

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 2020

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 31 December 2020.

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

| | Individual Period (4th Quarter) | | Changes | | Cumulative Period | | Changes | |
|--|-----------------------------------|---|------------------|------------|-----------------------------------|---|-------------------|------------|
| | Current Year Quarter 31-Dec-20 RM | Preceding Year Corresponding Quarter 31-Dec-19 RM | RM | % | Current Year Quarter 31-Dec-20 RM | Preceding Year Corresponding Quarter 31-Dec-19 RM | RM | % |
| Revenue | 220,231,785 | 187,155,351 | 33,076,434 | 18% | 726,264,486 | 765,480,385 | (39,215,899) | -5% |
| Cost of sales | (187,259,370) | (165,745,721) | (21,513,649) | 13% | (632,353,554) | (685,077,192) | 52,723,638 | -8% |
| Gross profit | 32,972,415 | 21,409,630 | 11,562,785 | 54% | 93,910,932 | 80,403,193 | 13,507,739 | 17% |
| Other operating income | 1,678,306 | 1,513,257 | 165,050 | 11% | 5,666,372 | 5,460,863 | 205,509 | 4% |
| Selling and distribution costs | (1,689,083) | (1,497,806) | (191,276) | 13% | (5,769,187) | (5,999,051) | 229,864 | -4% |
| Administrative expenses | (7,218,139) | (6,710,514) | (507,624) | 8% | (23,621,390) | (21,927,949) | (1,693,441) | 8% |
| Administrative expenses - share option expenses | - | - | - | - | - | (138,497) | 138,497 | -100% |
| Other operating expenses | (4,959,184) | (1,072,860) | (3,886,324) | 362% | (5,046,996) | (3,082,675) | (1,964,321) | 64% |
| Operating profit | 20,784,316 | 13,641,706 | 7,142,610 | 52% | 65,139,731 | 54,715,884 | 10,423,847 | 19% |
| Finance costs | (489,967) | (885,399) | 395,432 | -45% | (2,586,116) | (4,594,577) | 2,008,461 | -44% |
| Profit before Tax | 20,294,349 | 12,756,307 | 7,538,042 | 59% | 62,553,615 | 50,121,307 | 12,432,308 | 25% |
| Taxation | (4,110,170) | (3,339,012) | (771,159) | 23% | (15,577,302) | (13,165,942) | (2,411,360) | 18% |
| Profit after Tax | 16,184,179 | 9,417,295 | 6,766,884 | 72% | 46,976,313 | 36,955,365 | 10,020,948 | 27% |
| Re-measurement of defined benefit obligations | (63,915) | (24,558) | (39,357) | 160% | (63,915) | (24,558) | (39,357) | 160% |
| Exchange gain/ (loss) on translation of foreign operations | 53,114 | (27,102) | 80,216 | -296% | 261,575 | (18,966) | 280,541 | -1479% |
| Fair value gain/(loss) on equity investments | (1,096,166) | 59,958 | (1,156,124) | -1928% | 1,900,281 | (223,944) | 2,124,225 | -949% |
| Total other comprehensive (loss)/income | (1,106,967) | 8,298 | (1,115,265) | -13439% | 2,097,940 | (267,468) | 2,365,408 | -884% |
| Total comprehensive income for the period | 15,077,212 | 9,425,594 | 5,651,618 | 60% | 49,074,253 | 36,687,897 | 12,386,356 | 34% |
| Profit attributable to: | | | | | | | | |
| -Owners of the Company | 16,126,167 | 9,568,960 | 6,557,207 | 69% | 47,884,638 | 37,644,630 | 10,240,008 | 27% |
| -Non controlling interests | 58,012 | (151,665) | 209,677 | -138% | (908,326) | (689,265) | (219,061) | 32% |
| Total comprehensive income attributable to: | 16,184,179 | 9,417,295 | 6,766,884 | 72% | 46,976,313 | 36,955,365 | 10,020,948 | 27% |
| -Owners of the Company | 15,016,960 | 9,583,858 | 5,433,102 | 57% | 49,980,339 | 37,387,550 | 12,592,788 | 34% |
| -Non controlling interests | 60,252 | (158,264) | 218,516 | -138% | (906,086) | (699,653) | (206,433) | 30% |
| | 15,077,212 | 9,425,594 | 5,651,618 | 60% | 49,074,253 | 36,687,897 | 12,386,356 | 34% |
| Earnings per share attributable to owners of the Company | | | | | | | | |
| Earnings per share - Basic (Sen) | 1.80 | 1.07 | 0.73 | | 5.35 | 4.27 | 1.08 | |
| Earnings per share - Fully Diluted (Sen) | 1.80 | 1.07 | 0.73 | | 5.35 | 4.27 | 1.08 | |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this quarterly financial report.

