

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 SEP 2012

The Board of Directors of Luxchem Corporation Berhad (“LCB” or “the Company”) is pleased to announce the following unaudited consolidated results of LCB and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 Sep 2012.

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 (9 months)	
	Current Quarter Ended 30-Sep-12 RM'000	Preceding Year Corresponding Quarter Ended 30-Sep-11 RM'000	Current Year Ended 30-Sep-12 RM'000	Preceding Year Corresponding Quarter Ended 30-Sep-11 RM'000
	Revenue	112,019	127,329	375,043
Cost of sales	(103,143)	(116,643)	(343,076)	(334,661)
Gross profit	8,876	10,686	31,967	33,328
Other operating income	572	846	2,242	2,078
Selling and distribution costs	(1,104)	(1,010)	(3,385)	(2,901)
Administrative expenses	(2,137)	(2,245)	(6,999)	(6,955)
Other operating expenses	(238)	(52)	(491)	(344)
Operating profit	5,969	8,225	23,334	25,206
Finance costs	(640)	(570)	(1,911)	(1,804)
Profit before Tax	5,329	7,655	21,423	23,402
Taxation	(1,341)	(2,071)	(5,419)	(6,039)
Profit for the period	3,988	5,584	16,004	17,363
Exchange gain/ (loss) on translation of foreign operations	(56)	1	(66)	30
Gain on revaluation of available-for-sale investments	20	(39)	96	(5)
Reclassification adjustment for gain on disposal of available-for-sale investments included in profit or loss	-	-	-	-
Taxation	-	-	-	-
Total other comprehensive income	(36)	(38)	30	25
Total comprehensive income for the period	3,952	5,546	16,034	17,388
Profit attributable to:				
-Owners of the parent	4,029	5,584	16,057	17,363
-Non controlling interest	(41)	-	(52)	-
Total comprehensive income attributable to:				
-Owners of the parent	3,993	5,546	16,087	17,388
-Non controlling interest	(41)	-	(52)	-
Earnings per share - Basic (Sen)	3.07	4.30	12.31	13.36
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 2011 and the accompanying explanatory notes attached to this quarterly financial report.

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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter Ended 30-Sep-12 RM'000	Current Year to date Ended 30-Sep-12 RM'000
Interest Income	365	954
Other income including investment income	207	1,289
Interest Expense	640	1,911
Depreciation & amortisation	284	772
Provision for and write off of receivables	227	442
Provision for and write off of inventories	-	-
(Gain)/loss on disposal of quoted investments	-	-
Gain or (loss) on disposal of unquoted investments	-	-
Gain or (loss) on disposal of properties	-	-
Impairment of assets	-	-
Foreign exchange (Gain)/Loss - realised	463	(39)
Foreign exchange (Gain)/Loss - unrealised	(388)	(245)
(Gain)/loss on derivatives	(21)	(21)
Exceptional items	-	-

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Sep-12 RM'000	Audited As at 31-Dec-11 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	19,676	19,087
Investment properties	130	130
Intangible assets	16	-
Other investments	549	452
Deferred tax assets	12	13
	<u>20,383</u>	<u>19,682</u>
Current Assets		
Inventories	34,688	30,597
Trade and other receivables	95,421	112,654
Amount owing by Related company	-	-
Derivative financial assets	(45)	-
Tax recoverable	-	-
Deposits, cash and bank balances	69,533	88,835
	<u>199,597</u>	<u>232,086</u>
Total Assets	<u>219,979</u>	<u>251,768</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	300	270
Retained profits	54,795	50,440
Total equity attributable to owners of the Company	<u>129,838</u>	<u>125,453</u>
Non-controlling interests	307	359
Total Equity	<u>130,146</u>	<u>125,812</u>
Non-current Liabilities		
Hire purchase	308	92
Deferred tax liabilities	359	347
	<u>667</u>	<u>439</u>
Current Liabilities		
Trade and other payables	22,171	56,287
Hire purchase payables	191	117
Bankers' acceptances	67,063	68,458
Derivative financial liabilities	(65)	1
Taxation	(194)	654
	<u>89,166</u>	<u>125,517</u>
Total Liabilities	<u>89,833</u>	<u>125,956</u>
Total Equity and Liabilities	<u>219,979</u>	<u>251,768</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	1.00	0.97

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 30 SEP 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 30-Sep-12 RM'000	Preceding Year Corresponding Period Ended 31-Dec-11 RM'000
Cash flows from operating activities		
Profit before taxation	21,424	30,216
Adjustments for :-	-	-
Amortisation of intangible assets	-	-
Depreciation of property, plant and equipment	772	939
Dividend income	(198)	(13)
Loss from change in fair value of investment property	-	-
Loss/(Gain) from change in fair value of forward exchange contracts	(22)	32
Gain on disposal of investment property	-	-
Gain on disposal of other investment	-	(6)
Gain on disposal of property, plant and equipment	(189)	(120)
Impairment loss on trade receivables	443	644
Interest income	(954)	(1,490)
Interest expense	1,271	2,358
Property, plant and equipment written off	13	24
Unrealised (gain)/loss on foreign exchange	(226)	(184)
Reversal of impairment loss on trade receivables	(633)	(514)
Write down in value of inventories	-	2,357
Operating profit before working capital changes	21,701	34,243
(Increase)/Decrease in inventories	(4,112)	(8,531)
(Increase)/Decrease in trade and other receivables	17,216	(14,162)
Increase/(Decrease) in trade and other payables	(33,680)	12,591
Cash generated from operations	1,125	24,141
Tax paid	(6,255)	(8,138)
Interest received	954	1,490
Interest paid	(1,271)	(2,358)
Net cash (used in)/from operating activities	(5,447)	15,135
Cash flows from investing activities		
Purchase of other investments	-	-
Purchase of property, plant and equipment	(1,423)	(663)
Proceeds from disposal of investment property	-	-
Proceeds from disposal of property, plant and equipment	212	121
Proceeds from disposal of other investments	-	19
Dividend received	198	13
Net cash used in investing activities	(1,013)	(510)
Cash flows from financing activities		
Bankers' acceptances obtained, net of repayment	(1,396)	7,726
Hire purchase instalments paid	300	(142)
Dividend paid	(11,700)	(10,400)
Equity contributions from no-controlling interests	-	376
Net cash from/(used in) financing activities	(12,796)	(2,440)
Net (decrease)/increase in cash and cash equivalents	(19,256)	12,185
Cash and cash equivalents at beginning of year	88,835	76,639
Foreign exchange difference on opening balance	(46)	11
Cash and cash equivalent at end of the period	69,533	88,835

