

LUXCHEM CORPORATION BERHAD

(Company No: 224414-D)

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2019

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 2019.

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, the manufacture of unsaturated polyester resins and manufacture of latex chemical dispersion and related products for the latex industry.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Period (2nd Quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year-to-date	Preceding year Corresponding Period		
	30-Jun-19 RM	30-Jun-18 RM	RM	%	30-Jun-19 RM	30-Jun-18 RM	RM	%
Revenue	188,387,571	198,910,957	(10,523,386)	-5%	390,836,803	395,563,789	(4,726,986)	-1%
Cost of sales	(168,303,398)	(178,772,967)	10,469,569	-6%	(350,334,228)	(355,116,029)	4,781,801	-1%
Gross profit	20,084,173	20,137,990	(53,817)	0%	40,502,575	40,447,760	54,815	0%
Other operating income	911,119	(71,401)	982,519	-1376%	1,680,189	1,137,684	542,506	48%
Selling and distribution costs	(1,464,993)	(1,472,470)	7,478	-1%	(2,930,683)	(2,887,688)	(42,995)	1%
Administrative expenses	(4,995,976)	(4,384,599)	(611,377)	14%	(10,509,980)	(10,208,393)	(301,587)	3%
Administrative expenses - share option expenses	-	(307,775)	307,775	-100%	(138,497)	(741,433)	602,936	-81%
Other operating expenses	(28,687)	(58,794)	30,106	-51%	(51,849)	(231,544)	179,695	-78%
Operating profit	14,505,636	13,842,951	662,685	5%	28,551,754	27,516,385	1,035,369	4%
Finance costs	(1,336,413)	(986,877)	(349,536)	35%	(2,538,274)	(1,819,759)	(718,515)	39%
Profit before Tax	13,169,223	12,856,074	313,149	2%	26,013,480	25,696,626	316,854	1%
Taxation	(3,565,817)	(3,338,382)	(227,436)	7%	(6,718,753)	(6,584,877)	(133,876)	2%
Profit after Tax	9,603,406	9,517,693	85,713	1%	19,294,727	19,111,749	182,978	1%
Exchange gain/ (loss) on translation of foreign operations	9,897	64,699	(54,802)	-85%	(10,192)	(92,255)	82,063	-89%
Fair value gain/(loss) on equity investments	141,432	(19,446)	160,878	-827%	(263,613)	153,747	(417,361)	-271%
Total other comprehensive (loss)/income	151,329	45,253	106,076	234%	(273,805)	61,492	(335,298)	-545%
Total comprehensive income for the period	9,754,734	9,562,945	191,789	2%	19,020,922	19,173,241	(152,319)	-1%
Profit attributable to:								
-Owners of the Company	9,893,068	9,745,054	148,014	2%	19,492,404	19,374,840	117,564	1%
-Non controlling interests	(289,662)	(227,362)	(62,301)	27%	(197,677)	(263,091)	65,414	-25%
Total comprehensive income attributable to:	9,603,406	9,517,693	85,713	1%	19,294,727	19,111,749	182,978	1%
-Owners of the Company	10,044,319	9,785,993	258,326	3%	19,219,405	19,458,628	(239,223)	-1%
-Non controlling interests	(289,584)	(223,048)	(66,537)	30%	(198,483)	(285,386)	86,903	-30%
Earnings per share attributable to owners of the Company	1.13	1.15	(0.02)		2.24	2.28	(0.04)	
Earnings per share - Basic (Sen)	1.13	1.15	(0.02)		2.24	2.28	(0.04)	
Earnings per share - Fully Diluted (Sen)	1.13	1.11	0.02		2.24	2.20	0.04	

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 30 JUNE 2019

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	Current Quarter Ended 30-Jun-19 RM	Current Year to date Ended 30-Jun-19 RM
Interest income	503,324	920,285
Other income*	407,794	759,904
Interest expense	1,336,413	2,538,274
Depreciation & amortisation	1,075,583	2,011,156
Foreign exchange (gain)/loss - realised	215,461	479,266
Foreign exchange (gain)/loss - unrealised	(625,566)	(419,799)
Loss/(gain) on derivatives	143,313	(7,395)

