

# LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)  
(Incorporated in Malaysia)

## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

The Board of Directors of Luxchem Corporation Berhad ("LCB" or "the Company") is pleased to announce the following unaudited consolidated results of LCB and its subsidiaries (collectively known as "the Group") for the second quarter ended 30 June 2010.

The Company is principally involved in investment holding while the subsidiaries of the Company are principally involved in the marketing and distribution of industrial chemicals and materials and the manufacture of Unsaturated Polyester Resins.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter (3 months)		Cumulative Quarters (6 months)	
	(Restated)		(Restated)	
	Current Quarter Ended 30-Jun-10 RM'000	Preceding Year Corresponding Quarter Ended 30-Jun-09 RM'000	Current Year Ended 30-Jun-10 RM'000	Preceding Year Corresponding Period Ended 30-Jun-09 RM'000
Revenue	99,319	78,053	190,039	138,280
Cost of sales	(89,350)	(68,772)	(170,599)	(120,811)
<b>Gross profit</b>	<b>9,969</b>	<b>9,281</b>	<b>19,440</b>	<b>17,469</b>
Other operating income	1,004	329	1,191	839
Selling and distribution costs	(835)	(767)	(1,668)	(1,487)
Administrative expenses	(2,236)	(1,970)	(4,311)	(3,797)
Other operating expenses	(82)	(60)	(497)	(155)
<b>Operating profit</b>	<b>7,820</b>	<b>6,813</b>	<b>14,155</b>	<b>12,869</b>
Finance costs	(440)	(291)	(708)	(498)
<b>Profit before Tax</b>	<b>7,380</b>	<b>6,522</b>	<b>13,447</b>	<b>12,371</b>
Taxation	(1,914)	(1,760)	(3,421)	(3,284)
<b>Profit for the period</b>	<b>5,466</b>	<b>4,762</b>	<b>10,026</b>	<b>9,087</b>
<b>Other comprehensive income</b>				
Exchange loss on translation of a foreign operation	(7)	10	(48)	6
Gain on revaluation of available-for-sale investments	(3)	-	35	-
Reclassification adjustment for gain on disposal of available-for-sale investments included in profit or loss	(0)	-	(4)	-
Taxation	-	-	-	-
<b>Total other comprehensive income</b>	<b>(10)</b>	<b>10</b>	<b>(17)</b>	<b>6</b>
<b>Total comprehensive income for the period</b>	<b>5,456</b>	<b>4,772</b>	<b>10,009</b>	<b>9,093</b>
Profit for the period attributable to owners of the Parent	5,466	4,762	10,026	9,087
Total comprehensive income attributable to owners of the Parent	5,456	4,772	10,009	9,093
Earnings per share - Basic (Sen)	4.20	3.66	7.71	6.99
Earnings per share - Diluted (Sen)	-	-	-	-

*The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this quarterly financial report.*

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((Incorporated in Malaysia)

## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Jun-10 RM'000	(Restated) Audited As at 31-Dec-09 RM'000
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	18,711	16,520
Investment properties	1,214	1,214
Intangible assets	43	86
Available-for-sale investments	312	-
Other investments	-	206
	<u>20,280</u>	<u>18,026</u>
<b>Current Assets</b>		
Inventories	28,454	24,254
Trade and other receivables	93,225	75,604
Derivative financial assets	47	-
Deposits, cash and bank balances	63,956	60,802
	<u>185,682</u>	<u>160,660</u>
<b>Total Assets</b>	<u><b>205,962</b></u>	<u><b>178,686</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Owners of the Parent</b>		
Share capital	65,000	65,000
Share premium	9,743	9,743
Other reserves	203	135
Retained profits	31,581	28,039
<b>Total Equity</b>	<u>106,527</u>	<u>102,917</u>
<b>Non-current Liabilities</b>		
Hire purchase	165	209
Deferred tax liabilities	364	384
	<u>529</u>	<u>593</u>
<b>Current Liabilities</b>		
Trade and other payables	30,681	30,303
Hire purchase creditors	97	187
Bankers' acceptances	67,138	43,576
Derivative financial liabilities	-	-
Taxation	990	1,110
	<u>98,906</u>	<u>75,176</u>
<b>Total Liabilities</b>	<u>99,435</u>	<u>75,769</u>
<b>Total Equity and Liabilities</b>	<u><b>205,962</b></u>	<u><b>178,686</b></u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.82	0.79

