

# LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

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 June 2015.

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-15 RM'000	Preceding Year Corresponding Quarter Ended 30-Jun-14 RM'000	Current Year Ended 30-Jun-15 RM'000	Preceding Year Corresponding Quarter Ended 30-Jun-14 RM'000
	Revenue	161,034	153,497	333,574
Cost of sales	(143,546)	(142,888)	(300,010)	(275,961)
<b>Gross profit</b>	<b>17,488</b>	<b>10,608</b>	<b>33,564</b>	<b>21,000</b>
Other operating income	861	699	4,039	2,201
Selling and distribution costs	(1,327)	(1,294)	(2,611)	(2,550)
Administrative expenses	(3,057)	(2,775)	(6,990)	(6,050)
Administrative expenses - Share Option Expense	(243)	-	(8,719)	-
Other operating expenses	(12)	(162)	(42)	(227)
<b>Operating profit</b>	<b>13,710</b>	<b>7,077</b>	<b>19,242</b>	<b>14,375</b>
Finance costs	(519)	(753)	(1,175)	(1,385)
<b>Profit before Tax</b>	<b>13,191</b>	<b>6,324</b>	<b>18,067</b>	<b>12,990</b>
Taxation	(3,382)	(1,631)	(6,752)	(3,257)
<b>Profit for the period</b>	<b>9,809</b>	<b>4,693</b>	<b>11,315</b>	<b>9,732</b>
Exchange gain/ (loss) on translation of foreign operations	(396)	(53)	(760)	(19)
Gain/(loss) on revaluation of available-for-sale investments	33	(28)	165	(69)
<b>Total other comprehensive income</b>	<b>(363)</b>	<b>(81)</b>	<b>(594)</b>	<b>(88)</b>
<b>Total comprehensive income for the period</b>	<b>9,447</b>	<b>4,612</b>	<b>10,721</b>	<b>9,645</b>
Profit attributable to:				
-Owners of the parent	9,806	4,745	11,358	9,703
-Non controlling interest	3	(52)	(43)	30
Total comprehensive income attributable to:				
-Owners of the parent	9,564	4,678	10,995	9,619
-Non controlling interest	(117)	(65)	(274)	26
Earnings per share - Basic (Sen)	3.75	3.65	4.35	7.46
Earnings per share - Fully Diluted (Sen)	3.61		4.18	

*The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this quarterly financial report.*

# LUXCHEM CORPORATION BERHAD

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(Incorporated in Malaysia)

## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

### NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Current Quarter Ended 30-Jun-15 RM'000</b>	<b>Current Year to date Ended 30-Jun-15 RM'000</b>
Interest Income	657	1,066
Other income including investment income	204	2,974
Interest Expense	519	1,175
Depreciation & amortisation	388	823
(Gain)/loss on disposal of quoted investment	16	16
Foreign exchange (Gain)/Loss - realised	66	(2,587)
Foreign exchange (Gain)/Loss - unrealised	575	895
(Gain)/loss on derivatives	32	37

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Unaudited As at 30-Jun-15 RM'000</b>	<b>Audited As at 31-Dec-14 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	25,874	26,174
Investment properties	118	120
Intangible assets	231	268
Other investments	891	727
Deferred tax assets	175	174
	<u>27,289</u>	<u>27,463</u>
<b>Current Assets</b>		
Inventories	39,445	35,553
Trade and other receivables	131,084	115,717
Derivative financial assets	-	29
Tax recoverable	570	658
Deposits, cash and bank balances	86,805	74,157
	<u>257,904</u>	<u>226,114</u>
<b>Total Assets</b>	<b>285,193</b>	<b>253,577</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Owners of the Parent</b>		
Share capital	131,745	130,000
Share premium	1,908	250
Other reserves	7,982	664
Retained profits	28,996	25,430
<b>Total equity attributable to owners of the Company</b>	<u>170,631</u>	<u>156,344</u>
Non-controlling interests	(373)	(99)
<b>Total Equity</b>	<u>170,258</u>	<u>156,245</u>
<b>Non-current Liabilities</b>		
Hire purchase	152	175
Retirement benefits	142	142
Deferred tax liabilities	695	691
	<u>989</u>	<u>1,008</u>
<b>Current Liabilities</b>		
Trade and other payables	48,087	39,596
Hire purchase payables	54	97
Bankers' acceptances	60,529	54,945
Derivative financial liabilities	8	-
Taxation	5,267	1,686
	<u>113,945</u>	<u>96,324</u>
<b>Total Liabilities</b>	<u>114,935</u>	<u>97,332</u>
<b>Total Equity and Liabilities</b>	<b>285,193</b>	<b>253,577</b>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.65	0.60

