

# LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

## QUARTERLY FINANCIAL REPORT AS AT 31 DEC 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 fourth quarter ended 31 December 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 (12 months)	
	(Restated)		(Restated)	
	Current Quarter Ended 31-Dec-10 RM'000	Preceding Year Corresponding Quarter Ended 31-Dec-09 RM'000	Current Year Ended 31-Dec-10 RM'000	Preceding Year Corresponding Period Ended 31-Dec-09 RM'000
Revenue	109,206	83,662	399,823	305,308
Cost of sales	(97,952)	(74,522)	(359,334)	(269,572)
<b>Gross profit</b>	<b>11,254</b>	<b>9,140</b>	<b>40,489</b>	<b>35,736</b>
Other operating income	1,228	799	2,593	2,560
Selling and distribution costs	(916)	(253)	(3,424)	(2,706)
Administrative expenses	(2,464)	(2,028)	(8,997)	(8,236)
Other operating expenses	(524)	(417)	(1,021)	(679)
<b>Operating profit</b>	<b>8,578</b>	<b>7,241</b>	<b>29,640</b>	<b>26,675</b>
Finance costs	(454)	(69)	(1,594)	(911)
<b>Profit before Tax</b>	<b>8,124</b>	<b>7,172</b>	<b>28,046</b>	<b>25,764</b>
Taxation	(2,464)	(1,909)	(7,563)	(6,631)
<b>Profit for the period</b>	<b>5,660</b>	<b>5,263</b>	<b>20,483</b>	<b>19,133</b>
Exchange loss on translation of a foreign operation	16	(4)	(18)	9
Gain on revaluation of available-for-sale investments	38	-	62	-
Reclassification adjustment for gain on disposal of available-for-sale investments included in profit or loss	-	-	(4)	-
Taxation	-	-	-	-
<b>Total other comprehensive income</b>	<b>54</b>	<b>(4)</b>	<b>40</b>	<b>9</b>
<b>Total comprehensive income for the period</b>	<b>5,714</b>	<b>5,259</b>	<b>20,523</b>	<b>19,142</b>
Profit for the period attributable to owners of the Parent	5,660	5,263	20,483	19,133
Total comprehensive income attributable to owners of the Parent	5,714	5,259	20,523	19,142
Earnings per share - Basic (Sen)	4.35	4.05	15.76	14.72
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.*

**LUXCHEM CORPORATION BERHAD**

(Company No: 224414-D)

((Incorporated in Malaysia)

