

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 31 MAR 2013

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 quarter ended 31 Mar 2013.

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 (3 months)	
	Current Quarter Ended 31-Mar-13 RM'000	Preceding Year Corresponding Quarter Ended 31-Mar-12 RM'000	Current Year Ended 31-Mar-13 RM'000	Preceding Year Corresponding Quarter Ended 31-Mar-12 RM'000
	Revenue	140,859	129,067	140,859
Cost of sales	(131,049)	(116,417)	(131,049)	(116,417)
Gross profit	9,811	12,650	9,811	12,650
Other operating income	1,383	229	1,383	229
Selling and distribution costs	(1,125)	(1,181)	(1,125)	(1,181)
Administrative expenses	(2,953)	(2,484)	(2,953)	(2,484)
Other operating expenses	(408)	(64)	(408)	(64)
Operating profit	6,707	9,150	6,707	9,150
Finance costs	(654)	(642)	(654)	(642)
Profit before Tax	6,053	8,508	6,053	8,508
Taxation	(1,529)	(2,153)	(1,529)	(2,153)
Profit for the period	4,524	6,355	4,524	6,355
Exchange gain/ (loss) on translation of foreign operations	(0)	(42)	(0)	(42)
Gain on revaluation of available-for-sale investments	18	76	18	76
Total other comprehensive income	18	34	18	34
Total comprehensive income for the period	4,541	6,389	4,541	6,389
Profit attributable to:				
-Owners of the parent	4,510	6,353	4,510	6,353
-Non controlling interest	14	2	14	2
Total comprehensive income attributable to:				
-Owners of the parent	4,527	6,387	4,527	6,387
-Non controlling interest	15	2	15	2
Earnings per share - Basic (Sen)	3.47	4.89	3.47	4.89

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 this quarterly financial report.

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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MAR 2013		
	Current Quarter Ended 31-Mar-13 RM'000	Current Year to date Ended 31-Mar-13 RM'000
Interest Income	420	420
Other income including investment income	963	963
Interest Expense	654	654
Depreciation & amortisation	295	295
Write back of receivable	(214)	(214)
Write back of inventories	-	-
(Gain)/loss on disposal of quoted investments	-	-
Gain or (loss) on disposal of unquoted investme	-	-
Gain or (loss) on disposal of properties	-	-
Impairment of assets	-	-
Foreign exchange (Gain)/Loss - realised	(664)	(664)
Foreign exchange (Gain)/Loss - unrealised	(223)	(223)
(Gain)/loss on derivatives	38	38
Exceptional items	-	-

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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	19,130	19,387
Investment properties	124	125
Intangible assets	352	317
Other investments	588	570
Deferred tax assets	61	61
	<u>20,255</u>	<u>20,460</u>
Current Assets		
Inventories	39,076	31,506
Trade and other receivables	100,067	98,259
Derivative financial assets	-	26
Tax recoverable	692	653
Deposits, cash and bank balances	90,584	96,670
	<u>230,419</u>	<u>227,114</u>
Total Assets	<u>250,674</u>	<u>247,574</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	65,000	65,000
Share premium	9,743	9,743
Other reserves	367	350
Retained profits	65,284	60,775
Total equity attributable to owners of the Company	<u>140,394</u>	<u>135,868</u>
Non-controlling interests	267	252
Total Equity	<u>140,661</u>	<u>136,120</u>
Non-current Liabilities		
Hire purchase	173	260
Retirement benefits	51	51
Deferred tax liabilities	500	479
	<u>724</u>	<u>790</u>
Current Liabilities		
Trade and other payables	22,529	31,383
Hire purchase payables	175	216
Bankers' acceptances	86,547	78,770
Derivative financial liabilities	11	-
Taxation	27	295
	<u>109,289</u>	<u>110,664</u>
Total Liabilities	<u>110,013</u>	<u>111,454</u>
Total Equity and Liabilities	<u>250,674</u>	<u>247,574</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	1.08	1.05