*Includes foreign exchange gain and gain on derivatives

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30-Jun-19 RM	Audited As at 31-Dec-18 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	49,578,588	48,196,322
Investment property	2,785,848	2,800,000
Goodwill	35,802,888	35,802,888
Intangible assets	4,373,954	4,448,937
Right-of-use assets	819,752	1,159,801
Other investments	1,727,036	1,990,649
Deferred tax assets	285,197	280,330
	<u>95,373,263</u>	<u>94,678,927</u>
Current Assets		
Inventories	71,613,198	84,357,493
Trade and other receivables	138,326,603	145,430,161
Current tax assets	3,854,815	4,241,096
Cash and bank balances	112,567,220	107,676,548
	<u>326,361,836</u>	<u>341,705,298</u>
Total Assets	<u>421,735,099</u>	<u>436,384,225</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	167,616,295	163,377,293
Other reserves	5,220,747	5,894,484
Retained profits	122,502,324	113,953,892
Total equity attributable to owners of the Company	<u>295,339,366</u>	<u>283,225,669</u>
Non-controlling interests	(127,145)	71,338
Total Equity	<u>295,212,221</u>	<u>283,297,007</u>
Non-current Liabilities		
Hire purchase payables	89,734	94,931
Retirement benefits	416,936	409,821
Lease liabilities	323,423	558,410
Deferred tax liabilities	1,572,957	1,586,706
	<u>2,403,050</u>	<u>2,649,868</u>
Current Liabilities		
Trade and other payables	43,859,007	62,955,879
Derivative financial liabilities	95,921	-
Lease liabilities	552,546	657,603
Hire purchase payables	148,612	209,042
Bank borrowings	79,020,749	86,614,826
Current tax liabilities	442,993	-
	<u>124,119,828</u>	<u>150,437,350</u>
Total Liabilities	<u>126,522,878</u>	<u>153,087,218</u>
Total Equity and Liabilities	<u>421,735,099</u>	<u>436,384,225</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.34	0.33

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Current Year to date Ended 30-Jun-19 RM	Preceding Year Corresponding Period Ended 31-Dec-18 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	26,013,480	49,879,572
Adjustments for :		
Amortisation of intangible assets	74,983	149,158
Amortisation of investment property	14,152	-
Amortisation of right-of-use assets	341,218	645,125
Bad debts written off	181,352	59,665
Depreciation of property, plant and equipment	1,580,803	2,965,716
Defined benefit obligations	-	102,942
Dividend income	(16,473)	(119,788)
Net (gain)/loss on changes in fair value of forward exchange contracts	(7,395)	(50,585)
Net gain on disposal of property, plant and equipment	(128,605)	(149,290)
Impairment losses on trade receivables	-	999,737
Interest income	(920,285)	(1,642,043)
Interest expense	2,538,274	4,308,936
Inventories written down	-	266,685
Inventories written off	-	71,984
Property, plant and equipment written off	11,805	33,498
Net unrealised (gain)/loss on foreign exchange	(419,799)	(230,644)
Reversal of impairment loss on trade receivables	-	(429,518)
Reversal of inventories written down	-	(606,836)
Share options vested under ESOS	138,497	1,161,284
Operating profit before working capital changes	29,402,006	57,415,598
(Increase)/Decrease in inventories	12,926,497	(4,481,817)
(Increase)/Decrease in trade and other receivables	7,521,463	(10,048,786)
Increase/(decrease) in trade and other payables	(19,043,104)	(11,575,788)
Cash generated from/(used in) operations	30,806,863	31,309,207
Tax paid	(5,859,070)	(14,914,205)
Interest received	920,285	1,642,043
Interest paid	(2,538,274)	(4,308,936)
Retirement benefits paid	-	(9,656)
Net cash from/(used in) operating activities	23,329,804	13,718,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,883,414)	(3,826,493)
Purchase of intangible assets	-	(4,255,903)
Proceeds from disposal of property, plant and equipment	128,611	213,397
Dividend received	16,473	119,788
Deposits placed with licensed banks with original maturity of more than three (3) months	(3,604)	(6,122,218)
	(2,741,935)	(13,871,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued pursuant to share options exercised	3,699,762	5,514,960
Repayment on lease liabilities	(341,241)	(589,017)
Net drawdown of trade finance	(8,206,702)	9,960,325
Repayments of hire purchase creditors	(153,879)	(412,710)
Dividend paid	(10,943,968)	(21,438,186)
Net cash (used in)/from financing activities	(15,946,028)	(6,964,628)
Net (decrease)/increase in cash and cash equivalents	4,641,841	(7,117,604)
Cash and cash equivalents at beginning of financial year	100,222,496	107,760,153
Effect of changes in exchange rates	245,226	(420,053)
Cash and cash equivalents at end of financial period	105,109,563	100,222,496
For the purpose of the statements of cashflows, cash and cash equivalents comprise the following as at the end of each reporting period:		
Cash and bank balances	43,508,564	48,512,154
Deposits with financial institutions	69,058,656	59,164,394
	112,567,220	107,676,548
Deposits placed with licensed banks with original maturity of more than three (3) months	(7,457,656)	(7,454,052)
	105,109,564	100,222,496