*The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this quarterly financial report.*

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Current Year to date Ended 30-Jun-10 RM'000</b>	<b>(Restated) Preceding Year Corresponding Period Ended 30-Jun-09 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	13,447	12,371
Adjustments for :-		
Amortisation of intangible assets	43	43
Bad debts written off		(21)
Depreciation of property, plant and equipment	502	542
Dividend income	(1)	(72)
Gain on disposal of property, plant and equipment	(55)	-
Gain on disposal of an investment	(22)	-
Impairment loss for receivables	449	144
Interest income	(437)	(548)
Interest expense	709	498
Property, plant and equipment written off	24	-
Reversal of impairment loss for receivables	(813)	(5)
Net change in fair value of financial instruments measured at fair value	(32)	-
Unrealised gain on foreign exchange	13	(31)
Operating profit before working capital changes	13,827	12,921
(Increase)/Decrease in inventories	(4,199)	3,159
(Increase)/Decrease in trade and other receivables	(17,085)	1,199
Increase/(Decrease) in trade and other payables	211	(3,860)
Cash generated from operations	(7,246)	13,419
Tax paid	(3,560)	(3,197)
Interest received	437	548
Interest paid	(709)	(498)
Net cash (used in)/from operating activities	(11,078)	10,272
<b>Cash flows from investing activities</b>		
Proceeds from disposal of an investment	32	-
Purchase of property, plant and equipment	(2,724)	(137)
Proceeds from disposal of property, plant and equipment	60	1
Dividend paid	(6,500)	(6,500)
Dividend received	1	72
Net cash used in investing activities	(9,131)	(6,564)
<b>Cash flows from financing activities</b>		
Net bankers' acceptances obtained/(repaid)	23,562	5,740
Hire purchase instalments paid	(133)	(178)
Net cash from/(used in)/ financing activities	23,429	5,562
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>3,220</b>	<b>9,270</b>
Cash and cash equivalents at beginning of year	60,803	49,939
Foreign exchange difference on opening balance	(67)	10
<b>Cash and cash equivalent at end of the period</b>	<b>63,956</b>	<b>59,219</b>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this quarterly financial report.

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

#### For the six months ended 30 June 2010

	Attributable to owners of the Parent					Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
Balance at 1 January 2010:						
- Before the adoption of FRS 139	65,000	9,743	135	-	28,039	102,917
- Effects on the adoption of FRS 139	-	-	-	85	16	101
- After the adoption of FRS 139	65,000	9,743	135	85	28,055	103,018
Profit for the period	-	-	-	-	10,026	10,026
Other comprehensive income	-	-	(48)	31	-	(17)
Total comprehensive income for the period	-	-	(48)	31	10,026	10,009
Final dividend of 3 sen per share in respect of the financial year ended 31 December 2009					(3,900)	(3,900)
Special dividend of 2 sen per share in respect of the financial year ended 31 December 2009					(2,600)	(2,600)
Balance at 30 June 2010	65,000	9,743	87	116	31,581	106,527

#### For the six months ended 30 June 2009

	Attributable to owners of the Parent					Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
Balance at 1 January 2009:	65,000	9,743	126	-	18,006	92,875
Currency translation loss recognised directly in equity	-	-	6	-	-	6
Profit for the period	-	-	-	-	9,087	9,087
Total recognised income and expense for the period	-	-	6	-	9,087	9,093
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2008 under the single-tier system	-	-	-	-	(6,500)	(6,500)
Balance at 30 June 2009	65,000	9,743	132	-	20,593	95,468

*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 2009 and the accompanying explanatory notes attached to this quarterly financial report.*

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

### PART A NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING

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

##### A1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for derivatives financial instruments, available-for-sale investments and investment property which have been stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the FRS 134 issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

##### A2. Changes in Accounting Policies

Save as disclosed below, all significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those applied in the audited financial statements for the financial year ended 31 December 2009.

