



SAMCHEM HOLDINGS BERHAD

(Company No: 797567 U)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

INTERIM FINANCIAL REPORT

FOR THE QUARTER ENDED

31 MARCH 2013

SAMCHEM HOLDINGS BERHAD

(Company No: 797567 U)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2013**

	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year	Corresponding
	31-Mar-13	Quarter	To Date	Period
	RM'000	31-Mar-12	31-Mar-13	31-Mar-12
		RM'000	RM'000	RM'000
Revenue	125,220	132,048	125,220	132,048
Operating expenses	(120,812)	(125,818)	(120,812)	(125,818)
Operating income	<u>3,119</u>	<u>990</u>	<u>3,119</u>	<u>990</u>
Operating profit	7,527	7,220	7,527	7,220
Finance cost	(1,680)	(1,460)	(1,680)	(1,460)
Shares of profit of associates	<u>(3)</u>	<u>(34)</u>	<u>(3)</u>	<u>(34)</u>
Profit before tax	5,844	5,726	5,844	5,726
Tax expense	<u>(1,526)</u>	<u>(1,357)</u>	<u>(1,526)</u>	<u>(1,357)</u>
Profit for the period	<u><u>4,318</u></u>	<u><u>4,369</u></u>	<u><u>4,318</u></u>	<u><u>4,369</u></u>
Other comprehensive income:				
Currency translation differences	89	(135)	89	(135)
Changes in fair value of available-for-sale financial assets	-	5	-	5
Other comprehensive income for the period, net of tax	<u>89</u>	<u>(130)</u>	<u>89</u>	<u>(130)</u>
Total comprehensive income for the period	<u><u>4,407</u></u>	<u><u>4,239</u></u>	<u><u>4,407</u></u>	<u><u>4,239</u></u>
Profit attributable to:				
-Owners of the parent	3,983	3,883	3,983	3,883
-Non controlling interest	<u>335</u>	<u>486</u>	<u>335</u>	<u>486</u>
	<u>4,318</u>	<u>4,369</u>	<u>4,318</u>	<u>4,369</u>
Total comprehensive income attributable to:				
-Owners of the parent	4,074	3,811	4,074	3,811
-Non controlling interest	<u>333</u>	<u>428</u>	<u>333</u>	<u>428</u>
	<u>4,407</u>	<u>4,239</u>	<u>4,407</u>	<u>4,239</u>
Earnings per share-basic (sen)	<u>2.93</u>	<u>2.86</u>	<u>2.93</u>	<u>2.86</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 31-Mar-13 RM'000	Audited As At 31-Dec-12 RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	34,209	34,833
Investment properties	2,165	2,171
Prepaid land lease payments	502	515
Intangible assets	548	548
Investment in associates	830	833
Quoted investments	43	43
Unquoted investments	802	774
Deferred tax assets	514	786
	<u>39,613</u>	<u>40,503</u>
Current Assets		
Inventories	74,192	57,339
Trade and other receivables	126,036	115,857
Tax recoverables	1,343	2,003
Cash and bank balances	54,960	49,099
	<u>256,531</u>	<u>224,298</u>
Non-current asset held for sale	-	4,206
	<u>256,531</u>	<u>228,504</u>
Total Assets	<u>296,144</u>	<u>269,007</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	68,000	68,000
Share premium	954	954
Reserves	37,906	33,831
Total shareholders' equity	<u>106,860</u>	<u>102,785</u>
Non controlling interest	2,373	2,040
Total Equity	<u>109,233</u>	<u>104,825</u>
Non Current Liabilities		
Borrowings	8,688	9,388
Retirement benefits obligations	203	200
Deferred tax liabilities	459	289
	<u>9,350</u>	<u>9,877</u>
Current Liabilities		
Trade and other payables	47,036	36,643
Derivative liability	25	-
Borrowings	130,220	116,114
Taxation	280	398
	<u>177,561</u>	<u>153,155</u>
Liability attributable to asset held for sale	-	1,150
	<u>177,561</u>	<u>154,305</u>
Total Liabilities	<u>186,911</u>	<u>164,182</u>
Total Equity and Liabilities	<u>296,144</u>	<u>269,007</u>
Net assets per ordinary share attributable to ordinary equity holders of the parent (RM)	<u>0.79</u>	<u>0.76</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013