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 this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 31 MAR 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 31-Mar-13 RM'000	Preceding Year Corresponding Period Ended 31-Dec-12 RM'000
Cash flows from operating activities		
Profit before taxation	6,053	29,243
Adjustments for :-	-	
Amortisation of intangible assets	19	2
Depreciation of property, plant and equipment	275	1,075
Depreciation of investment property	1	3
Defined benefit obligation	-	53
Dividend income	(3)	(202)
Loss from change in fair value of investment property	-	(28)
Loss/(Gain) from change in fair value of forward exchange	38	-
Gain on disposal of property, plant and equipment	(1)	(192)
Impairment loss on trade receivables	341	841
Interest income	(420)	(1,442)
Interest expense	654	2,277
Property, plant and equipment written off	4	2
Unrealised (gain)/loss on foreign exchange	(223)	(127)
Reversal of impairment loss on trade receivables	(214)	(900)
Write down in value of inventories	-	1,072
Operating profit before working capital changes	6,524	31,677
(Increase)/Decrease in inventories	(7,565)	(2,003)
(Increase)/Decrease in trade and other receivables	(1,701)	14,423
Increase/(Decrease) in trade and other payables	(8,872)	(24,741)
Cash generated from operations	(11,614)	19,356
Tax paid	(1,814)	(8,214)
Interest received	420	1,442
Interest paid	(654)	(2,277)
Net cash (used in)/from operating activities	(13,662)	10,307
Cash flows from investing activities		
Purchase of other investments	-	-
Purchase of property, plant and equipment	(21)	(879)
Purchase of intangible assets	(54)	(318)
Proceeds from disposal of property, plant and equipment	1	211
Dividend received	3	202
Net cash used in investing activities	(71)	(784)
Cash flows from financing activities		
Bankers' acceptances obtained, net of repayment	7,771	10,311
Hire purchase instalments paid	(129)	(258)
Dividend paid	-	(11,700)
Net cash from/(used in)/ financing activities	7,642	(1,647)
Net (decrease)/increase in cash and cash equivalents	(6,092)	7,876
Cash and cash equivalents at beginning of year	96,670	88,835
Foreign exchange difference	6	(41)
Cash and cash equivalent at end of the period	90,584	96,670

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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 Mar 2013

	Attributable to owners of the Parent						Non Controlling Interests RM'000	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	Total RM'000		
Balance at 1 January 2013:	65,000	9,743	76	274	60,775	135,868	252	136,120
Profit for the period	-	-	-	-	4,524	4,524	-	4,524
Other comprehensive income	-	-	(1)	18	-	17	-	17
Total comprehensive income for the period	-	-	(1)	18	4,524	4,541	-	4,541
Balance at 31 March 2013	65,000	9,743	75	292	65,299	140,409	252	140,661

For the three months ended 31 Mar 2012

	Attributable to owners of the Parent						Non Controlling Interests RM'000	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	Total RM'000		
Balance at 1 January 2012:	65,000	9,743	113	157	50,440	125,453	359	125,812
Profit for the period	-	-	-	-	6,353	6,353	2	6,355
Other comprehensive income	-	-	(42)	76	-	34	-	34
Total comprehensive income for the period	-	-	(42)	76	6,353	6,386	2	6,389
Balance at 31 March 2012	65,000	9,743	71	233	56,793	131,839	361	132,201

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

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QUARTERLY FINANCIAL REPORT AS AT 31 MAR 2013

PART A	NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING
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A1. Basis of Preparation

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

The interim financial statements are unaudited and have been prepared in accordance with the MFRS 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 2012. 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 2012.

A2. Changes in Accounting Policies

The Group has adopted MFRSs with effective from current period. There is no significant financial effects arising from the adoption of MFRSs

A3. Auditors' Report

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

A4. Seasonal or cyclical factors

The business operations of the Group were 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. Issuance, 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.

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PART A	NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING
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A7. Segmental Information

Segmental results by business activities:-

	Current Quarter Ended 31 Mar 13 (3 months)		Current Year To Date Ended 31 Mar 13 (3 months)	
	Revenue RM'000	Profit/ (loss) Before Tax RM'000	Revenue RM'000	Profit/ (loss) Before Tax RM'000
Business Activities:				
Investment Holding	-	(35)	-	(35)
Trading	121,415	6,027	121,415	6,027
Manufacturing	32,607	14	32,607	14
Total	154,022	6,007	154,022	6,007
Consolidation Adjustments	(13,163)	46	(13,163)	46
	140,859	6,053	140,859	6,053

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	31-Mar-13 RM'000
Approved but not contracted for:-	3,075
Approved and contracted for	128

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.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B1. Review of performance of the Company and its principal subsidiaries

Comparison of results for current quarter and preceding year corresponding quarter

The Group achieved revenue of RM140.86 million for the current quarter, an increase of RM11.79 million or 9.1% as compared to the RM129.07 million achieved during the preceding year corresponding quarter. This revenue increase was mainly contributed from increase in sales quantity from the Trading segment.

The Group achieved gross profit of RM9.81 million during the current quarter. This represents a drop of RM2.84 million (or 22.45%), compared to the RM12.65 million achieved during the preceding year corresponding quarter. Therefore, the gross margin for this quarter is 6.96%, which is lower than the gross profit margin of 9.80% achieved during the preceding year corresponding quarter. This drop was mainly due to the low profit margin from the Manufacturing segment. In the Manufacturing segment, the Raw material price during the current quarter was higher than during the preceding year corresponding quarter. In addition, the export market was very competitive and the selling prices did not increase in tandem with the raw material price increase.

For the current quarter, the Group recorded a Profit after Tax of RM4.52 million, a drop of RM1.84 million (or 28.93%) compared against the preceding year corresponding quarter Profit after Tax of RM6.36 million. This drop was mainly due to the lower gross profit margin as highlighted above.