*The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this quarterly financial report.*

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 30-Jun-15 RM'000	Preceding Year Corresponding Period Ended 31-Dec-14 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	18,067	29,578
Adjustments for :-		
Amortisation of intangible assets	44	87
Depreciation of property, plant and equipment	778	1,427
Depreciation of investment property	1	3
Defined benefit obligation	(1)	52
Dividend income	(7)	(124)
Loss/(Gain) from change in fair value of forward exchange contracts	37	(10)
Gain on disposal of property, plant and equipment	-	(184)
Loss of disposal of an investment	16	-
Impairment loss on trade receivables	-	1,580
Interest income	(1,066)	(1,312)
Interest expense	1,175	2,727
Property, plant and equipment written off	-	2
Unrealised (gain)/loss on foreign exchange	895	55
Reversal of impairment loss on trade receivables	-	(293)
Write down in value of inventories	-	461
Share options expense	8,719	-
Operating profit before working capital changes	28,658	34,049
(Increase)/Decrease in inventories	(3,751)	(13)
(Increase)/Decrease in trade and other receivables	(15,219)	(8,380)
Increase/(Decrease) in trade and other payables	7,437	3,421
Cash generated from operations	17,125	29,077
Tax paid	(3,256)	(6,237)
Interest received	1,066	1,312
Interest paid	(1,175)	(2,727)
Net cash (used in)/from operating activities	13,760	21,425
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(392)	(4,940)
Purchase of intangible assets	(6)	-
Purchase of an investment	(25)	-
Proceeds from disposal of an investment	9	-
Proceeds from disposal of property, plant and equipment	-	202
Dividend received	7	124
Net cash used in investing activities	(407)	(4,614)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares under ESOS	2,477	-
Bankers' acceptances obtained, net of repayment	5,139	(18,562)
Hire purchase obtained, net of repayment	(63)	(178)
Dividend paid	(7,904)	(10,400)
Net cash from/(used in)/ financing activities	(351)	(29,141)
<b>Net (decrease)/increase in cash and cash equivalents</b>	13,002	(12,330)
Cash and cash equivalents at beginning of year	74,157	86,375
Foreign exchange difference	(356)	111
<b>Cash and cash equivalent at end of the period</b>	86,803	74,157
<b>Cash and cash equivalents at end of year comprised:-</b>		
Deposits with financial institutions	47,455	42,363
Cash and bank balances	39,350	31,794
	86,805	74,157

*The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year 31 December 2014 and the accompanying explanatory notes attached to this quarterly financial report.*

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000	Attributable to owners of the Parent			Total RM'000	Non Controlling Interests RM'000	Total RM'000
				Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000			
Balance at 1 January 2015:-	130,000	250	-	233	432	25,430	156,344	(99)	156,245
Profit for the period	-	-	-	-	-	11,358	11,358	(42)	11,316
Other comprehensive income	-	-	-	(530)	165	-	(364)	(232)	(596)
Total comprehensive income for the period	-	-	-	(530)	165	11,358	10,994	(274)	10,719
Share options granted under ESOS	-	-	8,719	-	-	-	8,719	-	8,719
Issue of shares pursuant to ESOS	1,745	1,658	(925)	-	-	-	2,478	-	2,478
Cancellation of Share Options	-	-	(112)	-	-	112	-	-	-
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2013	-	-	-	-	-	(7,904)	(7,904)	-	(7,904)
Balance at 30 June 15	131,745	1,908	7,682	(297)	598	28,996	170,632	(373)	170,258