	Current Year to Date 31-Mar-13 RM'000 (Unaudited)	Preceding year Corresponding Period 31-Mar-12 RM'000 (Unaudited)
Cash Flows from operating activities		
Profit before taxation	5,844	5,726
Adjustment for:		
Depreciation and amortisation	807	699
Share of (profits)/losses in associated	3	34
Fair value (gain)/loss on derivative financial instruments	25	(142)
Unrealised loss/(gain) on foreign exchange	(613)	594
Gain on disposal of land	(1,870)	(96)
Interest income	(196)	(285)
Interest expenses	1,680	1,460
Other non-cash items	-	3
Operating profit before working capital changes	<u>5,680</u>	<u>7,993</u>
Changes in working capital:		
Receivable	(10,620)	(12,947)
Inventories	(16,852)	(19,442)
Payables	12,136	25,554
Cash (used in)/from operations	<u>(9,656)</u>	<u>1,158</u>
Income taxes paid	(1,411)	(1,177)
Net cash used in operating activities	<u>(11,067)</u>	<u>(19)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(118)	(4,684)
Proceeds from disposal of land	6,267	96
Interest received	168	279
Net cash from/(used in) investing activities	<u>6,317</u>	<u>(4,309)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of borrowings	5,064	2,243
Interest paid	(1,680)	(1,460)
Net cash from financing activities	<u>3,384</u>	<u>783</u>
Net decrease in cash and cash equivalents	<u>(1,366)</u>	<u>(3,545)</u>
Cash and cash equivalents at the beginning of period	38,730	33,969
Net effect of exchange rate changes	42	34
Cash and cash equivalents at the end of period	<u>37,406</u>	<u>30,458</u>
Cash and cash equivalents comprise:		
Cash and bank balances	54,960	40,808
Bank overdraft	(17,554)	(10,350)
	<u>37,406</u>	<u>30,458</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2013**

	← Attributable to owners of the parent →							Total Shareholders' Equity	Non Controlling Interest	Total Equity
	Share Capital	Share Premium	Capital Reserve	Reverse Acquisition Reserve	Translation Reserve	Fair Value Reserve	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Balance at 1 January 2013	68,000	954	-	(40,725)	57	8	74,492	102,786	2,040	104,826
Profit for the period	-	-	-	-	-	-	3,983	3,983	335	4,318
Other comprehensive income for the period	-	-	-	-	91	-	-	91	(2)	89
Total comprehensive income for the period	-	-	-	-	91	-	3,983	4,074	333	4,407
Balance at 31 March 2013	68,000	954	-	(40,725)	148	8	78,475	106,860	2,373	109,233

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2012**

	← Attributable to owners of the parent →							Total Shareholders' Equity	Non Controlling Interest	Total Equity
	Share Capital	Share Premium	Capital Reserve	Reverse Acquisition Reserve	Translation Reserve	Fair Value Reserve	Retained Profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Balance at 1 January 2012	68,000	954	82	(40,725)	135	4	74,290	102,740	2,974	105,714
Profit for the period	-	-	-	-	-	-	3,883	3,883	486	4,369
Other comprehensive income for the period	-	-	-	-	(77)	5	-	(72)	(58)	(130)
Total comprehensive income for the period	-	-	-	-	(77)	5	3,883	3,811	428	4,239
Balance at 31 March 2012	68,000	954	82	(40,725)	58	9	78,173	106,551	3,402	109,953

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial report.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING****A1. Accounting Policies and Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following:

MFRSs/Amendments/Interpretations	Effective date
Amendments to MFRS 101, <i>Presentation of Financial Statements</i>	1 July 2012
MFRS 10, <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11, <i>Joint Arrangements</i>	1 January 2013
MFRS 12, <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13, <i>Fair Value Measurement</i>	1 January 2013
MFRS 119, <i>Employee Benefits</i>	1 January 2013
MFRS 127, <i>Separate Financial Statements</i>	1 January 2013
MFRS 128, <i>Investment in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2013
Amendments to MFRS 10, <i>Consolidated Financial Statements</i>	1 January 2013
Amendments to MFRS 11, <i>Joint Arrangements</i>	1 January 2013
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IC Int 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to IC Int 2, <i>Members' Shares in Co-operative Entities & Similar Instruments</i>	1 January 2013

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoptions.

A2. Auditors' report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2012.

A3. Seasonal or cyclical factors

The principal business operations of the Group are not significantly affected by seasonal or cyclical factors.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013

A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A4. Items of unusual nature and amount

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence in the current quarter under review.

A5. Material changes in estimates

There were no changes in estimates that have a material effect in the current quarter under review.

A6. Issuance, cancellation, repurchase, resale and repayment of debt and equity securities

There have been no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

A7. Dividends paid

There were no dividends paid by the Company in the current quarter under review.

