

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 SEPTEMBER 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 September 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 (9 months)	
	Current Quarter Ended 30-Sep-15 RM'000	Preceding Year Corresponding Quarter Ended 30-Sep-14 RM'000	Current Year Ended 30-Sep-15 RM'000	Preceding Year Ended 30-Sep-14 RM'000
	Revenue	169,169	159,440	502,743
Cost of sales	(151,152)	(147,949)	(451,161)	(423,910)
Gross profit	18,018	11,491	51,582	32,490
Other operating income	5,300	1,531	9,339	3,733
Selling and distribution costs	(1,273)	(1,295)	(3,884)	(3,844)
Administrative expenses	(4,104)	(2,388)	(11,094)	(8,438)
Administrative expenses - Share Option Expense	-	-	(8,719)	-
Other operating expenses	(3)	(588)	(45)	(816)
Operating profit	17,937	8,751	37,179	23,125
Finance costs	(617)	(775)	(1,792)	(2,160)
Profit before Tax	17,320	7,976	35,387	20,964
Taxation	(4,448)	(2,053)	(11,200)	(5,310)
Profit for the period	12,872	5,922	24,187	15,655
Exchange gain/(loss) on translation of foreign operations	642	13	(118)	(7)
Gain/(loss) on revaluation of available-for-sale investments	79	61	245	(8)
Total other comprehensive income	721	74	127	(15)
Total comprehensive income for the period	13,593	5,996	24,314	15,640
Profit attributable to:				
-Owners of the parent	13,004	5,972	24,362	15,674
-Non controlling interest	(132)	(49)	(175)	(18)
Total comprehensive income attributable to:				
-Owners of the parent	13,538	6,040	24,532	15,659
-Non controlling interest	55	(43)	(219)	(18)
Earnings per share - Basic (Sen)	4.95	4.59	9.30	12.06
Earnings per share - Fully Diluted (Sen)	4.52		8.70	

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.

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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Quarter Ended 30-Sep-15 RM'000	Current Year to date Ended 30-Sep-15 RM'000
Interest Income	198	1,264
Other income including investment income*	5,102	8,076
Interest Expense	617	1,792
Depreciation & amortisation	449	1,272
(Gain)/loss on disposal of quoted investments	-	16
Foreign exchange (Gain)/Loss - realised	(3,056)	(5,643)
Foreign exchange (Gain)/Loss - unrealised	208	1,104
(Gain)/loss on derivatives	(152)	(115)