The Group has adopted the following new and revised Financial Reporting Standards ("FRSs"), Issues Committee ("IC") Interpretations and amendments to FRSs and IC Interpretations which are relevant to the Group's operations with effect from 1 January 2010 :-

FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
Amendment to FRS 8,	Operating Segments
Amendment to FRS 107,	Statement of Cash Flows
Amendment to FRS 108,	Accounting Policies, Changes in Accounting Estimates or Errors
Amendment to FRS 110,	Events After the Reporting Period
Amendment to FRS 116,	Property, Plant and Equipment
Amendment to FRS 117,	Leases
Amendment to FRS 118,	Revenue
Amendment to FRS 123,	Borrowing Costs
Amendments to FRS 132,	Financial Instruments : Presentation
Amendment to FRS 134,	Interim Financial Reporting
Amendment to FRS 136,	Impairment of Assets
Amendment to FRS 138,	Intangible Assets

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**PART A NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING**

**A2. Changes in Accounting Policies (Cont'd)**

Amendments to FRS 139, Financial Instruments : Recognition and Measurement, FRS 7, Financial Instruments : Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives  
 Amendment to FRS 140, Investment Property

The adoption of the new and revised FRSs, amendments to FRSs and the Issues Committee ("IC") Interpretations has resulted in changes of certain accounting policies and classification adopted by the Group as well as presentation of financial statements as described hereunder :-

**(a) FRS 101, Presentation of Financial Statements (Revised)**

Prior to 1 January 2010, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements.

Upon the adoption of the revised FRS 101, a set of financial statements shall now comprise a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.

The comparative financial information on the consolidated statement of comprehensive income have been re-presented as summarised below so that it is in conformity with the revised standard :-

	Consolidated Income Statement <u>As previously reported RM'000</u>	Effects on adoption of FRS 101 RM'000	Consolidated Statement of Comprehensive Income <u>As restated RM'000</u>
Profit for the period	4,325	-	4,325
Other comprehensive income			
Exchange loss on translation of a foreign operation	-	(4)	(4)
<b>Total comprehensive income</b>	-	-	4,321

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#### A2. Changes in Accounting Policies (Cont'd)

##### (b) Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land that normally had an indefinite economic life and where title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land was accounted for as prepaid lease payments that were amortised over the lease term in accordance with the pattern of benefits provided.

Upon the adoption of the Amendment to FRS 117 in relation to classification of lease of land, the Group reassessed the classification of a leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all leasehold land of the Group are in substance is a finance lease and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment.

The reclassification has been made retrospectively and does not affect the profit or loss for the current period ended 30 June 2010 and the preceding year corresponding period ended 30 June 2010.

The effects of the reclassification on the consolidated statement of financial position as at 31 December 2009 are as follows :-

	<b>Consolidated Balance Sheet</b>		<b>Consolidated Statement of Financial Position</b>
	<b>As previously reported RM'000</b>	<b>Effects on adoption of FRS 117 RM'000</b>	<b>As restated RM'000</b>
Property, plant and equipment	12,543	3,977	16,520
Prepaid lease payments	3,977	(3,977)	-

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<b>PART A NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING</b>
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#### A2. Changes in Accounting Policies (Cont'd)

##### (c) FRS 139 – Financial Instruments : Recognition and Measurement

The adoption of FRS 139 has resulted in financial instruments of the Group to be categorised and measured using the accounting policies summarised below :-

##### (i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at its fair value. In the case of a financial instrument not categorised as fair value through profit or loss, the financial instrument is initially recognised at its fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. In the event that the embedded derivative is recognised separately, the host contract is accounted for in accordance with the policy applicable to the nature of the host contract.

##### (ii) Financial assets

###### ***Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading including derivatives, unless they are designated as hedges. Financial assets at fair value through profit or loss are subsequently measured at fair value with gain or loss recognised in profit or loss. This category of financial assets is classified as current assets.

###### ***Loans and receivables***

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method. This category of financial assets is classified as current assets unless the maturities are greater than twelve months in which case they are classified as non-current assets.