A8. Segmental information

Business Segments

The Group operates solely in the business segment involving the distribution of industrial chemicals with operations in the blending of customized solvents.

Geographical Segments

The Group's activities are segmented based on the location of its subsidiaries. The subsidiaries are located in Malaysia, Indonesia, Vietnam and Singapore. Segment revenue is based on the management reports of the subsidiaries.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING**

A8. Segmental information (Cont'd)

Analysed by geographical segments:	Preceding Year		Current	Preceding Year
Segment Revenue	Current	Corresponding	Year	Corresponding
	Quarter	Quarter	To Date	Period
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
	RM'000	RM'000	RM'000	RM'000
Malaysia	113,480	120,442	113,480	120,442
Indonesia	15,531	19,669	15,531	19,669
Vietnam	21,704	18,926	21,704	18,926
Singapore	752	-	752	-
Total revenue including inter-segment sales	<u>151,467</u>	<u>159,037</u>	<u>151,467</u>	<u>159,037</u>
Elimination of inter-segment sales	(26,247)	(26,989)	(26,247)	(26,989)
Total revenue	<u>125,220</u>	<u>132,048</u>	<u>125,220</u>	<u>132,048</u>
Segment Result				
Malaysia	5,003	4,390	5,003	4,390
Indonesia	75	27	75	27
Vietnam	780	1,378	780	1,378
Singapore	(11)	(35)	(11)	(35)
			-	-
Share of profit/(loss) of associates			-	-
-Malaysia	(3)	-	(3)	-
-Indonesia	-	(34)	-	(34)
Profit before tax	<u>5,844</u>	<u>5,726</u>	<u>5,844</u>	<u>5,726</u>

A9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013

A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A10. Capital commitments

	As at 31-Mar-13 RM'000
Capital expenditure:	
Approved and contracted for:	
Property, plant and equipment	<u>51</u>
Approved but not contracted for:	
Property, plant and equipment	<u>-</u>

A11. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

A13. Changes in contingent liabilities and contingent assets

There were no changes in the contingent liabilities and contingent assets since the Statement of Financial Position as at 31 December 2012 except for the following:

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING**

A13. Changes in contingent liabilities and contingent assets (Cont'd)

	RM'000
As At 31 December 2012:	127,202
Changes during the period:	
Corporate guarantee provided by the Company to financial institutions in respect of financing facilities granted to local subsidiaries	9,738
Corporate guarantee provided by the Company to overseas financial institutions in respect of financing facilities granted to foreign subsidiaries	(486)
Corporate guarantee provided by the Company to suppliers in respect of credit facilities granted to local subsidiaries	6,498
Corporate guarantee provided by the Company to suppliers in respect of credit facilities granted to a foreign subsidiary	878
As At 31 March 2013	<u><u>143,830</u></u>

A14. Related party transactions

The Group has the following transactions with the related parties during the current quarter under review.

	Current Quarter 31-Mar-13 RM'000
Purchase of products*	414
Sales of products*	<u>72</u>

* Company in which a director of the subsidiaries have substantial financial interests

In the opinion of the Directors, the above transactions have been entered into in the ordinary course of business and have been established under terms no less favorable than those transacted with unrelated parties.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013

B. ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance review

Current Quarter

The Group recorded revenue of RM125.22 million for the current quarter under review, compared to RM132.05 million for the corresponding quarter in the preceding year, which represents a decrease of 5.17%. The decrease is mainly due to lower revenue generated by local subsidiaries as well as the Indonesia subsidiary as a result of greater market competition.

The Group recorded a higher profit before tax for the current quarter under review of RM5.84 million, representing an increase of RM0.11 million compared to the profit before tax for the corresponding quarter in the preceding year of RM5.73 million mainly due to the gain on the disposal of land in the current quarter under review.

B2. Material changes in profit before taxation for the current quarter as compared with the immediate preceding quarter

The Group recorded a higher profit before tax for the current quarter under review of RM5.84 million as compared to the immediate preceding quarter of RM0.48 million mainly due to gain on disposal of land as well as lower operating expenses in the current quarter under review.

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the Group and the Directors expect that the Group's performance will be positive for the remaining periods of the financial year ending 31 December 2013.

