

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 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 30 Jun 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 (6 months)	
	Current Quarter Ended 30-Jun-13 RM'000	Preceding Year Corresponding Quarter Ended 30-Jun-12 RM'000	Current Year Ended 30-Jun-13 RM'000	Preceding Year Corresponding Quarter Ended 30-Jun-12 RM'000
	Revenue	132,932	133,957	273,792
Cost of sales	(123,457)	(123,516)	(254,505)	(239,933)
Gross profit	9,476	10,441	19,286	23,091
Other operating income	1,716	1,441	3,099	1,670
Selling and distribution costs	(1,160)	(1,100)	(2,285)	(2,281)
Administrative expenses	(2,723)	(2,378)	(5,676)	(4,862)
Other operating expenses	(179)	(189)	(588)	(253)
Operating profit	7,128	8,215	13,835	17,365
Finance costs	(574)	(629)	(1,228)	(1,271)
Profit before Tax	6,554	7,586	12,607	16,094
Taxation	(1,600)	(1,925)	(3,129)	(4,078)
Profit for the period	4,954	5,661	9,478	12,016
Exchange gain/(loss) on translation of foreign operations	3	32	2	(10)
Gain on revaluation of available-for-sale investments	102	0	120	76
Total other comprehensive income	105	32	122	66
Total comprehensive income for the period	5,059	5,693	9,600	12,082
Profit attributable to:				
-Owners of the parent	4,979	5,674	9,489	12,027
-Non controlling interest	(25)	(13)	(11)	(11)
Total comprehensive income attributable to:				
-Owners of the parent	5,083	5,707	9,610	12,094
-Non controlling interest	(25)	(13)	(10)	(11)
Earnings per share - Basic (Sen)	3.83	4.36	7.30	9.24
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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 30 JUN 13		
	Current Quarter Ended 30-Jun-13 RM'000	Current Year to date Ended 30-Jun-13 RM'000
Interest Income	288	707
Other income including investment income	1,428	2,391
Interest Expense	574	1,228
Depreciation & amortisation	300	594
Write back of receivable	(69)	(284)
Foreign exchange (Gain)/Loss - realised	(902)	(1,566)
Foreign exchange (Gain)/Loss - unrealised	409	186
(Gain)/loss on derivatives	(185)	(147)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Jun-13 RM'000	Audited As at 31-Dec-12 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	18,915	19,387
Investment properties	123	125
Intangible assets	363	317
Other investments	690	570
Deferred tax assets	61	61
	<u>20,152</u>	<u>20,460</u>
Current Assets		
Inventories	36,614	31,506
Trade and other receivables	103,397	98,259
Derivative financial assets	51	26
Tax recoverable	916	653
Deposits, cash and bank balances	73,421	96,670
	<u>214,399</u>	<u>227,114</u>
Total Assets	<u>234,551</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	472	350
Retained profits	63,113	60,775
Total equity attributable to owners of the Company	<u>138,328</u>	<u>135,868</u>
Non-controlling interests	242	252
Total Equity	<u>138,570</u>	<u>136,120</u>
Non-current Liabilities		
Hire purchase	130	260
Retirement benefits	51	51
Deferred tax liabilities	469	479
	<u>650</u>	<u>790</u>
Current Liabilities		
Trade and other payables	29,827	31,383
Hire purchase payables	168	216
Bankers' acceptances	65,473	78,770
Derivative financial liabilities	(123)	-
Taxation	(14)	295
	<u>95,331</u>	<u>110,664</u>
Total Liabilities	<u>95,980</u>	<u>111,454</u>
Total Equity and Liabilities	<u>234,551</u>	<u>247,574</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	1.07	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 30 JUNE 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 30-Jun-13 RM'000	Preceding Year Corresponding Period Ended 31-Dec-12 RM'000
Cash flows from operating activities		
Profit before taxation	12,607	29,243
Adjustments for :-	-	-
Amortisation of intangible assets	38	2
Depreciation of property, plant and equipment	554	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 contracts	(147)	-
Gain on disposal of investment property	-	-
Gain on disposal of other investment	-	-
Gain on disposal of property, plant and equipment	(1)	(192)
Impairment loss on trade receivables	572	841
Interest income	(707)	(1,442)
Interest expense	(1,228)	2,277
Property, plant and equipment written off	4	2
Unrealised (gain)/loss on foreign exchange	186	(127)
Reversal of impairment loss on trade receivables	(284)	(900)
Write down in value of inventories	-	1,072
Operating profit before working capital changes	11,592	31,677
(Increase)/Decrease in inventories	(5,102)	(2,003)
(Increase)/Decrease in trade and other receivables	(5,292)	14,423
Increase/(Decrease) in trade and other payables	(1,883)	(24,741)
Cash generated from operations	(685)	19,356
Tax paid	(3,710)	(8,214)
Interest received	707	1,442
Interest paid	1,228	(2,277)
Net cash (used in)/from operating activities	(2,460)	10,307
Cash flows from investing activities		
Purchase of other investments	-	-
Purchase of property, plant and equipment	(85)	(879)
Purchase of intangible assets	(84)	(318)
Proceeds from disposal of investment property	-	-
Proceeds from disposal of property, plant and equipment	1	211
Proceeds from disposal of other investments	-	-
Dividend received	3	202
Net cash used in investing activities	(165)	(784)
Cash flows from financing activities		
Bankers' acceptances obtained, net of repayment	(13,303)	10,311
Hire purchase instalments paid	(178)	(258)
Dividend paid	(7,150)	(11,700)
Equity contributions from no-controlling interests	-	-
Net cash from/(used in)/ financing activities	(20,631)	(1,647)
Net (decrease)/increase in cash and cash equivalents	(23,257)	7,876
Cash and cash equivalents at beginning of year	96,670	88,835
Foreign exchange difference	8	(41)
Cash and cash equivalent at end of the period	73,421	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 six months ended 30 Jun 13