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#### A2. Changes in Accounting Policies (Cont'd)

##### (c) FRS 139 – Financial Instruments : Recognition and Measurement (Cont'd)

##### (ii) Financial assets (Cont'd)

###### *Available-for-sale financial assets*

Available-for-sale financial assets comprise investment in equity and debt securities that are not held for trading. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other available-for-sale financial assets are subsequently measured at fair value with gain or loss recognised in other comprehensive income.

##### (iii) Financial liabilities

Financial liabilities of the Group comprise trade and other payables, borrowings and derivative financial liabilities. All financial liabilities are subsequently measured at amortised cost using effective interest method other than derivative financial liabilities which are categorised as fair value through profit loss. Derivative financial liabilities are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not carried the value of the financial guarantee in its books.

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##### A2. Changes in Accounting Policies (Cont'd)

##### (c) FRS 139 – Financial Instruments : Recognition and Measurement (Cont'd)

Following the adoption of FRS 139, the changes to accounting policies relating to recognition and measurement of the Group's financial instruments are as follows :-

##### (i) Investments in non-current equity and debt securities instruments

Prior to 1 January 2010, non-current investments in equity and debt securities instruments were stated at cost less allowance for diminution in value which was other than temporary in nature.

With the adoption of FRS 139, such investments are now categorised as available-for-sale financial assets and measured as follows :-

- (a) Quoted shares and debt instruments - at fair value through profit or loss
- (b) Unquoted shares - at cost

##### (ii) Derivative financial instruments

Prior to 1 January 2010, outstanding financial derivatives as at balance sheet date were not recognised in the financial statements. They were only recognised on settlement dates.

Upon the adoption of FRS 139, derivative financial instruments are recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of those instruments. A derivative financial instrument is categorised as fair value through profit or loss and measured at its fair value with gain or loss recognised in profit or loss.

FRS 139 has been applied prospectively in accordance with the transitional provisions of the standard. In accordance to the transitional provisions for first-time adoption of FRS 139, adjustments arising from re-measuring the financial instruments as at 1 January 2010 were recognised as adjustments of the opening balance of retained profits or other appropriate reserves. Comparatives are not adjusted.

Since FRS 139 is applied prospectively, its adoption does not affect the profit or loss for the preceding year corresponding period ended 30 June 2010

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**A2. Changes in Accounting Policies (Cont'd)**

**(c) FRS 139 – Financial Instruments : Recognition and Measurement (Cont'd)**

The effects on adoption of FRS 139 on the opening reserves of the Group and other items of the consolidated statement of financial position as at 1 January 2010 are as follows :-

	Balance as at 1 January 2010 before the adoption of FRS 139 RM'000	Effects on adoption of FRS 139 RM'000	Balance as at 1 January 2010 after the adoption of FRS 139 RM'000
Retained profits	28,039	16	28,055
Fair value reserve	-	85	85
Other investments	206	(206)	-
Available-for-sale investments	-	291	291
Derivative financial assets	-	25	25
Derivative financial liabilities	-	9	9

The effects on adoption of FRS 139 on the current interim financial statements are as follows :-

	Increase/ (Decrease) RM'000
<b>Statement of financial position as at 30 June 2010</b>	
Retained profits	21
Other reserves	31
Available-for-sale investments	31
Derivative financial assets	26
Derivative financial liabilities	(5)
<hr/>	
<b>Statement of comprehensive income for the period ended 30 June 2010</b>	
Profit for the period	21
Other comprehensive income	31
Total comprehensive income	51

The adoption of other new and revised FRSs, IC Interpretations and amendments to FRSs and IC Interpretations has no financial impact on the current interim financial statements or on the consolidated financial statements of the previous financial year.

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**A3. Auditors' Report**

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2009.

**A4. Seasonal or cyclical factors**

The business operations of the Group are not significantly affected by seasonal or cyclical factors during the period under review.

**A5. 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 quarterly financial reports.

**A6. Issuances, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities**

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current period and year to date

**A7. Dividends Paid**

The Company has paid a single tier final dividend of 3 sen per ordinary share and single tier special dividend of 2 sen per ordinary share for the financial year ended 31 December 2009 on 30 June 2010. The total dividends amounted to RM 6,500,000.