Comparison of results for current quarter and previous quarter

The Group achieved revenue of RM140.86 million for the current quarter, an increase of RM18.98 million or 15.58% as compared to the RM121.88 million achieved during the previous quarter. This revenue increase was mainly contributed from increase in sales quantity from the Trading segment.

The Group achieved gross profit of RM9.81 million during the current quarter. This represents a drop of RM1.54 million (or 13.56%), compared to the RM11.35 million achieved during the previous quarter. Therefore, the gross margin for this quarter is 6.96%, which is lower than the gross profit margin of 9.31% achieved during the previous quarter. This drop was mainly due to the low profit margin from the Manufacturing segment. In the Manufacturing segment, the Raw material price during the current quarter was higher than during the preceding year corresponding quarter. In addition, the export market was very competitive and the selling prices did not increase in tandem with the raw material price increase.

For the current quarter, the Group recorded a Profit after Tax of RM4.52 million, a drop of RM1.43 million (or 24.03%) compared against the previous quarter Profit after Tax of RM5.95 million. This drop was mainly due to the lower gross profit margin as highlighted above.

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

For the current quarter, the Group reported Profit After Tax of RM4.52 million.

For changes in the quarterly results compared to the results of the preceding year corresponding quarter and the preceding quarter, please refer to explanations under B1 above.

B3. Prospects for the current financial year

Fluctuations in exchange rates and raw material prices will continue to be a challenge to the Group. However, 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 31-Mar-13 RM'000	Current Year Ended 31-Mar-13 RM'000
Current tax expenses	(1,529)	(1,529)
Deferred Taxation	-	-
	<u>(1,529)</u>	<u>(1,529)</u>

The effective tax rate of the Group approximates the statutory tax rate.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B6. Status of Utilisation of IPO Proceeds

The Public Issue has raised gross proceeds of RM22.0 million, which has been utilised as follows:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation
	RM'000	RM'000	
(i) Repayment of bank borrowings	7,000	7,000	Within 12 months
(ii) Expansion of existing operations	7,000	3,179	Within 24 months
(iii) Expansion of business and markets	2,500	1,010	Within 24 months
(iv) Working capital	3,000	3,000	Within 24 months
(v) Estimated listing expenses	2,500	2,257	Immediate
	<u>22,000</u>	<u>16,446</u>	

Expansion of existing operations

As stated in the Prospectus dated 10 Sep 2008, we have intended to utilise 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 utilise approximately RM500,000 of the proceeds to increase our warehouse storage capacity by installing improved rack systems at our manufacturing plant.

We have obtained the DOE approval for the increase in production capacity.

We are currently applying to the regulatory authority for the extension of the warehouse and also negotiating with suppliers for the purchase of machinery.

We expect our capacity expansion will be ready by end 2013.

Expansion of business and markets

As disclosed in our Prospectus dated 10 Sep 2008, we intended to utilise 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.

The company has set up a subsidiary in Indonesia in Oct 2011.

The setting up of the Representative office in Vietnam was originally scheduled to be completed by Q3 2012. The company has decided that it will not proceed with the setting up of the Representative office during this financial year. The company will focus on its growth locally, as well as in Indonesia.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B7. Group borrowings and debt securities

The Group's borrowings as at 31 Mar 13 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>	-	86,547	86,547
	175	-	175
	<u>175</u>	<u>86,547</u>	<u>86,722</u>
<u>Long Term borrowings:-</u>	173	-	173
	<u>173</u>	<u>-</u>	<u>173</u>
Total	<u>348</u>	<u>86,547</u>	<u>86,895</u>

B8. Realised and Unrealised Profit

	Current financial year ended 31 Mar 13	As at 31 Dec 2012
	RM	RM
Total retained profits of LCB and its subsidiaries		
- Realised Profit	121,443	128,493
- Unrealised Profit	(713)	(561)
	<u>120,730</u>	<u>127,932</u>
- Consolidation adjustments	(55,446)	(67,157)
Retained profits as per financial statements	<u>65,284</u>	<u>60,775</u>

B9. Financial Guarantee

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. As at 31 Mar 13, the amount of bank borrowings of its subsidiaries amounted to RM86.55 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 31 Mar 2013, the amount of Corporate Guarantee to suppliers amounted to RM22.89 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.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B10. Material Litigation

As at 31 Mar 2013, 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 any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company our subsidiaries.

B11. Proposed Dividend

The Board of Directors proposed a single tier final dividend of 5.5 sen per ordinary share for the financial year ended 31 December 2012.

The proposed dividend is subject to the Shareholders' approval at the forthcoming Annual General Meeting. The dates of entitlement and payment are fixed on 31 May 2013 and 28 June 2013 respectively.

B12. 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 RM4.51 million for the current quarter and current financial year-to-date as at 31 Mar 2013 and on the number of shares in issue of 130,000,000 as at 31 Mar 2013.

(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: 2 May 2013