	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	Total RM'000	Non Controlling Interests RM'000	
Balance at 1 January 2013:	65,000	9,743	76	274	60,775	135,868	252	136,120
Profit for the period	-	-	-	-	9,489	9,489	(11)	9,478
Other comprehensive income	-	-	2	120	-	122	-	122
Total comprehensive income for the period	-	-	2	120	9,489	9,611	(11)	9,600
Final dividend of 5.5 sen per share in respect of the financial year ended 31 December 2012					(7,150)	(7,150)		(7,150)
Balance at 30 June 2013	65,000	9,743	78	394	63,114	138,329	241	138,570

For the six months ended 30 June 2012

	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	Total RM'000	Non Controlling Interests RM'000	
Balance at 1 January 2012:	65,000	9,743	113	157	50,440	125,453	359	125,812
Profit for the period	-	-	-	-	12,016	12,016	-	12,016
Other comprehensive income	-	-	(9)	76	-	(20)	-	67
Total comprehensive income for the period	-	-	(9)	76	12,016	11,996	-	12,083
Final dividend of 6 sen per share in respect of the financial year ended 31 December 2011					(7,800)	(7,800)		(7,800)
Balance at 30 June 2012	65,000	9,743	104	233	54,656	129,649	359	130,095

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 30 JUNE 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 30 Jun 13 (3 months)		Current Year To Date Ended 30 Jun 13 (6 months)	
	Revenue	Profit/ (loss) Before Tax	Revenue	Profit/ (loss) Before Tax
	RM'000	RM'000	RM'000	RM'000
Business Activities:				
Investment Holding	7,500	7,433	7,500	7,398
Trading	117,754	5,311	239,170	11,338
Manufacturing	28,698	1,279	61,304	1,293
Total	153,952	14,022	307,974	20,029
Consolidation Adjustments	(21,020)	(7,469)	(34,182)	(7,422)
	132,932	6,554	273,792	12,607

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	30-Jun-13 RM'000
Approved but not contracted for:-	3,767

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 RM132.93 million for the current quarter, a decrease of RM1.03 million or 0.77% compared to the RM133.96 million achieved during the preceding year corresponding quarter.

This drop was mainly due to lower sales from the manufacturing segment.

The Group achieved gross profit of RM9.48 million during the current quarter. This represents a drop of RM0.96 million (or 9.20%), compared to the RM10.44 million achieved during the preceding year corresponding quarter. Therefore, the gross margin for this quarter is 7.13%, which is lower than the gross profit margin of 7.79% achieved during the preceding year corresponding quarter. This drop was mainly due to the low profit margin from the Manufacturing segment

For the current quarter, the Group recorded a Profit after Tax of RM4.95 million, a drop of RM0.71 million (or 12.54%) compared against the preceding year corresponding quarter Profit after Tax of RM5.66 million. This drop was mainly due to the lower profit from the Trading segment.