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**A7. Segmental Information**

Segmental results by business activities:-

	Current Quarter Ended 30 Jun 10 (3 months)		Current Year To Date Ended 30 Jun 10 (6 months)	
	Revenue RM'000	Profit/ (loss) Before Tax RM'000	Revenue RM'000	Profit/ (loss) Before Tax RM'000
<b>Business Activities:</b>				
Investment Holding	7,000	6,963	7,000	6,911
Trading	90,508	5,577	171,571	10,408
Manufacturing	22,748	1,957	44,448	3,222
<b>Total</b>	<b>120,256</b>	<b>14,497</b>	<b>223,019</b>	<b>20,541</b>
Consolidation Adjustments	(20,937)	(7,117)	(32,980)	(7,094)
	<b>99,319</b>	<b>7,380</b>	<b>190,039</b>	<b>13,447</b>

**A8. Valuation of property, plant and equipment**

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

**A9. Capital commitments**

Capital commitment as at end of the current quarter and financial year to date are as follows:-	30-Jun-10  RM'000
Approved but not contracted for:-	4,234
Approved and contracted for:-	2,766

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##### A10. Material events subsequent to the end of period reported

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

##### A11. Changes in the Composition of the Group

There were no changes in the composition of the group during the current period and year to date.

##### A12. Related Party Transactions

The Company has the following transactions with the related parties during the financial quarter.

Transacting Parties	Potential/ Actual Areas of Conflict of Interest and / or Related-Party Transaction	Nature of Transaction	Current Quarter Ended 30-Jun-10	Current Year Ended 30-Jun-10
			RM'000	RM'000
Our Group and Kossan Holdings (M) Sdn Bhd ("KHMSB"), its subsidiaries and associated company	Chow Cheng Moey, our substantial shareholder, is the spouse of Lim Kuang Sia, a Director and substantial shareholder of KHMSB	Sale of industrial chemicals and UPRs by our Group	2,418	5,414
		<b>Total</b>	<b>2,418</b>	<b>5,414</b>

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 favourable than those transacted with unrelated parties.

## LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

### QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2010

#### PART B NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

**B1. Review of performance of the Company and its principal subsidiaries**

For the financial year to date, the Group recorded a pre-tax profit of RM13.45 million.

In the opinion of the Directors, the result for the current quarter and financial year to date have not been affected by any transactions or events of a material nature which has arisen between 30 June 2010 and the date of this report.

**B2. Material changes in the quarterly results compared to the results of the preceding quarter**

There are no material changes in the results for the current quarter compared to the results in the preceding quarter.

**B3. Prospects for the current financial year**

Barring any unforeseen circumstances, the Directors remain positive with the Group's prospects.

**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.

**B5. Taxation**

	Current Quarter Ended 30-Jun-10 RM'000	Current Year Ended 30-Jun-10 RM'000
Current tax expenses	(1,914)	(3,421)
Deferred Taxation	-	-
	<u>(1,914)</u>	<u>(3,421)</u>

The effective tax rate of the Group for the current quarter approximates the statutory tax rate.

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##### B6. Profit from sale of unquoted investments and/ or properties

There were no disposal of unquoted investment and properties for the current quarter and financial year-to-date.

##### B7. Quoted securities

During the current quarter and financial year to date, the Group sold 20,000 shares at RM1.6075 per share of Intergrated Rubber Corporation Berhad.

There was no purchase of quoted securities for the current quarter and financial year to date.

Investments in quoted securities as at 30 June 2010 are stated at fair value as at 30 June 2010.