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 6 months ended 30 June 2019

	Attributable to Owners of the Company					Total RM	Non- controlling interests RM	Total RM
	Non - distributable	Distributable						
	Share capital RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Share Option reserve RM	Retained profits RM			
2019								
Balance as at 1 January 2019	163,377,293	(230,340)	1,695,307	4,429,517	113,953,892	283,225,669	71,338	283,297,007
Profit for the year	-	-	-	-	19,492,405	19,492,405	(197,677)	19,294,728
Exchange gain/(loss) on translation of foreign operations	-	(9,385)	-	-	-	(9,385)	(807)	(10,191)
Loss on changes in fair value of available-for-sale financial assets	-	-	(263,613)	-	-	(263,613)	-	(263,613)
Remeasurement of defined benefit obligations	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the year	-	(9,385)	(263,613)	-	19,492,405	19,219,407	(198,483)	19,020,924
Share options vested under ESOS	-	-	-	138,497	-	138,497	-	138,497
Issue of shares pursuant to exercise of share options:								
- shares issued	3,699,762	-	-	-	-	3,699,762	-	3,699,762
- attributable option reserve transferred	539,240	-	-	(539,240)	-	-	-	-
Balance as at 30 June 2019	167,616,295	(239,725)	1,431,694	4,028,774	122,502,329	295,339,367	(127,145)	295,212,222

For the 6 months ended 30 June 2018

	Attributable to Owners of the Company					Total RM	Non- controlling interests RM	Total RM
	Non - distributable	Distributable						
	Share capital RM	Exchange translation reserve RM	Fair value adjustment reserve RM	Share Option reserve RM	Retained profits RM			
2018								
Balance as at 1 January 2018	156,055,848	(183,427)	1,486,599	5,191,827	97,442,516	259,993,363	483,783	260,477,146
Profit for the year	-	-	-	-	19,374,840	19,374,840	(263,091)	19,111,749
Exchange gain/(loss) on translation of foreign operations	-	(69,959)	-	-	-	(69,959)	(22,295)	(92,254)
Loss on changes in fair value of available-for-sale financial assets	-	-	153,747	-	-	153,747	-	153,747
Total comprehensive income/(loss) for the year	-	(69,959)	153,747	-	19,374,840	19,458,628	(285,386)	19,173,242
Share options granted under ESOS	-	-	-	741,433	-	741,433	-	741,433
Issue of shares pursuant to exercise of share options:								
- shares issued	3,451,320	-	-	-	-	3,451,320	-	3,451,320
- attributable option reserve transferred	313,224	-	-	(313,224)	-	-	-	-
Share options forfeited	-	-	-	(117,109)	117,109	-	-	-
Dividends paid	-	-	-	-	(12,823,450)	(12,823,450)	-	(12,823,450)
Balance as at 30 June 2018	159,820,392	(253,386)	1,640,346	5,502,927	104,111,015	270,821,294	198,397	271,019,691

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 2018 and the accompanying explanatory notes attached to this quarterly financial report.

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PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 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 Standard ("MFRS") 134 *Interim Financial Reporting* 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 statements were consistent with those adopted for the audited financial statements for the year ended 31 December 2018.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2018 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning on 1 January 2019. The initial application of these new MFRS and amendments to MFRSs has no material impact on this interim financial reporting.

New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING
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A2. Auditors' Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2018.

