INFORMATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Staff cost (excluding executive Directors)	105,099,642	88,877,329	1,219,847	1,098,940

Staff costs and Directors' emoluments of the Group and of the Company include contributions to the Employees' Provident Fund of RM6,490,369 (2007 : RM5,842,042) and RM174,930 (2007 : RM204,196) respectively.

19. FINANCE COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest expense :				
Term loans	1,405,802	2,313,630	206,082	511,438
Commercial papers	4,944,032	4,215,479	4,944,032	4,215,479
Bank overdrafts	307,916	746,180	7,245	868
Collateralised loan obligations	2,420,115	2,415,000	2,420,115	2,415,000
Other borrowings	7,975,914	6,966,664	1,676,360	1,173,479
	17,053,779	16,656,953	9,253,834	8,316,264

20. EXCEPTIONAL ITEMS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Gain on disposal of a subsidiary	-	6,204,024	-	7,977,522
Gain on dilution of interest in a subsidiary	-	160,019	-	-
Gain on disposal of intangible asset	-	634,169	-	-
	-	6,998,212	-	7,977,522



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. TAX EXPENSE

Recognised in the income statement

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax expense on continuing operations	4,168,334	7,465,278	181,490	3,292,138

Major components of tax expense include :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM

Current tax expense

Malaysian tax				
- current year	3,094,484	5,979,120	120,172	3,269,822
- prior years	(133,919)	(447,138)	61,318	22,316
	2,960,565	5,531,982	181,490	3,292,138
Foreign tax				
- current year	2,175,354	1,350,392	-	-
- prior years	(2,603)	-	-	-
	2,172,751	1,350,392	-	-
Total current tax recognised in the income statement	5,133,316	6,882,374	181,490	3,292,138
Deferred tax expense				
- (reversal)/origination of temporary differences	(621,603)	797,072	-	-
- prior years	(343,379)	(214,168)	-	-
Total deferred tax recognised in the income statement	(964,982)	582,904	-	-
Total tax expense	4,168,334	7,465,278	181,490	3,292,138

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. TAX EXPENSE (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
(Loss)/Profit for the year	(1,804,690)	21,969,455	18,345,327	23,380,398
Total tax expense	4,168,334	7,465,278	181,490	3,292,138
Profit excluding tax	2,363,644	29,434,733	18,526,817	26,672,536
Tax calculated using Malaysian tax rate at 26% (2007 : 27%)	614,547	7,947,378	4,816,972	7,201,585
Effect of changes in tax rate *	2,693	(4,890)	-	-
Effect of different tax rates in foreign jurisdictions **	(410,823)	(195,362)	-	-
Non deductible expenses	8,141,147	6,100,145	780,992	474,771
Losses not available for Group set-off	635,365	1,140,247	-	-
Tax exempt income/dividends	(1,469,365)	(1,959,694)	(5,377,037)	(4,350,219)
Tax incentives	(4,182,230)	(4,619,582)	-	-
Deferred tax assets not recognised/(previously not recognised)	1,371,986	(113,130)	-	-
Other items	(55,085)	(168,528)	(100,755)	(56,315)
(Over)/Under provision in prior years	(479,901)	(661,306)	61,318	22,316
Tax expense	4,168,334	7,465,278	181,490	3,292,138

* The corporate tax rates are 26% for the year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

** The tax rates in several foreign jurisdictions are different from that of the Malaysian tax rate as the subsidiaries operate in tax jurisdictions with lower or higher tax rates as the case may be.

22. BASIC (LOSS)/EARNINGS PER ORDINARY SHARE - GROUP

The calculation of basic (loss)/earnings per ordinary share is based on the net loss attributable to ordinary shareholders of RM1,396,935 (2007 : net profit attributable to ordinary shareholders of RM18,084,461) and the weighted average number of ordinary shares outstanding during the year of 124,099,235 (2007 : 124,099,235).



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. DIVIDENDS - GROUP/COMPANY

	2008 RM	2007 RM
Paid :		
First interim		
- 6% per share less 26% tax (2007 : 6% per share less 27% tax)	5,510,006	5,435,547
Declared :		
Second interim		
- 4% per share less 25% tax (2007 : 6% per share less 26% tax)	3,722,977	5,510,006
	9,232,983	10,945,553

24. RELATED PARTIES

24.1 For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

- i) Its subsidiaries and associates as disclosed in Note 5 to the financial statements.
- ii) Companies in which a Director, Tan Sri Dato' Seri Fumihiko Konishi is deemed to have a substantial financial interest :
 - Texchem Holdings Sdn. Bhd. and its subsidiaries

Texchem Holdings Sdn. Bhd. and its subsidiary, Texchem Corporation Sdn. Bhd. are also the substantial shareholders of the Company.