Comparison of results for current quarter and previous quarter

The Group achieved revenue of RM132.93 million for the current quarter, a decrease of RM7.93 million or 5.63% as compared to the RM140.86 million achieved during the previous quarter.

The revenue decrease was mainly due to lower sales from the Trading and Manufacturing segment.

The Group achieved gross profit of RM9.48 million during the current quarter. This represents a drop of RM0.33 million (or 3.36%), compared to the RM9.81 million achieved during the previous quarter. The gross margin for this quarter is 7.13%, which is slightly higher than the gross profit margin of 6.96% achieved during the previous quarter. This comes from improved margins of the Manufacturing segment.

For the current quarter, the Group recorded a Profit after Tax of RM4.95 million, an increase of RM0.43 million (or 9.51%) compared against the previous quarter Profit after Tax of RM4.52 million. This increase is contributed by the Manufacturing segment.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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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 30-Jun-13 RM'000	Current Year Ended 30-Jun-13 RM'000
Current tax expenses	(1,600)	(3,129)
Deferred Taxation	-	-
	<u>(1,600)</u>	<u>(3,129)</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**

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	Balance Unutilised	
	RM'000	RM'000		RM'000	%
(i) Repayment of bank borrowings	7,000	7,000	Within 12 months	-	-
(ii) Expansion of existing operations	7,000	3,384	Within 24 months	3,616	52%
(iii) Expansion of business and markets	2,500	1,033	Within 24 months	1,467 *	59%
(iv) Working capital	3,000	3,000	Within 24 months	-	-
(v) Estimated listing expenses	2,500	2,500 #	Immediate	-	-
Total	22,000	16,916		5,084	

Notes:-

* As disclosed in the Prospectus, 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.

We have set up a subsidiary in Indonesia in October 2011. As we continue our efforts to expand our overseas customer base, we will continue to monitor the need to set up offices in Vietnam and China as soon as there are sufficient justifications in terms of market demand and economic conditions in these countries. After taking into consideration of the following factors, in order to remain prudent, LCB Group decided to delay its business and market expansion plans and we will focus on our growth locally as well as in Indonesia.

In order to utilise this financial resources which has no immediate usage in a more efficient manner, the Board of Directors of LCB has resolved to reallocate the remaining funds of RM1.467 million towards LCB Group's day-to-day working capital requirements.

RM2.257 million was utilised for the estimated listing expenses, with the balance of RM0.243 million fully utilised for working capital.

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

B7. Group borrowings and debt securities

The Group's borrowings as at 30 Jun 13 as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
	-	65,473	65,473
	168	-	168
	<u>168</u>	<u>65,473</u>	<u>65,641</u>
<u>Long Term borrowings:-</u>			
	130	-	130
	<u>130</u>	<u>-</u>	<u>130</u>
Total	<u>298</u>	<u>65,473</u>	<u>65,771</u>

B8. Realised and Unrealised Profit

	Current financial year ended 30 Jun 13	As at 31 Dec 2012
	RM	RM
Total retained profits of LCB and its subsidiaries		
- Realised Profit	125,554	128,493
- Unrealised Profit	68	(561)
	<u>125,622</u>	<u>127,932</u>
- Consolidation adjustments	(62,509)	(67,157)
Retained profits as per financial statements	<u>63,113</u>	<u>60,775</u>

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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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 30 Jun 13, the amount of bank borrowings of its subsidiaries amounted to RM65.47 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 30 Jun 2013, the amount of Corporate Guarantee to suppliers amounted to RM23.39 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.

B10. Material Litigation

As at 30 Jun 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 declared a single tier interim dividend of 3 sen per ordinary share for the financial year ending 31 December 2013. The interim dividend shall be paid on 30 September 2013.

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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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 RM4.98 million for the current quarter and RM 9.49 million for current financial year-to-date as at 30 Jun 2013 and on the number of shares in issue of 130,000,000 as at 30 Jun 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: 31 July 2013