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 MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 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 Note 1	Balance of vested & exercisable options as at As at 31-Dec-18	No of options vested During YTD Q2 2019	No. of options vested As at 30-Jun-19	Exercise price/ option Note 2	Fair Value /option Note 3	No of options exercised			Vested Options cancelled As at 30-Jun-19	Balance of vested & exercisable options as at As at 30-Jun-19
							Q1 2019 No.	Q2 2019 No.	YTD 2019 No.		
22-Jan-15	95,958,000	12,768,300	17,412,600	30,180,900	0.24	0.0883	5,848,800	7,809,000	13,657,800	-	16,523,100
22-Jun-15	4,338,000	662,400	831,600	1,494,000	0.34	0.0560	90,000	318,000	408,000	-	1,086,000
22-Jun-16	7,620,000	2,637,000	1,860,000	4,497,000	0.49	0.1330	132,000	381,000	513,000	-	3,984,000
22-Jun-17	9,093,000	4,454,100	2,511,900	6,966,000	0.53	0.1667	-	60,000	60,000	294,000	6,612,000
22-May-18	1,869,000	322,500	844,500	1,167,000	0.59	0.1059	-	-	-	95,000	1,072,000
	118,878,000	20,844,300	23,460,600	44,304,900			6,070,800	8,568,000	14,638,800	389,000	29,277,100

Note 1 The number of options for grants prior to 6 Sep 2017 have been adjusted for 'post Share Split exercise' Further to the authorities and shareholders approval of the Company's share Split Exercise involving the subdivision of every 1 existing ordinary share into 3 shares, on 6 Sep 2017 ("ex-date"), the ordinary shares increased 3 times. Consequential to the Share Split, the number and exercise price of outstanding Options which have been granted but have not been exercised prior to the Entitlement date will be adjusted, in accordance with the provisions of the By-Laws, to ensure that the status of Options holders is not prejudiced as a result of the Share Split.

Note 2 The respective exercise price of the share options adjusted after the Share Split exercise (Grant 1 - Grant 4)

Note 3 The fair value of the Share options granted adjusted after the Share Split exercise (Grant 1 - Grant 4)

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PART A	NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 ("MFRS 134"), INTERIM FINANCIAL REPORTING
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A6. Segmental Information

Segmental results by business activities:

Operating Segments YTD 30 June 2019	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	326,024,271	128,066,403	-	454,090,674
Inter-segment revenue	(447,988)	(62,805,884)		(63,253,871)
External sales	325,576,283	65,260,520	-	390,836,803
Results				
Segment results	14,776,097	13,018,779	(179,879)	27,614,997
Dividend & interest	550,944	151,568	234,245	936,758
Operating profit/(loss)	15,327,041	13,170,347	54,366	28,551,754
Finance costs	(2,444,256)	(94,018)	-	(2,538,274)
Profit/(Loss) before taxation	12,882,785	13,076,329	54,366	26,013,480
Taxation	(3,573,510)	(3,145,243)	-	(6,718,753)
Profit/(Loss) for the year	9,309,275	9,931,086	54,366	19,294,728
Profit/(Loss) for the year				
Segment assets	280,195,155	122,991,010	18,548,933	421,735,099
Segment liabilities	105,859,568	18,739,136	1,924,174	126,522,879

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Segmental results by Geographical Segment:

Country	YTD 30 June 19	YTD 30 June 18	Changes	
	Revenue	Revenue	RM	%
	RM	RM		
Malaysia	273,230,936	288,997,293	(15,766,357)	-5%
Indonesia	58,825,964	48,303,710	10,522,254	22%
Vietnam	35,104,709	40,860,040	(5,755,331)	-14%
Thailand	9,653,046	6,610,489	3,042,557	46%
Taiwan	2,697,012	650,947	2,046,065	314%
Phillippines	1,774,223	976,474	797,749	82%
Singapore	1,765,382	1,320,299	445,083	34%
Bangladesh	1,736,690	1,291,608	445,082	34%
Australia	1,439,965	2,566,657	(1,126,692)	-44%
New Zealand	1,260,402	1,301,964	(41,562)	-3%
Cambodia	1,147,095	1,506,305	(359,210)	-24%
Sri Lanka	943,302	236,523	706,779	299%
Others	638,948	56,320	582,628	1034%
Japan	619,129	885,160	(266,031)	-30%
Total	390,836,803	395,563,789	(4,726,986)	-1%

For current financial year-to-date ended 30 June 2019, the Group achieved revenue of RM390.84 million. There is a drop of RM4.73 million or 1% compared with preceding financial year-to-date ended 30 June 2018. Lower revenue was mainly attributable to lower local sales in trading segment. Increased in export to Indonesia was mainly contributed by PT Luxchem Indonesia.