For the six months ended 30 June 2014

	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000	Attributable to owners of the Parent			Total RM'000	Non Controlling Interests RM'000	Total RM'000
				Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000			
Balance at 1 January 2014:-	65,000	9,743	-	225	467	69,392	144,827	44	144,871
Profit for the period	-	-	-	-	-	9,703	9,703	30	9,733
Other comprehensive income	-	-	-	(16)	(68)	-	(84)	(4)	(88)
Total comprehensive income for the period	-	-	-	(16)	(68)	9,703	9,619	26	9,645
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2013	-	-	-	-	-	(6,500)	(6,500)	-	(6,500)
Balance at 30 June 2014	65,000	9,743	-	209	399	72,595	147,946	70	148,016

*The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year 31 December 2014 and the accompanying explanatory notes attached to this quarterly financial report.*

# LUXCHEM CORPORATION BERHAD

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

<b>PART A</b>	<b>NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING</b>
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### **A1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards and Chapter 9 Part K of the Bursa Securities Listing Requirements. Unless otherwise described below, the accounting policies and method of computation adopted for the interim financial reports were consistent with those adopted for the audited financial statements for the year ended 31 December 2014.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2014 other than the application of amendments to MFRSs which became effective for annual period beginning on 1 July 2014. The initial application of these amendments has no material impact on this interim financial reporting.

In addition, the Group has adopted a new accounting policy for the recognition and measurement of an equity-settled share-based payment transaction in accordance with MFRS 2, Share-based Payments in respect of the share options granted during the reporting quarter under the Company's Employees' Share Option Scheme as further disclosed in Note A5. The cost of the equity-settled transaction is recognised as an expense in profit or loss with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options at the grant date and the number of share options to be vested by the vesting date. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

### **A2. Auditors' Report**

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2014.

### **A3. Seasonal or cyclical factors**

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

### **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 quarterly financial reports.

## LUXCHEM CORPORATION BERHAD

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### QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

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

**A5.      Issuance, Cancellations, Repurchase, Resale and Repayments of Debt and Equity Securities**

On 1 December 2014, the Company established an Employees' Share Option Scheme that entitles eligible directors and employees of the Group ("Eligible Persons") to participate in the ordinary share capital of the Company. The share option scheme has a tenure of five (5) years which expires on 30 November 2019.

The following shows the status of the options granted:

Date of grant	No. of options granted	Exercise price/ option Note 1	Fair Value /option Note 2	No. of options exercised			Options cancelled	Balance no. of options as at
				Q1 2015	Q2 2015	YTD June 2015		
				No	No	No	Q2 2015	30-Jun-15
		RM	RM					
22-Jan-15	31,986,000	0.71	0.265	403,000	3,086,000	3,489,000	424,000	28,073,000
22-Jun-15	1,446,000	1.02	0.168	-	-	-	-	1,446,000
	<b>33,432,000</b>			<b>403,000</b>	<b>3,086,000</b>	<b>3,489,000</b>	<b>424,000</b>	<b>29,519,000</b>

Note 1 :      The respective exercise price of the share options as above, was determined based on the volume weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer with a 10% discount.

Note 2 :      The fair value of the share options granted was measured using the Trinomial Option Pricing model.

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

<b>PART A</b>	<b>NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING</b>
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### A6. Segmental Information

Segmental results by business activities:-

	Current Quarter Ended 30 Jun 15 (3 months)		Current Year To Date Ended 30 Jun 15 (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	8,300	(113)	8,300	(482)
Trading	129,544	14,030	278,094	14,291
Manufacturing	46,386	7,699	84,763	12,547
Total	184,229	21,615	371,157	26,355
Consolidation Adjustments	(23,195)	(8,425)	(37,583)	(8,288)
	161,034	13,191	333,574	18,067

### A7. Valuation of property, plant and equipment

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

### A8. Capital commitments

Capital commitments as at 30 Jun 15	Amount RM'000
Capital expenditure in respect of purchase of property, plant and equipment	
- authorised and contracted for	11,845
- approved but not contracted for	-
	<u>11,845</u>

### A9. 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.



# LUXCHEM CORPORATION BERHAD

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

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

#### Comparison of Revenue for current quarter and corresponding quarter in preceding year

The Group achieved revenue of RM161.03 million for the current quarter, an increase of RM7.53 million or 4.90% compared to RM153.50 million achieved during the corresponding quarter in the preceding year. This increase was mainly due to higher revenue from both trading and manufacturing segments.