*Includes Foreign exchange Gain and Gain on derivatives

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Sep-15 RM'000	Audited As at 31-Dec-14 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	25,528	26,174
Investment properties	118	120
Intangible assets	396	268
Other investments	972	727
Deferred tax assets	186	174
	<u>27,200</u>	<u>27,463</u>
Current Assets		
Inventories	33,865	35,553
Trade and other receivables	128,516	115,717
Derivative financial assets	143	29
Tax recoverable	816	658
Deposits, cash and bank balances	106,746	74,157
	<u>270,086</u>	<u>226,114</u>
Total Assets	<u>297,286</u>	<u>253,577</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	132,326	130,000
Share premium	2,470	250
Other reserves	8,113	664
Retained profits	36,808	25,430
Total equity attributable to owners of the Company	<u>179,717</u>	<u>156,344</u>
Non-controlling interests	(317)	(99)
Total Equity	<u>179,399</u>	<u>156,245</u>
Non-current Liabilities		
Hire purchase	139	175
Retirement benefits	151	142
Deferred tax liabilities	693	691
	<u>983</u>	<u>1,008</u>
Current Liabilities		
Trade and other payables	55,013	39,596
Hire purchase payables	114	97
Bankers' acceptances	54,510	54,945
Derivative financial liabilities	-	-
Taxation	7,267	1,686
	<u>116,904</u>	<u>96,324</u>
Total Liabilities	<u>117,887</u>	<u>97,332</u>
Total Equity and Liabilities	<u>297,286</u>	<u>253,577</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.68	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 SEPTEMBER 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year to date Ended 30-Sep-15 RM'000	Preceding Year Corresponding Period Ended 31-Dec-14 RM'000
Cash flows from operating activities		
Profit before taxation	35,387	29,578
Adjustments for :-		
Amortisation of intangible assets	73	87
Amortisation of investment property	2	3
Depreciation of property, plant and equipment	1,198	1,427
Defined benefit obligations	1	52
Dividend income	(9)	(124)
Net gain on changes in fair value of forward exchange contracts	(115)	(10)
Net gain on disposal of property, plant and equipment	-	(184)
Loss of disposal of an investment	16	-
Impairment losses on trade receivables	-	1,580
Interest income	(1,264)	(1,312)
Interest expense	1,792	2,727
Property, plant and equipment written off	5	2
Unrealised loss on foreign exchange	1,102	55
Reversal of impairment losses on trade receivables	-	(293)
Write down in value of inventories	-	461
Share options expense	8,719	-
Operating profit before working capital changes	46,907	34,049
Increase in inventories	1,829	(13)
Increase in trade and other receivables	(11,439)	(8,380)
Increase in trade and other payables	12,942	3,421
Cash generated from operations	50,239	29,077
Tax paid	(5,736)	(6,237)
Interest received	1,264	1,312
Interest paid	(1,792)	(2,727)
Net cash (used in)/from operating activities	43,975	21,425
Cash flows from investing activities		
Purchase of property, plant and equipment	(591)	(4,940)
Purchase of intangible assets	(200)	-
Purchase of an investment	(25)	-
Proceeds from disposal of an investment	9	-
Proceeds from disposal of property, plant and equipment	-	202
Dividend received	9	124
Net cash used in investing activities	(798)	(4,614)
Cash flows from financing activities		
Proceeds from issuance of shares under ESOS	3,316	-
Bankers' acceptances obtained, net of repayment	(880)	(18,562)
Hire purchase instalments paid	(67)	(178)
Dividend paid	(13,197)	(10,400)
Net cash from/(used in)/ financing activities	(10,828)	(29,141)
Net (decrease)/increase in cash and cash equivalents	32,349	(12,330)
Cash and cash equivalents at beginning of year	74,157	86,375
Foreign exchange difference	240	111
Cash and cash equivalent at end of the period	106,746	74,157
Cash and cash equivalents at end of year comprised:-		
Deposits with financial institutions	62,161	42,363
Cash and bank balances	44,585	31,794
	106,746	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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 Sep 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	-	-	-	-	-	24,362	24,362	(174)	24,188
Other comprehensive income	-	-	-	(75)	245	-	170	(44)	126
Total comprehensive income for the period	-	-	-	(75)	245	24,362	24,532	(218)	24,314
Share options granted under ESOS	-	-	8,719	-	-	-	8,719	-	8,719
Issue of shares pursuant to ESOS	2,326	2,220	(1,228)	-	-	-	3,317	-	3,317
Cancellation of Share Options	-	-	(213)	-	-	213	-	-	-
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2013	-	-	-	-	-	(13,197)	(13,197)	-	(13,197)
Balance at 30 Sep 2015	132,326	2,470	7,278	157	677	36,808	179,717	(317)	179,399

For the nine months ended 30 Sep 2014

	Share Capital RM'000	Share Premium 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	44	144,871
Profit for the period	-	-	-	-	-	15,673	(18)	15,655
Other comprehensive income	-	-	-	(7)	(8)	-	(15)	(15)
Total comprehensive income for the period	-	-	-	(7)	(8)	15,673	(18)	15,640
Final dividend of 5 sen per share in respect of the financial year ended 31 December 2013	-	-	-	-	-	(6,500)	-	(6,500)
Interim dividend of 3 sen per share in respect of the financial year ended 31 December 2014	-	-	-	-	-	(3,900)	-	(3,900)
Balance at 30 Sep 2014	65,000	9,743	-	218	459	74,665	26	150,111

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.

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QUARTERLY FINANCIAL REPORT AS AT 30 SEPTEMBER 2015

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

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**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 Q3 2015	Balance no. of options as at 30-Sep-15
				Q1 2015	Q2 2015	Q3 2015	Q4 2015	YTD Sep 15		
		RM	RM	No	No	No	No	No	No	
22-Jan-15	31,986,000	0.71	0.265	403,000	3,086,000	1,116,000		4,605,000	744,000	26,637,000
22-Jun-15	1,446,000	1.02	0.168	-	-	46,000		46,000	60,000	1,340,000
	33,432,000			403,000	3,086,000	1,162,000		4,651,000	804,000	27,977,000