- iii) Key management personnel
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include the executive Directors and certain members of senior management of the Group and of the Company respectively.

24.2 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows :

- i) Transactions between the Company and its subsidiaries :

	2008 RM'000	2007 RM'000
- Advances from	5,924	1,000
- Advances to	8,100	23,513
- Rental reimbursed from subsidiaries	456	346
- Interest expense	93	2
- Interest income	2,464	2,516
- Disposal of interest in a subsidiary	-	5,738

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. RELATED PARTIES (cont'd)

24.2 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows : (cont'd)

ii) Transactions with Texchem Holdings Sdn. Bhd.

	2008 RM'000	2007 RM'000
Company		
- Dividends paid and payable	2,897	3,991
Group		
- Rental paid by :		
Company	636	648
Subsidiaries	180	156
Associate	144	156
	960	960

iii) Transactions with associates

	2008 RM'000	2007 RM'000
Company		
- Purchase of a subsidiary	19,635	-
- Purchase of an associate	-	8,415
- Dividends paid/payable	2,553	2,243
Group		
- Purchase of a subsidiary	19,635	-
- Purchase of an associate	-	8,415
- Information technology costs	162	174
- Management fees payable	7,210	7,457
- Rental of motor vehicle	-	10
- Purchase of plant and equipment	-	25
- Sales	347	338
- Purchases	4,548	6,657
- Security service charges payable	1,163	1,144
- Rental expense	852	1,215
- Insurance premium payable	2,543	2,413
- Sale of plant and equipment	3	-
- Sale of materials	1,221	3,808
- Warehouse and distribution income	-	153
- Commission income	93	200



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. RELATED PARTIES (cont'd)

24.2 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows : (cont'd)

- iv) There were no transactions with the key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as follows :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors				
- Fees	4,995,285	5,713,561	495,000	600,000
- Remuneration	13,508,130	12,994,528	1,129,488	1,085,415
- Benefits-in-kind	506,764	483,702	43,532	43,585
Total short-term employee benefits	19,010,179	19,191,791	1,668,020	1,729,000
Other key management personnel :				
- Short-term employee benefits	5,007,596	5,076,841	194,432	226,101
- Benefits-in-kind	182,012	125,688	3,650	3,000
	24,199,787	24,394,320	1,866,102	1,958,101

Other key management personnel comprises persons other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the entities either directly or indirectly.

The terms and conditions for the above transactions are based on normal trade terms.

24.3 The gross non-trade balances of the Group and of the Company with associates outstanding as at balance sheet date are as disclosed in Note 8 and Note 15 to the financial statements.

All the amounts outstanding are unsecured and are expected to be settled with cash.

25. SEGMENTAL INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise tax assets and liabilities and borrowings.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. SEGMENTAL INFORMATION - GROUP (cont'd)

Business segments

The Group comprises the following main business segments :

Industrial Division	Trading in industrial chemicals and other products
Packaging Division	Manufacture and sale of packaging products for the electronics, electrical, semiconductor and disk drive industries
Family Care Division	Manufacture of family care products and household insecticides
Food Division	Manufacture and sale of surimi, fishmeal and other marine products and operator of a chain of retail sushi outlets
Others	Investment holding

Geographical segments

The Industrial Division is operated principally in Malaysia, Thailand, Singapore, Myanmar, Indonesia, Vietnam and People's Republic of China.

The Packaging Division is operated principally in Malaysia, Thailand, People's Republic of China and Vietnam.

The Family Care Division is operated principally in Malaysia, Thailand, Vietnam, Indonesia and Myanmar.