	Original cost/share RM	Market Value/ share As at 30 Jun 2010 RM
(i) Goodway Integrated Industries Bhd	1.25	0.600
(ii) Aliran Ihsan Resources Bhd - RCULS	1.00	1.190
(iii) Wellcall Holdings Bhd	1.00	1.270
(iv) Superlon Holdings Bhd	0.72	0.410
(v) Hartalega Holdings Bhd	1.80	8.030



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**B8. Status of Utilisation of IPO Proceeds**

The Public Issue was expected to raise gross proceeds of RM22.0 million, which will be utilised as follows:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	Explanation
	RM'000	RM'000			
(i) Repayment of bank borrowings	7,000	7,000	Within 12 months	-	-
(ii) Expansion of existing operations	7,000	2,621	Within 24 months	-	-
(iii) Expansion of business and markets	2,500	-	Within 24 months	-	-
(iv) Working capital	3,000	3,500	Within 24 months	-	-
(v) Estimated listing expenses	2,500	2,257	Immediate	-	-
	22,000	15,378			

**Expansion of existing operations**

As stated in the Prospectus dated 10 June 2008, we have intended to utilize approximately RM3.0 million of the proceeds to purchase and install a new reactor and related equipment at our Unsaturated Polyester Plant in Melaka, to increase production capacity by another 50% in order to reach an output of 30,000 metric tonnes per annum. In addition, we intended to utilize approximately RM500,000 of the proceeds to increase our warehouse storage capacity by installing improved rack systems at our manufacturing plant.

We have yet to utilize this amount as we have put on hold this capital expenditure in view of the financial crises and global economic slowdown in 2008/2009. We are continuously monitoring the market situation and will only expand our plant capacity when there is sufficient and sustainable market demand.

**Expansion of business and markets**

As disclosed in our Prospectus dated 10 June 2008, we intended to utilize RM2.5 million of the proceeds to set up sales and marketing offices in Indonesia, Vietnam and China to improve our services to customers in the region.

In view of the global economic slowdown which resulted in drastic changes to market conditions, we have yet to set up sales and marketing offices overseas. However, we make regular trips overseas for market development.

As we continue our efforts to expand our overseas customer base, we will continue to monitor the need to set up offices in these countries. When there are sufficient justifications in terms of market demand and economic conditions in these countries, we will proceed with the setting up of sales and market offices.

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**PART B NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B9. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2010 are as follows:-

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short term borrowing:-</u>	-	67,138	67,138
	97	-	97
	97	67,138	67,235
 <u>Long Term borrowings:-</u>			
	165	-	165
	165	-	165
 Total	262	67,138	67,400

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#### PART B NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

##### B10. Derivative Financial Instruments – Forward Foreign Currency Contracts

The outstanding forward foreign currency exchange contracts as at 30 June 2010 are as follows:-

Type of Derivatives	Contract/ Notional Value RM million	Fair Value RM million
<b>Foreign Exchange Contracts</b>		
- Less than 1 year	9.19	9.15
- 1 year to 3 years	-	-
- More than 3 years	-	-

Forward foreign exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales and imported purchases by establishing the rate at which a foreign currency asset or liability will be settled.

These contracts are executed with credit-worthy/reputable financial institutions in Malaysia and as such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts is minimal.

The fair values of the forward foreign currency exchange contracts are subject to market risk. The fair value of the forward contracts may decline if the exchange rate of the underlying currency decreases.

There are no cash requirements for these derivatives.

Forward foreign currency exchange contracts are recognised on the contract dates and are measured at fair value with changes in fair value are recognised in profit or loss.

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### PART B NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

#### B11. Financial Guarantee

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. As at 30 June 2010, the amount of bank borrowings of its subsidiaries amounted to RM67.14 million. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognised the value of the obligation under the Financial Guarantee in its books.

#### B12. Material Litigation

As at 30 June 2010, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our 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 our Company or our subsidiaries.

#### B13. Proposed Dividend

The Board of Directors declared a single tier interim dividend of 3.0 sen per ordinary share for the financial year ending 31 December 2010 (as compared to 2.0 sen per ordinary share in the previous corresponding period). The interim dividend shall be paid on 30 September 2010.

#### B14. Earnings per share

##### (a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM5.47 million for the current quarter and RM10.03 million for current financial year-to-date as at 30 June 2010 and on the number of shares in issue of 130,000,000 as at 30 June 2010

##### (b) Fully diluted earnings per share

Fully diluted earnings per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

By order of the Board,

Tang Ying See  
Chief Executive Officer/ Managing Director  
Date: 29 July 2010