B4. Variance between actual profit and forecast profit

The Group did not issue any profit forecast in a public document during the current financial period.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**B. ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B5. Profit for the period

Profit for the period is arrived at after charging/(crediting):

	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year	Corresponding
	31-Mar-13	31-Mar-12	To Date	Period
	RM'000	RM'000	RM'000	RM'000
Interest income	(196)	(278)	(196)	(278)
Gain on disposal of property, plant and equipment	(1,870)	(100)	(1,870)	(100)
Interest expense	1,680	1,460	1,680	1,460
Depreciation and amortization	807	699	807	699
Foreign exchange (gain)/loss-realised	5	615	5	615
Foreign exchange (gain)/loss-unrealised	(613)	594	(613)	594
Loss on derivatives-unrealised	25	3	25	3

B6. Taxation

	Current Year Quarter
	31-Mar-13
	RM'000
Current tax expense	1,082
Deferred tax expense	444
	<u>1,526</u>

The effective tax rate for the current quarter under review was higher than the statutory tax rate mainly due to certain non deductible expenses.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**B. ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B7. Status of corporate proposal**

(a) TN Chemie Sdn Bhd ("TNC") is a wholly-owned subsidiary of the Company. On the 11 April 2013, TNC entered into a sale and purchase agreement with an Indonesian individual, to dispose off its entire 30% equity interest in PT Multisquare ("PTMS"), for a total cash consideration of RM1.00. Upon completion of the disposal, PTMS will cease to be an associated company of TNC.

(b) Samchemsphere Indochina (Vietnam) Company Limited ("SICL") is a wholly owned subsidiary of Samchemsphere Export Sdn Bhd ("SSE") which is a subsidiary of the Company. On the 13 March 2013, SICL increased its paid-up capital by a cash injection of USD 107,500 thus increasing its paid-up capital from USD 192,500 to USD 300,000.

B8. Group borrowings and debt securities

The Group's borrowings as 31 March 2013 are as follows:-

	RM'000
Secured	
Long term borrowings:-	
Term loans	8,094
Hire purchase creditors	594
	<u>8,688</u>
Short term borrowings:-	
Bank overdrafts	17,080
Bankers acceptances	82,153
Trade loans	7,025
Term loans	10,065
Hire purchase creditors	1,127
	<u>117,450</u>
Unsecured	
Short term borrowings:-	
Bank overdrafts	474
Bankers acceptances	12,296
	<u>12,770</u>
Total Borrowings:	<u>138,908</u>

Included in the above short term borrowings are trade loans and bankers acceptances of RM15.78 million in USD.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**B. ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B9. Financial Instruments**

The Group has entered into some foreign exchange forward contracts to hedge its exposure to fluctuations in foreign currency arising from its purchases.

The details of the open foreign exchange forward contracts are as follows:

	Amount in original currency USD'000	Average Contract Rate	Contract Value RM'000	Fair Value (Unfavourable) RM'000
Less than 1 year	6,650	3.1239	20,774	(25)

The derivatives have been recorded on the Consolidated Statement of Financial Position for this current quarter under review in compliance with FRS 139.

- (a) The above instruments are executed with credit worthy financial institutions in Malaysia and as such credit and counterparty risks are minimal. There are no transaction costs at the inception of these contracts. The Group is exposed to minimal cash flow risk in view of its healthy cash position.
- (b) There are no gain/(loss) arising from fair value changes in financial liabilities in the current quarter under review.

B10. Material Litigation

As at the date of this report, neither the Company nor any of its subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

B11. Proposed Dividend

For the financial year ended 31 December 2012, the Board of Directors has recommended a first and final dividend of 2.5 sen per share which has been approved at the Annual General Meeting of the Company held on 22 May 2013. The proposed dividend will be paid on 28 June 2013 to shareholders whose names appear in the Company's Record of Depositors on 6 June 2013.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2013**B. ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B12. Breakdown of Realised and Unrealised Profits and Losses

The retained profits can be analysed as follows:-

	As At 31-Mar-13 RM'000	As At 31-Mar-12 RM'000
Realised profits	77,832	79,076
Unrealised Gains/(losses)	643	(903)
	<u>78,475</u>	<u>78,173</u>

B13. Earnings per share

	Current Quarter 31-Mar-13 RM'000	Preceding Year Corresponding Quarter 31-Mar-12 RM'000	Current Year To Date 31-Mar-13 RM'000	Preceding Year Corresponding Period 31-Mar-12 RM'000
Profit attributable to ordinary equity holders of the parent (RM'000)	3,983	3,883	3,983	3,883
Weighted average number of ordinary shares in issue ('000)	136,000	136,000	136,000	136,000
Earnings per share-basic (sen)	<u>2.93</u>	<u>2.86</u>	<u>2.93</u>	<u>2.86</u>

There are no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current quarter under review.

By order of the Board,

Ng Thin Poh
Chairman of the Board
Date: 22 May 2013