The Food Division is operated principally in Malaysia and Myanmar.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. SEGMENTAL INFORMATION - GROUP (cont'd)

Business segments 2008	Industrial	Packaging	Family Care	Food	Others	Eliminations	Consolidated
	RM	RM	RM	RM	RM	RM	RM
Revenue from external customers	742,408,141	220,654,637	133,500,100	333,683,060	-	-	1,430,245,938
Inter-segment revenue	3,748,889	80,561	758	-	-	(3,830,208)	-
Total revenue	746,157,030	220,735,198	133,500,858	333,683,060	-	(3,830,208)	1,430,245,938
Operating profit/(loss)	15,248,570	4,920,562	3,747,103	7,216,122	(5,637,712)	-	25,494,645
Finance costs							(17,053,779)
Share of loss after tax and minority interest of equity accounted associates	-	(16,861)	-	-	(6,060,361)	-	(6,077,222)
Profit before tax							2,363,644
Tax expense							(4,168,334)
Loss for the year							(1,804,690)
Segment assets	153,682,816	182,853,096	153,094,888	134,041,075	12,331,720	-	636,003,595
Investment in associates	-	7,947,815	-	-	13,758,494	-	21,706,309
Unallocated assets							11,729,055
Total assets	55,996,581	29,419,959	25,667,047	43,086,406	6,309,830	-	669,438,959
Segment liabilities							160,479,823
Unallocated liabilities							301,686,343
Total liabilities	2,173,982	12,913,598	18,460,442	15,442,697	328,612	-	462,166,166
Capital expenditure							49,319,331
Depreciation of property, plant and equipment	1,712,587	13,467,698	6,134,389	10,973,125	789,207	-	33,077,006
Amortisation of prepaid lease payments	18,102	140,743	123,562	5,957	-	-	288,364
Non-cash expenses other than depreciation	373,210	3,642,590	452,550	1,589,581	150,000	-	6,207,931



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. SEGMENTAL INFORMATION - GROUP (cont'd)

	Business segments		Packaging	Family Care	Food	Others	Eliminations	Consolidated
	2007	2007						
Revenue from external customers	569,551,396	156,552,342	227,800,857	303,107,238	-	-	-	1,257,011,833
Inter-segment revenue	27,396,545	-	65,280	-	-	(27,461,825)	-	-
Total revenue	596,947,941	156,552,342	227,866,137	303,107,238	-	(27,461,825)	1,257,011,833	
Operating profit	15,705,246	12,137,119	14,792,330	3,454,016	1,338,527	-	-	47,427,238
Finance costs								(16,656,953)
Share of loss after tax and minority interest of equity accounted associate	-	522,605	886,200	-	(2,744,357)	-	-	(1,335,552)
Profit before tax								29,434,733
Tax expense								(7,465,278)
Profit for the year								21,969,455
Segment assets	183,418,475	120,061,503	198,063,983	129,371,057	13,744,317	-	-	644,659,335
Investment in associates	-	8,217,763	7,964,676	-	14,514,804	-	-	30,697,243
Unallocated assets								8,805,734
Total assets	84,650,127	19,456,303	38,963,258	41,853,243	8,440,963	-	-	684,162,312
Segment liabilities								193,363,894
Unallocated liabilities								268,258,038
Total liabilities	1,121,068	3,625,840	22,198,094	5,795,973	107,479	-	-	461,621,932
Capital expenditure								32,848,454
Depreciation of property, plant and equipment	1,402,589	5,413,070	13,672,655	10,204,168	738,007	-	-	31,430,489
Amortisation of prepaid lease payments	19,747	123,562	140,745	5,604	-	-	-	289,658
Non-cash expenses other than depreciation	295,101	497,438	684,354	197,582	169,800	-	-	1,844,275

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. SEGMENTAL INFORMATION - GROUP (cont'd)

Geographical segments

	Malaysia RM	Singapore RM	Thailand RM	Vietnam RM	China RM	Myanmar RM	Indonesia RM	Others RM	Consolidated RM
2008									
Revenue from external customers	563,074,061	199,181,778	161,567,025	92,064,352	87,187,537	7,163,956	28,631,090	291,376,139	1,430,245,938
Segment assets	392,397,551	42,132,152	67,568,475	39,566,679	25,934,993	34,683,091	33,551,187	169,467	636,003,595
Capital expenditure	22,206,667	417,091	6,712,395	17,064,466	1,293,556	1,169,705	453,705	1,746	49,319,331
2007									
Revenue from external customers	479,184,211	200,293,326	146,397,023	72,211,348	79,652,431	4,414,593	6,957,675	267,901,226	1,257,011,833
Segment assets	419,373,514	45,245,351	85,641,597	21,176,107	25,283,630	42,686,866	2,632,448	2,419,822	644,659,335
Capital expenditure	15,979,256	236,518	11,636,112	1,828,811	979,216	2,019,911	77,745	90,885	32,848,454