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year 31 December 2011 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 nine months ended 30 Sep 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	-	-	-	-	16,057	16,057	(52)	16,005
Other comprehensive income	-	-	(66)	95	-	29	-	29
Total comprehensive income for the period	-	-	(66)	95	16,057	16,086	(52)	16,034
Final dividend of 6 sen per share in respect of the financial year ended 31 December 2011					(7,800)	(7,800)		(7,800)
Interim dividend of 3 sen per share in respect of the financial year ended 31 December 2012					(3,900)	(3,900)		(3,900)
Balance at 30 Sep 2012	65,000	9,743	47	252	54,797	129,839	307	130,146

For the nine months ended 30 Sep 2011

	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 2011:	65,000	9,743	118	143	38,132	113,136	-	113,136
Profit for the period	-	-	-	-	17,363	17,363	-	17,363
Other comprehensive income	-	-	30	(5)	-	25	-	25
Total comprehensive income for the period	-	-	30	(5)	17,363	17,388	-	17,388
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2010					(6,500)	(6,500)		(6,500)
Interim dividend of 3 sen per share in respect of the financial year ended 31 December 2011					(3,900)	(3,900)		(3,900)
Balance at 30 Sep 2011	65,000	9,743	148	138	45,095	120,124	-	120,124

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year 31 December 2011 and the accompanying explanatory notes attached to this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 30 SEP 2012

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, 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 2011. 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 2011.

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 2011

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

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

A7. Segmental Information

Segmental results by business activities:-

	Current Quarter Ended 30 Sep 12 (3 months)		Current Year To Date Ended 30 Sep 12 (9 months)	
	Revenue RM'000	Profit/ (loss) Before Tax RM'000	Revenue RM'000	Profit/ (loss) Before Tax RM'000
Business Activities:				
Investment Holding	3,900	3,842	11,900	11,783
Trading	100,584	4,328	326,035	17,646
Manufacturing	25,476	1,044	91,540	3,906
Total	129,960	9,214	429,474	33,336
Consolidation Adjustments	(17,942)	(3,883)	(54,431)	(11,911)
	112,019	5,330	375,043	21,424

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PART A	NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 ("FRS 134"), INTERIM FINANCIAL REPORTING
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A8. Valuation of property, plant and equipment

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

A9. Capital commitments

Capital commitment as at end of the current quarter and financial year to date are as follows:-	30-Sep-12
	RM'000
Approved but not contracted for:-	3,075

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

For the financial year to date, the Group recorded a pre-tax profit of RM21.42 million.

The Group achieved revenue of RM375.04 million for the current quarter, an increase of RM7.05 million or 2% as compared to the preceding year corresponding period. The increase was mainly attributable to the manufacturing segment.

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 RM3.99 million, a decrease of RM1.67 million or 30 % compared to the preceding quarter. The drop in profits is mainly due to lower profit margin.

B3. Prospects for the current financial year

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

B4. Variance between Actual Profit and Forecast Profit

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

B5. Taxation

	Current Quarter Ended 30-Sep-12 RM'000	Current Year Ended 30-Sep-12 RM'000
Current tax expenses	(1,341)	(5,419)
Deferred Taxation	-	-
	<u>(1,341)</u>	<u>(5,419)</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	970	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>16,406</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 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 are currently preparing necessary reports to apply for regulatory approval to expand the production capacity. We expect our capacity expansion will be ready by mid 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 30 Sep 2012 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
	-	67,063	67,063
	191	-	191
	<u>191</u>	<u>67,063</u>	<u>67,254</u>
<u>Long Term borrowings:-</u>			
	308	-	308
	<u>308</u>	<u>-</u>	<u>308</u>
Total	<u>499</u>	<u>67,063</u>	<u>67,562</u>

B8. Realised and Unrealised Profit

	Current financial year ended 30 Sep 2012	As at 31 Dec 2011
	RM	RM
Total retained profits of LCB and its subsidiaries		
- Realised Profit	122,569	106,209
- Unrealised Profit	(468)	(136)
	<u>122,101</u>	<u>106,073</u>
- Consolidation adjustments	(67,305)	(55,634)
Retained profits as per financial statements	<u>54,795</u>	<u>50,440</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 Sep 12, the amount of bank borrowings of its subsidiaries amounted to RM67.06 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 30 Sep 2012, the amount of Corporate Guarantee to suppliers amounted to RM19.27 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 Sep 2012, 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

There were no dividends proposed or declared for the current quarter

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B12. Earning 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 RM3.99 million for the current quarter and RM16.00 million for the current financial year-to-date as at 30 Sep 2012 and on the number of shares in issue of 130,000,000 as at 30 Sep 2012.

(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 October 2012