**QUARTERLY FINANCIAL REPORT AS AT 31 DEC 2010**

<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>
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	<b>Unaudited As at 31-Dec-10 RM'000</b>	<b>(Restated) Audited As at 31-Dec-09 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	19,245	16,520
Investment properties	130	1,214
Intangible assets	-	86
Available-for-sale investments	452	-
Other investments	-	206
	19,827	18,026
<b>Current Assets</b>		
Inventories	24,864	24,254
Trade and other receivables	97,327	75,604
Derivative financial assets	54	-
Deposits, cash and bank balances	76,639	60,802
	198,884	160,660
<b>Total Assets</b>	<b>218,711</b>	<b>178,686</b>
<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	261	135
Retained profits	38,138	28,039
<b>Total Equity</b>	113,142	102,917
<b>Non-current Liabilities</b>		
Hire purchase	156	209
Deferred tax liabilities	550	384
	706	593
<b>Current Liabilities</b>		
Trade and other payables	42,908	30,303
Hire purchase creditors	52	187
Bankers' acceptances	60,733	43,576
Derivative financial liabilities	23	-
Taxation	1,147	1,110
	104,863	75,176
<b>Total Liabilities</b>	105,569	75,769
<b>Total Equity and Liabilities</b>	<b>218,711</b>	<b>178,686</b>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.87	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 31 DEC 2010**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Current Year to date Ended 31-Dec-10 RM'000</b>	<b>(Restated) Preceding Year Corresponding Period Ended 31-Dec-09 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	28,047	25,764
Adjustments for :-		
Amortisation of intangible assets	86	86
Bad debts written off		-
Depreciation of property, plant and equipment	953	1,077
Dividend income	(6)	(75)
Gain on disposal of property, plant and equipment	(535)	(35)
Gain on disposal of an investment	(22)	-
Impairment loss for receivables	934	653
Interest income	(1,082)	(1,044)
Interest expense	1,594	910
Property, plant and equipment written off	23	-
Loss on fair value of investment property	77	
Reversal of impairment loss for receivables	(883)	(247)
Recovery in slow-moving stock	(37)	1,119
Net change in fair value of financial instruments measured at fair value	(15)	-
Unrealised gain on foreign exchange	(49)	(68)
Operating profit before working capital changes	29,085	28,140
(Increase)/Decrease in inventories	(573)	(6,961)
(Increase)/Decrease in trade and other receivables	(19,706)	(6,029)
Increase/(Decrease) in trade and other payables	11,892	(190)
Cash generated from operations	20,698	14,960
Tax paid	(7,361)	(6,008)
Interest received	1,082	1,044
Interest paid	(1,594)	(910)
Net cash (used in)/from operating activities	12,825	9,086
<b>Cash flows from investing activities</b>		
Proceeds from disposal of an investment	32	-
Purchase of property, plant and equipment	(3,707)	(921)
Proceeds from disposal of property, plant and equipment	253	35
Purchase of Shares	(112)	-
Dividend paid	(10,400)	(9,100)
Dividend received	6	75
Net cash used in investing activities	(13,928)	(9,911)
<b>Cash flows from financing activities</b>		
Net bankers' acceptances obtained/(repaid)	17,157	12,023
Hire purchase instalments paid	(187)	(354)
Net cash from/(used in)/ financing activities	16,970	11,669
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>15,867</b>	<b>10,844</b>
Cash and cash equivalents at beginning of year	60,802	49,939
Foreign exchange difference on opening balance	(30)	19
<b>Cash and cash equivalent at end of the period</b>	<b>76,639</b>	<b>60,802</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 31 DEC 2010

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 12 months ended 31 Dec 2010

	Attributable to owners of the Parent					
	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 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	-	-	-	-	20,483	20,483
Other comprehensive income	-	-	(17)	58	-	41
Total comprehensive income for the period	-	-	(17)	58	20,483	20,524
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)
Interim dividend of 3 sen per share in respect of the financial year ended 31 December 2010					(3,900)	(3,900)
Balance at 31 December 2010	65,000	9,743	118	143	38,138	113,142

For the twelve months ended 30 Dec 2009

	Attributable to owners of the Parent					
	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 2009:	65,000	9,743	126	-	18,006	92,875
Currency translation loss recognised directly in equity	-	-	9	-	-	9
Profit for the period	-	-	-	-	19,133	19,133
Total recognised income and expense for the period	-	-	9	-	19,133	19,142
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2008 under the single-tier system	-	-	-	-	(9,100)	(9,100)
Balance at 31 December 2009	65,000	9,743	135	-	28,039	102,917

*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 31 DEC 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 arate 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 for preceding year corresponding quarter ended 31 Dec 2009 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	Effects on adoption of FRS 101	Consolidated Statement of Comprehensive Income
	As previously reported	RM'000	As restated RM'001
Profit for the period	5,263	-	5,263
Other comprehensive income			
Exchange loss on translation of a foreign operation	-	(4)	(4)
<b>Total comprehensive income</b>	<b>-</b>	<b>(4)</b>	<b>5,259</b>



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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 quarter ended 31 Dec 2010 and the preceding year corresponding quarter ended 31 Dec 2009.

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

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

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

#### 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 31 Dec 2009.

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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 31 December 2010</b>	
Retained profits	15
Other reserves	58
Available-for-sale investments	58
Derivative financial assets	33
Derivative financial liabilities	(18)
<b>Statement of comprehensive income for the period ended 31 December 2010</b>	
Profit for the period	15
Other comprehensive income	58
Total comprehensive income	73

The adoption of other new and revised FRSs, IC interpretations and amendments to FRSc and IC interpretation 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**

On 30 June 2010, 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. The total dividends amounted to RM 6,500,000.

On 30 September 2010, the Company has paid an interim dividend of 3 sen per ordinary share (single tier) amounting to RM3,900,000 for the financial year ending 31 December 2010.