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. DIRECTORS' BENEFITS-IN-KIND

The estimated monetary value of benefits receivable by certain Directors otherwise than in cash are as follows :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company	136,087	144,152	43,532	43,585
Other Directors	370,677	339,550	-	-

27. CONTINGENT LIABILITIES, UNSECURED

Company

The Company has issued corporate guarantees amounting to RM206.6 million (2007: RM262.8 million) as security for banking facilities granted to its subsidiaries of which RM59.2 million (2007 : RM68.6 million) were utilised at balance sheet date.

Group

The Group issued corporate guarantees to certain suppliers of subsidiaries amounting to RM33.5 million (2007 : RM9.6 million).

28. CAPITAL COMMITMENTS - GROUP

	2008 RM'000	2007 RM'000
Investment		
Contracted but not provided for in the financial statements	-	5,904
Property, plant and equipment		
Contracted but not provided for in the financial statements - within one year	2,705	5,117
Approved but not contracted for	1,266	951
	<u>3,971</u>	<u>11,972</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows :

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Less than 1 year	15,813	12,580	2,151	2,151
Between 1 and 5 years	20,836	16,079	6,289	7,004
More than 5 years	3,393	5,472	2,035	3,471
	40,042	34,131	10,475	12,626

The Group and the Company lease land, office space, warehouse, equipment and other business premises under operating leases. The leases typically run for an initial period of 1 to 15 years with an option to renew.

The annual rate for leasing of a piece of land by a subsidiary is subject to review every 5 years and the revised rate will not increase by more than 15% from the previous rate.

The lease payments for certain business premises of a subsidiary are based on fixed lease rental amount or a percentage of between 8% to 12% of the net turnover, whichever is higher. The lease commitment disclosed above is aggregated based on the minimum lease rental payable.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's and of the Company's business. The Board reviews and agrees on the Group's and the Company's policies for managing each of these risks which are summarised below :

The Group's accounting policy in relation to derivative financial instruments is set out in Note 2(o).

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company was represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company are presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group and the Company managed the interest rate risk by having a combination of fixed and floating rates of their borrowings. The Group's and the Company's surplus funds are placed as short term deposits with licensed banks.

Liquidity risk

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and Company's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in US Dollar and Japanese Yen. Certain subsidiaries of the Group hedge their estimated foreign currency exposure using forward foreign exchange contracts. In respect of other monetary assets and liabilities held in currencies other than RM, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Average effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group 2008					
Financial assets					
Short term deposits with licensed banks	1.5	6,541	6,541	-	-
Financial liabilities					
Unsecured:					
Bank overdrafts	9.1	7,587	7,587	-	-
Bankers' acceptances	4.3	61,814	61,814	-	-
Revolving credit	5.4	75,568	75,568	-	-
Foreign currency trade line	4.1	1,162	1,162	-	-
Term loans					
- Fixed rate	5.7	5,576	1,024	4,552	-
- Variable rate	5.2	15,519	15,519	-	-
Commercial papers	6.0	80,000	80,000	-	-
Collateralised loan obligations	6.9	35,000	-	35,000	-
Trust receipts	5.6	7,740	7,740	-	-
Finance lease liabilities	2.3 - 4.6	2,816	1,094	1,715	7
Group 2007					
Financial assets					
Unquoted bond	7.3	3,500	3,500	-	-
Short term deposits with licensed banks	3.0	1,116	1,116	-	-
Financial liabilities					
Unsecured:					
Bank overdrafts	7.6	4,547	4,547	-	-
Bankers' acceptances	4.3	62,464	62,464	-	-
Revolving credit	4.9	46,240	46,240	-	-
Promissory notes	7.4	436	436	-	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Average effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Term loans					
- Fixed rate	5.7	8,237	2,123	6,114	-
- Variable rate	6.2	23,466	23,466	-	-
Commercial papers	5.5	70,000	70,000	-	-
Collateralised loan obligations	6.9	35,000	-	35,000	-
Trust receipts	5.8	4,201	4,201	-	-
Finance lease liabilities	1.8 - 5.0	2,877	1,257	1,604	16