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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 commitments as at 30 Jun 19	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	839,616
Approved but not contracted for	16,528,447
	<hr/>
	17,368,062

A10. Changes in the Composition of the Group

There was no change 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

B1.1 Financial review for current quarter compared with preceding year corresponding quarter

	Individual Period (2nd Quarter)		Changes	
	Current Year Quarter 30-Jun-19 RM	Preceding Year Corresponding Quarter 30-Jun-18 RM	RM	%
	Revenue	188,387,571	198,910,957	(10,523,386)
Cost of sales	(168,303,398)	(178,772,967)	10,469,569	-6%
Gross profit	20,084,173	20,137,990	(53,817)	0%
Other operating income	911,119	(71,401)	982,519	-1376%
Selling and distribution costs	(1,464,993)	(1,472,470)	7,478	-1%
Administrative expenses	(4,995,976)	(4,384,599)	(611,377)	14%
Administrative expenses - share option expenses	-	(307,775)	307,775	-100%
Other operating expenses	(28,687)	(58,794)	30,106	-51%
Operating profit	14,505,636	13,842,951	662,685	5%
Finance costs	(1,336,413)	(986,877)	(349,536)	35%
Profit before Tax	13,169,223	12,856,074	313,149	2%
Taxation	(3,565,817)	(3,338,382)	(227,436)	7%
Profit after Tax	9,603,406	9,517,693	85,713	1%

For current quarter ended 30 June 2019, the Group achieved revenue of RM188.39 million, representing a decrease of RM10.52 million or 5% compared to preceding year corresponding quarter. This was mainly due to lower sales in the Trading segment.

The Group achieved profit after tax of RM9.60 million during the current year quarter. There is a marginal increase of RM0.86 million or 1% compared to the preceding year corresponding quarter.

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B1. Review of performance of the Company and its principal subsidiaries (cont'd)

B1.2 Financial review for current quarter compared with the immediate preceding quarter

	Current Year Quarter	Immediate Preceding Quarter	Changes	
	30-Jun-19 RM	31-Mar-19 RM	RM	%
Revenue	188,387,571	202,449,232	(14,061,661)	-7%
Cost of sales	(168,303,398)	(182,030,830)	13,727,433	-8%
Gross profit	20,084,173	20,418,401	(334,228)	-2%
Other operating income	911,119	769,071	142,048	18%
Selling and distribution costs	(1,464,993)	(1,465,690)	698	0%
Administrative expenses	(4,995,976)	(5,514,005)	518,029	-9%
Administrative expenses - share option expenses	-	(138,497)	138,497	-100%
Other operating expenses	(28,687)	(23,162)	(5,525)	24%
Operating profit	14,505,636	14,046,119	459,517	3%
Finance costs	(1,336,413)	(1,201,861)	(134,552)	11%
Profit before Tax	13,169,223	12,844,257	324,965	3%
Taxation	(3,565,817)	(3,152,936)	(412,881)	13%
Profit after Tax	9,603,406	9,691,322	(87,916)	-1%
Exchange gain/ (loss) on translation of foreign operations	9,897	(20,089)	29,986	-149%
Fair value gain/(loss) on equity investments	141,432	(405,045)	546,476	-135%
Total other comprehensive (loss)/income	151,329	(425,134)	576,462	-136%
Total comprehensive income for the period	9,754,734	9,266,188	488,547	5%
Profit attributable to:				
-Owners of the Company	9,893,068	9,599,336	293,732	3%
-Non controlling interests	(289,662)	91,986	(381,648)	-415%
	9,603,406	9,691,322	(87,916)	-1%
Total comprehensive income attributable to:				
-Owners of the Company	10,044,319	9,175,086	869,232	9%
-Non controlling interests	(289,584)	91,101	(380,686)	-418%
	9,754,734	9,266,188	488,547	5%
Earnings per share attributable to owners of the Company				
Earnings per share - Basic (Sen)	1.13	1.11	0.02	
Earnings per share - Fully Diluted (Sen)	1.13	1.10	0.03	

The Group reported lower revenue of RM188.39 million for the current quarter ended 30 June 2019, as compared to previous quarter ended 31 March 2019. Revenue decreased RM14.06 million or 7%. The lower revenue was attributable to the trading segment.