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**A7. Segmental Information**

Segmental results by business activities:-

	Current Quarter Ended 31 Dec 10 (3 months)		Current Year To Date Ended 31 Dec 10 (12 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	-	47	10,900	10,802
Trading	95,394	5,810	358,151	20,431
Manufacturing	23,623	2,123	90,939	7,658
Total	<u>119,017</u>	<u>7,980</u>	<u>459,990</u>	<u>38,891</u>
Consolidation Adjustments	<u>(9,811)</u>	<u>144</u>	<u>(60,167)</u>	<u>(10,845)</u>
	<u>109,206</u>	<u>8,124</u>	<u>399,823</u>	<u>28,046</u>

**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:-	31-Dec-10
	RM'000
Approved but not contracted for:-	4,206

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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 31-Dec-10 RM'000	Current Year Ended 31-Dec-10 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 & purchase of industrial chemicals and UPRs by our Group	1,901	9,979
		<b>Total</b>	<b>1,901</b>	<b>9,979</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

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(Incorporated in Malaysia)

### QUARTERLY FINANCIAL REPORT AS AT 31 DEC 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 RM28.05 mil.

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 31 Dec 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 31-Dec-10 RM'000	Current Year Ended 31-Dec-10 RM'000
Current tax expenses	(2,310)	(7,410)
Deferred Taxation	(154)	(154)
	<u>(2,464)</u>	<u>(7,563)</u>

The effective tax rate of the Group 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 for the current quarter and financial year-to-date. During the current quarter, the company sold one of its Investment Property. This property was sold at RM1.44 mil, resulting in gain of RM430,920.

##### B7. Quoted securities

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

During the quarter ended 31 Dec 2010, the Group purchased 50,000 shares of Careplus Group Berhad at RM0.23 per share and 20,000 shares of Petronas Chemicals Group Berhad at RM5.04 per share.

Investments in quoted securities as at 31 Dec 2010 are stated at fair value as at 31 Dec 2010.

	Original cost/share RM	Market Value/ share As at 31 Dec 10 RM
(i) Goodway Integrated Industries Bhd	1.25	0.910
(ii) Aliran Ihsan Resources Bhd - RCULS	1.00	1.770
(iii) Wellcall Holdings Bhd	1.00	1.190
(iv) Superlon Holdings Bhd	0.72	0.390
(v) Hartalega Holdings Bhd	1.80	5.340
(vi) Careplus Group Berhad	0.23	0.340
(vii) Petronas Chemicals Group Bhd	5.04	5.520

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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	2,744	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	15,501			

**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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#### B9. Group borrowings and debt securities

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

##### For Bursa Reporting

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>	-	60,733	60,733
	52	-	52
	<u>52</u>	<u>60,733</u>	<u>60,785</u>
<u>Long Term borrowings:-</u>	156	-	156
	<u>156</u>	<u>-</u>	<u>156</u>
Total	<u>208</u>	<u>60,733</u>	<u>60,941</u>

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

The outstanding forward foreign currency exchange contracts as at 31 Dec 2010 are as follows:-

Bursa Disclosure		
Type of Derivatives	Contract/ Notional Value RM million	Fair Value RM million
<b>Foreign Exchange Contracts</b>		
- Less than 1 year	13.65	13.51
- 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. Realised and Unrealised Profits**

	Current financial year ended 31 Dec 2010	As at the end of last financial year
	RM'000	RM'000
Total retained profits of LCB and its subsidiaries		
- Realised Profit	94,387	Note: Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/ Losses Disclosure
- Unrealised Loss	(575)	
- Conso Adjustment	(55,674)	
Total group retained profits as per consolidated accounts	38,138	

**B12. 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 Dec 2010, the amount of bank borrowings of its subsidiaries amounted to RM60.73 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.

**B13. Material Litigation**

As at 31 Dec 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.

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#### **B14. Proposed Dividend**

The Board of Directors recommends the following for the financial year ended 31 December 2010:

- (a) a proposed single tier final dividend of 5 sen per ordinary share

The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date to the final dividend shall be determined by the Board of Directors at the subsequent stage.

#### **B15. 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 RM5.66 million for the current quarter and RM20.48 million for current financial year-to-date as at 31 Dec 2010 and on the number of shares in issue of 130,000,000 as at 31 Dec 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: 18 February 2011