Company 2008

Financial assets

Advance to subsidiaries					
- Fixed rate	7.0	6,582	4,388	2,194	-
- Variable rate	6.9	29,182	29,182	-	-
Short term deposits with licensed banks	1.9	1,215	1,215	-	-

Financial liabilities

Unsecured:					
Revolving credit	4.9	37,100	37,100	-	-
Term loans - variable rate	4.6	1,912	1,912	-	-
Commercial papers	6.0	80,000	80,000	-	-
Collateralised loan obligations	6.9	35,000	-	35,000	-
Finance lease liabilities	2.4 - 4.1	308	200	108	-

Company 2007

Financial assets

Unquoted bond	7.3	3,500	3,500	-	-
Advance to subsidiaries					
- Fixed rate	7.0	10,970	4,388	6,582	-
- Variable rate	6.3	33,182	33,182	-	-
Short term deposits with licensed banks	3.1	994	994	-	-

Financial liabilities

Unsecured:					
Revolving credit	4.7	20,180	20,180	-	-
Term loans					
- Fixed rate	5.6	750	750	-	-
- Variable rate	5.7	6,216	6,216	-	-
Commercial papers	5.5	70,000	70,000	-	-
Collateralised loan obligations	6.9	35,000	-	35,000	-
Finance lease liabilities	2.6 - 4.1	505	277	228	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Recognised financial instruments

The carrying amounts approximate fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, receivables, payables and short term borrowings.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December are shown below :

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000

Group

Financial assets

Unquoted bond	3,500	#	3,500	#
Quoted investments	-	-	7	2

Group

Financial liabilities

(Fixed rate instruments)

Unsecured:

Term loans	5,576	#	8,237	#
Collateralised loan obligations	35,000	#	35,000	#
Finance lease liabilities	2,816	2,720	2,877	2,802

Company

Financial assets

Unquoted bond	3,500	#	3,500	#
Advance to a subsidiary company	6,582	5,999	10,970	9,606

Financial liabilities

(Fixed rate instruments)

Unsecured:

Term loans	-	-	750	#
Collateralised loan obligations	35,000	#	35,000	#
Finance lease liabilities	308	308	505	503

It is not practicable to estimate the fair value of the unquoted bond and unsecured fixed rate financial liabilities due to the lack of information on discount rate and the inability to estimate the fair value without incurring excessive costs. However, the Directors believe that there is no significant difference between the fair value and the book value of these financial assets and financial liabilities.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

Unrecognised financial instruments

As at 31 December 2008, the Group has outstanding forward foreign exchange contracts with notional amounts of Thai Baht 17.27 million (2007: Nil) and RM1.79 million (2007: Nil) to hedge its foreign currency exposure. The fair value of the forward foreign exchange contracts is assessed not to be significantly different from the notional amounts.

Forward foreign exchange contracts are marked to market using listed market prices.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

1. On 17 April 2008, Texchem-Pack Holdings (S) Ltd. ("TXPHS"), a subsidiary of the Company acquired the remaining 9% equity interest in Texchem-Pack (Bangli) Sdn. Bhd. ("TXPB") not already owned for a total cash consideration of RM810,000. Following the completion of the acquisition, TXPB become a wholly-owned subsidiary of TXPHS.
2. On 18 April 2008, the Company acquired an additional 310 shares of USD5,000 each in PT. Technopia Jakarta ("PTTJ") representing approximately 21% equity interest in PTTJ from Texchem Corporation Sdn. Bhd. ("Texcorp") for a cash consideration of approximately RM5.9 million.

On 4 July 2008, the Company further obtained the approval of the shareholders to acquire the remaining 49% equity interest in PTTJ from Texcorp for a cash consideration of approximately RM13.7 million. Following the completion of the above acquisitions, PTTJ become a wholly-owned subsidiary of the Company.

3. On 2 June 2008, the Company issued an additional RM10 million of Commercial Papers under the Commercial Papers and/or Medium Term Notes Programme.
4. On 10 June 2008, New Material (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of Texchem Materials Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up capital of Alpha Crown International Limited ("ACIL") for a purchase consideration of HKD1.00. Subsequent to the acquisition, ACIL changed its name to New Material Hong Kong Limited.
5. Zenith Enterprises Sdn. Berhad, a wholly-owned subsidiary of Fumakilla Malaysia Berhad which in turn is a subsidiary of the Company was dissolved on 14 August 2008.
6. On 21 August 2008, the Company acquired the remaining 9.71% equity interest in Texchem Food Sdn. Bhd. for a cash consideration of approximately RM1.98 million.
7. On 16 October 2008, Texchem Materials (Vietnam) Co., Ltd. was incorporated in Vietnam as a wholly-owned subsidiary of Texchem Materials Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