#### Comparison of Revenue for current quarter and previous quarter

The revenue of RM161.03 million for the current quarter is a decrease of RM11.51 million or 6.67% compared to RM172.54 million achieved during the previous quarter. This decrease was mainly due to lower revenue from trading segments.

#### Comparison of Profit Before Tax for current quarter and corresponding quarter in preceding year

The Group achieved profit before tax of RM13.19 million for the current quarter, an increase of RM6.86 million or 108.37% compared to RM6.33 million achieved during the corresponding quarter in preceding year. This increase was due to higher contribution from both trading and manufacturing segments.

#### Comparison of Profit Before Tax for current quarter and previous quarter

The Group recorded higher profit before tax of RM13.19 million, an increase of RM8.31 million compared against RM4.88 million achieved during the previous quarter. The lower profit before tax in the previous quarter was mainly due to recognition of Share Option Expenses of RM8.48 million in the Profit or Loss.

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## QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

<b>PART B</b>	<b>NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS</b>
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### **B2. 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.

### **B3. Variance between Actual Profit and Forecast Profit**

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

### **B4. Taxation**

	Current Quarter Ended 30-Jun-15 RM'000	Current Year Ended 30-Jun-15 RM'000
Current tax expenses	(3,382)	(6,752)
Deferred Taxation	-	-
	<u>(3,382)</u>	<u>(6,752)</u>

The effective tax rate of the Group is higher than the statutory tax rate. This is because the Share Option Expenses charged to Profit and Loss is not allowable for tax purpose.

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### QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

<b>PART B</b>	<b>NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS</b>
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#### B5. Group borrowings and debt securities

The Group's borrowings as at 30 June 2015 as follows:-

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short term borrowing:-</u>			
Bankers' Acceptance	-	60,529	60,529
Hire Purchase Payable	54	-	54
	<u>54</u>	<u>60,529</u>	<u>60,583</u>
<u>Long Term borrowings:-</u>			
Hire Purchase Payable	152	-	152
	<u>152</u>	<u>-</u>	<u>152</u>
Total	<u>206</u>	<u>60,529</u>	<u>60,735</u>

#### B6. Realised and Unrealised Profit

	<b>Current financial year ended 30 Jun 15 RM</b>	<b>31-Dec-14 RM</b>
Total retained profits of LCB and its subsidiaries		
- Realised Profit	93,908	158,192
- Unrealised Profit/ (loss)	<u>(1,424)</u>	<u>(543)</u>
	92,484	157,647
- Consolidation adjustments	<u>(63,488)</u>	<u>(132,218)</u>
Retained profits as per financial statements	<u>28,996</u>	<u>25,430</u>

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<b>PART B</b>	<b>NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS</b>
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### **B7. 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 2015, the amount of bank borrowings of its subsidiaries amounted to RM60.53 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 30 June 2015, the amount of Corporate Guarantee to suppliers amounted to RM13.39 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.

### **B8. Material Litigation**

As at 30 June 2015, 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.

### **B9. Proposed Dividend**

The Board of Directors declared a single tier interim dividend of 2 sen per ordinary share for the financial year end 31 December 2015. The interim dividend shall be paid on 30 September 2015.

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### QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2015

<b>PART B</b>	<b>NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS</b>
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#### **B10. 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 RM9.81 million for the current quarter and RM11.36 million for the current financial year-to-date as at 30 June 2015 and on the weighted average number of shares in issue of 261,163,994 as at 30 June 2015.

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM9.81 million for the current quarter and RM11.36 million for the current financial year-to-date as at 30 June 2015 and the adjusted weighted average number of ordinary shares in issue of 271,606,612 as at 30 June 2015.

By order of the Board,

Chen Moi Kew  
Director / Chief Financial Officer  
Date: 30 July 2015