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

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

A6. Segmental Information

Segmental results by business activities:-

Business Activities:	Current Quarter Ended 30 Sep 15 (3 months)		Current Year To Date Ended 30 Sep 15 (9 months)	
	Revenue	Profit/ (loss)	Revenue	Profit/ (loss)
	Before Tax		Before Tax	
	RM'000	RM'000	RM'000	RM'000
Investment Holding	5,300	5,257	13,600	4,775
Trading	140,907	8,658	419,002	22,948
Manufacturing	43,925	8,715	128,688	21,262
Total	190,133	22,630	561,290	48,985
Consolidation Adjustments	(20,963)	(5,309)	(58,547)	(13,598)
	169,169	17,320	502,743	35,387

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 Sep 15	Amount RM'000
Capital expenditure in respect of purchase of property, plant and equipment - authorised and contracted for	11,797
Share capital commitment - fully owned subsidiary in Vietnam	2,198
	13,995

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.

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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

	Current Quarter Ended 30-Sep-15 RM'000	Previous Quarter Ended 30-Sep-14 RM'000	Variance RM'000	Variance RM'000
Revenue	169,169	159,440	9,729	6%
Profit before tax	17,320	7,976	9,345	117%

Increase in Revenue is due to higher revenue from both the trading and manufacturing segment.

Increase in Profit Before Tax is due to:

- i) Higher profit before tax from trading and manufacturing segment.
- ii) Higher realised gain on forex, mainly due to strengthening of the USD.

	Current YTD Ended 30-Sep-15 RM'000	Previous YTD Ended 30-Sep-14 RM'000	Variance RM'000	Variance RM'000
Revenue	502,743	456,401	46,342	10%
Profit before tax	35,387	20,964	14,423	69%

Increase in Revenue is partly due to higher revenue from both trading and manufacturing segment.

Increase in Profit Before Tax is due to:

- i) Higher Profit Before Tax from trading segment and manufacturing segment.
- ii) Increased realised forex gain, due to the strengthening of the USD.

	Current Quarter Ended 30-Sep-15 RM'000	Preceding Quarter Ended 30-Jun-15 RM'000	Variance RM'000	Variance RM'000
Revenue	169,169	161,034	8,135	5%
Profit before tax	17,320	13,191	4,130	31%

Increase in Revenue is contributed by the trading segment.

Increase in Profit Before Tax is due to:

- i) Higher profit before tax from the trading and manufacturing segment.
- ii) Higher realized forex gain due to the strengthening of USD

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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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-Sep-15 RM'000	Current Year Ended 30-Sep-15 RM'000
Current tax expenses	(4,448)	(11,200)
Deferred Taxation	-	-
	<u>(4,448)</u>	<u>(11,200)</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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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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B5. Group borrowings and debt securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bankers' Acceptance	-	54,510	54,510
Hire Purchase Payable	114	-	114
	<u>114</u>	<u>54,510</u>	<u>54,624</u>
<u>Long Term borrowings:-</u>			
Hire Purchase Payable	139	-	139
	<u>139</u>	<u>-</u>	<u>139</u>
Total	<u>253</u>	<u>54,510</u>	<u>54,763</u>

B6. Realised and Unrealised Profit

	Current financial year ended 30 Sep 15 RM	31-Dec-14 RM
Total retained profits of LCB and its subsidiaries		
- Realised Profit	106,936	158,192
- Unrealised Profit/ (loss)	<u>(1,465)</u>	<u>(543)</u>
	105,470	157,647
- Consolidation adjustments	<u>(68,663)</u>	<u>(132,218)</u>
Retained profits as per financial statements	<u>36,808</u>	<u>25,430</u>

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PART B	NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
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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 September 2015, the amount of bank borrowings of its subsidiaries amounted to RM54.51 million.

In addition, the Company has also provided Corporate Guarantee to Suppliers in respect of credit facilities granted to subsidiaries. As at 30 September 2015, the amount of Corporate Guarantee to suppliers amounted to RM15.60 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 September 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 or our subsidiaries.

B9. 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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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 RM13 million for the current quarter and RM24.36 million for the current financial year-to-date as at 30 September 2015 and on the weighted average number of shares in issue of 262,054,248 as at 30 September 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 RM13 million for the current quarter and RM24.36 million for the current financial year-to-date as at 30 September 2015 and the adjusted weighted average number of ordinary shares in issue of 279,863,989 as at 30 September 2015.

By order of the Board,

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