1. On 30 January 2009, the Company acquired Acumen Scientific Sdn. Bhd. (formerly known as Acumen.Com Network Sdn. Bhd.) for a cash consideration of RM2.00.
2. On 27 March 2009, Sea Master Trading Co. Sdn. Bhd. ("SMT"), a wholly-owned subsidiary of Texchem Food Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company disposed of its entire equity interest in Myanmar Sea Master Company Limited for a cash consideration of RM953,683 which is equivalent to SMT's carrying amount of the investments.
3. On 31 March 2009, the limit of the Commercial Papers has been reduced from RM85 million to RM70 million in accordance with the Commercial Papers and/or Medium Term Notes Programme.
4. On 3 April 2009, the Company entered into a conditional Share Sale Agreement with its 87.29% owned subsidiary, Fumakilla Malaysia Berhad to acquire the entire equity interest in Technopia Vietnam Pte. Ltd. for a total cash consideration of RM12,121,371.

The proposed acquisition is expected to be completed by the third quarter of 2009.

STATEMENT BY DIRECTORS

Pursuant To Section 169(15) Of The Companies Act, 1965

We, **Tan Sri Dato' Seri Fumihiko Konishi, PSM, DGPN, DSPN, DJN** and **Lee Siew Khee, Jeffrey**, being two of the Directors of Texchem Resources Bhd. do hereby state that in the opinion of the Directors, the financial statements of the Group and of the Company set out on pages 57 to 124 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

Tan Sri Dato' Seri Fumihiko Konishi, PSM, DGPN, DSPN, DJN

Lee Siew Khee, Jeffrey

Penang,
Date : 9 April 2009

STATUTORY DECLARATION

Pursuant To Section 169(16) Of The Companies Act, 1965

I, **Jony Raw**, the officer primarily responsible for the financial management of Texchem Resources Bhd., do solemnly and sincerely declare that the financial statements set out on pages 57 to 124 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 9 April 2009.

Jony Raw

Before me :

Commissioner for Oaths



INDEPENDENT AUDITORS' REPORT

To The Members Of Texchem Resources Bhd. and Its Subsidiaries

Report on the Financial Statements

We have audited the financial statements of Texchem Resources Bhd., which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 57 to 124.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (cont'd)

To The Members Of Texchem Resources Bhd. and Its Subsidiaries

Other Matters

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

KPMG

AF 0758

Chartered Accountants

Lee Kean Teong

1857/02/10 (J)

Chartered Accountant

Penang,

Date : 9 April 2009



PROXY FORM



I/We (full name in capital letters).....NRIC No./Passport No./Company No.....

of (full address).....

being a member/members of TEXCHEM RESOURCES BHD. hereby appoint (full name and NRIC No./Passport No. in capital letters)

Of (full address).....

and/or failing him/her (full name and NRIC No./Passport No. in capital letters).....

of (full address)

as my/our proxy/proxies to vote in my/our name(s) and on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Pinang Ballroom, Level 3, Traders Hotel, Magazine Road, 10300 Penang on Thursday, 28 May 2009 at 10.30 a.m. and any adjournment thereof.

My/Our proxy/proxies is/are to vote on either a show of hands or a poll as indicated below with an "X".

NO.	AGENDA		
(1)	Receipt of Audited Financial Statements and Reports		
	RESOLUTIONS	FOR	AGAINST
(2)	Re-election of Directors who retire pursuant to Article 123 of the Company's Articles of Association		
	i) Tan Sri Dato' Seri Fumihiko Konishi - Resolution 1		
	ii) Dato' Seri Nazir Ariff Bin Mushir Ariff - Resolution 2		
	iii) Yap Kee Keong - Resolution 3		
(3)	Approval of Directors' remuneration - Resolution 4		
(4)	Re-appointment of Auditors and authorisation of Directors to fix their remuneration - Resolution 5		
(5A)	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and for the provision of financial assistance - Resolution 6		
(5B)	Power to Issue Shares pursuant to Section 132D of the Companies Act, 1965 - Resolution 7		

The proportion of my/our holding to be represented by my/our proxy/proxies is/are as follows:

First Proxy -% No. of shares held

Second Proxy -%

100
.....%

Signed this day of2009 Signature or Common Seal

Notes:

- 1) A Member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies to attend and vote instead of him/her. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not, apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- 2) To be effective:
 - a) the instrument appointing a proxy; and
 - b) the authority (if any) under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors of the Company, must be deposited at the Registered Office of the Company, Level 18, Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia at least forty-eight (48) hours before the time for holding the meeting.
- 3) If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he/she thinks fit.
- 4) If the Proxy Form is returned without the name of the proxy indicated, the Proxy Form shall be invalid.
- 5) Where the person appointing the proxy is a corporation, the form must be either under seal or under the hand of a duly authorised officer or attorney of the corporation.

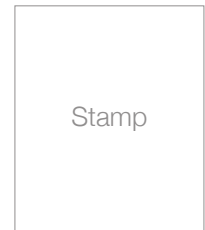
fold this flap for sealing

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TEXCHEM RESOURCES BHD.
Company No. 16318-K

Level 18, Menara Boustead Penang,
39 Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
Tel: 604-229 6000 Fax: 604-229 1430



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FOR BURSA SECURITIES' USE

Ref. No
.....

Date received
..... day month year

Officer-in-charge
.....

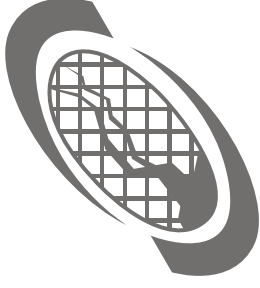
Date of first contact with complainant
..... day month year

STATUS AFTER 14 DAYS

- Resolved
- Pending

Details
.....
.....
.....

BURSA MALAYSIA SECURITIES BERHAD



COMPLAINT AGAINST
PUBLIC LISTED COMPANY

CONTACT DETAILS

Customer Care Centre
Bursa Malaysia Berhad
Lower Ground Floor
Exchange Square, Bukit Kewangan
50200 Kuala Lumpur
Tel: 603 2732 0067
Fax: 603 2732 5258

This form is intended to facilitate the lodgement of complaints with the Bursa Malaysia Securities Berhad ("Bursa Securities"), by investors against Public Listed Companies ("PLCs") in Malaysia. Investors are encouraged, in the first instance, to amicably settle any differences directly with the PLC concerned.

Q: When can you make a complaint?

A: At anytime, preferably as soon as the problem occurs.

Below are some instances when a complaint may be lodged against a PLC:

- Misleading / inaccurate / insufficient disclosure of information;
- Failure to disclose material information in financial statements or annual reports;
- Actions / lack of actions detrimental to the interest of shareholders;
- Directors of PLCs;
- Management of PLCs;
- Share Registrars of PLCs; and
- Others (to specify)

Q: What are the procedures to make a complaint?

A: Procedure is very simple. For clarity, it is best to be in written form and directed to the Bursa Securities. You can use any of the following methods to submit your complaints:

- mail the attached Complaint Form to Bursa Securities;
- or
- fax the Complaint Form to 603-2732 5258

Q: How will Bursa Securities handle the complaint?

A: Bursa Securities will handle the matter promptly and in any event, will contact the complainant not later than 14 days from receipt of the complaint.

DETAILS OF COMPLAINANT

Name:
(As per NRIC / Passport / Registration Document)

NRIC / Passport / Company No.:

CDS No.:

Address:

.....

Telephone No.: House:

Business:

H/Phone:

Facsimile No.: House:

Business:

DETAILS OF THE PUBLIC LISTED COMPANY

Name:

Address:

.....

DETAILS OF COMPLAINT

Have you tried to resolve this complaint with the relevant Public Listed Company?

Yes No

If yes, kindly indicate the name of the person contacted and his/her department.

TYPES OF COMPLAINT

- Misleading / inaccurate / insufficient disclosure of information;
- Failure to disclose material information in financial statements or annual reports;
- Actions / lack of actions detrimental to the interest of shareholders;
- Directors of PLCs;
- Management of PLCs;
- Share Registrars of PLCs; and
- Others (to specify)

If others, please specify:

.....

MY COMPLAINT IS AS FOLLOWS (please provide a detailed account of the complaint in chronological order). You may provide additional notes in a separate piece of paper.

.....

Please attach copies only of all relevant documents.

Signature

Date
day month year