The Group reported lower profit after tax of RM9.60 million for the current quarter ended 30 June 2019, as compared to previous quarter ended 31 March 2019 of RM9.69 million. Profit after tax decreased 1% mainly due to lower gross profit offset by lower expenses.

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B2. Prospects for the following quarter

The group's performance can be affected by fluctuations in USD/RM exchange rates, raw material price fluctuations, raw material demand and supply situations and competition.

The group will continue to improve its own productivity and efficiency to face these external uncontrollable factors.

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-19 RM	Current Year Ended 30-Jun-19 RM
Tax expenses	(3,565,817)	(6,718,753)
	<u>(3,560,722)</u>	<u>(6,705,004)</u>

The effective tax rate of the Group in current year is approximately the statutory tax rate.

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B5. Group borrowings and debt securities

The Group's borrowings as at 30 June 2019 as follows:

	As at 30 Jun 19								
	Long Term			Short Term					
	IDR Borrowing	RM Equivalent	Total RM	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured									
Hire-purchase	306,258,572	89,734	89,734	-	-	507,211,343	148,613	-	148,613
Unsecured									
Bank borrowings	-	-	-	1,620,480	6,714,157	96,972,999,654	28,413,089	43,893,504	79,020,749
Total	306,258,572	89,734	89,734	1,620,480	6,714,157	97,480,210,997	28,561,702	43,893,504	79,169,362

	As at 30 Jun 19					
	Total Borrowing					
	USD Borrowing		IDR Borrowing		RM Borrowing	Total RM
Secured						
Hire-purchase	-	-	813,469,915	238,347	-	238,347
Unsecured						
Bank borrowings	1,620,480	6,714,157	96,972,999,654	28,413,089	43,893,504	79,020,749
Total	1,620,480	6,714,157	97,786,469,569	28,651,436	43,893,504	79,259,096

Exchange Rates on borrowings as at 30 Jun 2019

USD to RM	4.1335
USD to IDR	14,141
IDR100 to RM	0.0293

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B6. Group borrowings and debt securities (cont'd)

The Group's borrowings as at 30 June 2018 as follows

	As at 30 June 18									
	Long Term				Short Term					
	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured										
Hire-purchase	542,564,083	153,003	125,413	278,416	-	-	437,976,861	123,509	83,161	206,670
Unsecured										
Bank borrowings	-	-	-	-	2,530,530	10,251,938	80,757,320,713	22,773,564	48,237,915	81,263,418
Total	542,564,083	153,003	125,413	278,416	2,530,530	10,251,938	81,195,297,574	22,897,074	48,321,076	81,470,088

	As at 30 June 18					
	Total Borrowing					
	USD Borrowing		IDR Borrowing		RM Borrowing	Total RM
Secured						
Hire-purchase	-	-	980,540,944	276,513	208,574	485,086
Unsecured						
Bank borrowings	2,530,530	10,251,938	80,757,320,713	22,773,564	48,237,915	81,263,418
Total	2,530,530	10,251,938	81,737,861,657	23,050,077	48,446,489	81,748,504

Exchange Rates on borrowings as at 30 June 2018:

USD to RM	4.0375
USD to IDR	14,404
IDR100 to RM	0.0282

The Group's total borrowing as at 30 June 2019 was RM79.26 million, a decrease of RM2.49 million compared to preceding year corresponding quarter.

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B7. Financial Guarantee

The Company has provided various financial guarantees to banks for the guarantee of banking facilities granted to its various subsidiaries. As at 30 June 2019, the amount of bank borrowings of its subsidiaries guaranteed by the company amounted to RM79.02 million.

The Company monitors the performance of the subsidiary closely to ensure it meets all its 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 2019, 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 1 sen per ordinary share for the financial year ending 31 December 2019. The interim dividend shall be paid on 30 September 2019.

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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 RM9.89 million for the current quarter and RM19.49 for the current financial year-to-date as at 30 June 2019 and on the weighted average number of shares in issue of 870,445,014 as at 30 June 2019.

(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 RM9.89 million for the current quarter and RM19.49 for the current financial year-to-date as at 30 June 2019 and the adjusted weighted average number of ordinary shares in issue of 871,405,726 as at 30 June 2019.

By order of the Board,

Chen Moi Kew
Director / Chief Financial Officer
Date: 29 July 2019