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

| | Current Quarter Ended 31-Dec-20 RM | Current Year to date Ended 31-Dec-20 RM |
|---|---|--|
| Interest income | (302,774) | (1,314,840) |
| Other income* | (1,375,532) | (4,351,532) |
| Interest expense | 489,967 | 2,586,116 |
| Depreciation & amortisation | 1,042,496 | 4,208,229 |
| Write back of receivable | (1,240,015) | (1,240,015) |
| Write back of inventories | (186,882) | (186,882) |
| Foreign exchange (gain)/loss - realised | 75,764 | 607,259 |
| Foreign exchange (gain)/loss - unrealised | (573,727) | (337,515) |
| Loss/(gain) on derivatives | 23,926 | (180,549) |

*Includes foreign exchange gain and gain on derivatives

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QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | Unaudited As at 31-Dec-20 RM | Audited As at 31-Dec-19 RM |
|---|---------------------------------------|-------------------------------------|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 63,220,610 | 53,019,475 |
| Investment property | 2,743,391 | 2,771,696 |
| Goodwill | 35,802,888 | 35,802,888 |
| Intangible assets | 4,742,149 | 4,309,748 |
| Other investments | 3,666,985 | 1,766,705 |
| Deferred tax assets | 1,569,340 | 596,317 |
| | <u>111,745,363</u> | <u>98,266,829</u> |
| Current Assets | | |
| Inventories | 72,882,380 | 68,944,796 |
| Trade and other receivables | 159,960,543 | 135,610,389 |
| Derivative financial assets | 52,450 | - |
| Current tax assets | 2,421,770 | 3,366,965 |
| Cash and bank balances | 140,355,898 | 126,474,086 |
| | <u>375,673,041</u> | <u>334,396,236</u> |
| Total Assets | <u>487,418,404</u> | <u>432,663,065</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Owners of the Parent | | |
| Share capital | 174,372,109 | 174,372,109 |
| Other reserves | 3,379,981 | 1,225,078 |
| Retained profits | 161,079,234 | 133,409,491 |
| | <u>338,831,324</u> | <u>309,006,678</u> |
| Non-controlling interests | (1,534,401) | (628,315) |
| Total Equity | <u>337,296,923</u> | <u>308,378,363</u> |
| Non-current Liabilities | | |
| Retirement benefits | 781,761 | 573,219 |
| Lease liabilities | 268,279 | 494,690 |
| Deferred tax liabilities | 1,324,304 | 1,695,829 |
| | <u>2,374,344</u> | <u>2,763,738</u> |
| Current Liabilities | | |
| Trade and other payables | 81,199,525 | 56,667,112 |
| Derivative financial liabilities | 30,178 | 158,276 |
| Lease liabilities | 397,983 | 590,772 |
| Bank borrowings | 63,793,407 | 63,001,209 |
| Current tax liabilities | 2,326,044 | 1,103,595 |
| | <u>147,747,137</u> | <u>121,520,964</u> |
| Total Liabilities | <u>150,121,481</u> | <u>124,284,702</u> |
| Total Equity and Liabilities | <u>487,418,404</u> | <u>432,663,065</u> |
| Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM) | 0.38 | 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 2019 and the accompanying explanatory notes attached to this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FORTH QUARTER ENDED 31 DECEMBER 2020

| | Current Year to date Ended 31-Dec-20 RM | Preceding Year Corresponding Year Ended 31-Dec-19 RM |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 62,553,615 | 50,121,307 |
| Adjustments for : | | |
| Amortisation of intangible assets | 256,049 | 150,584 |
| Bad debts written off | - | 3,549 |
| Depreciation of investment property | 28,305 | 28,304 |
| Depreciation of property, plant and equipment | 3,923,875 | 3,921,491 |
| Defined benefit obligations | 146,459 | 119,652 |
| Dividend income | (156,413) | (96,053) |
| (Gain)/loss on changes in fair value of forward exchange contracts | (180,549) | 54,960 |
| Gain on disposal of property, plant and equipment | (18,445) | (209,544) |
| Impairment losses on trade receivables | 3,858,681 | 1,966,432 |
| Interest income | (1,314,840) | (1,946,149) |
| Interest expense | 2,586,116 | 4,594,577 |
| Inventories written down | 987,305 | 182,006 |
| Inventories written off | 608,205 | 1,066,807 |
| Property, plant and equipment written off | 208,956 | 112,975 |
| Net unrealised (gain)/loss on foreign exchange | (337,515) | (216,072) |
| Reversal of impairment loss on trade receivables | (1,240,015) | (804,416) |
| Reversal of inventories written down | (186,882) | (218,538) |
| Share options vested under ESOS | - | 138,497 |
| Operating profit before working capital changes | 71,722,906 | 58,970,369 |
| (Increase)/Decrease in inventories | (5,495,698) | 14,637,505 |
| (Increase)/Decrease in trade and other receivables | (27,530,329) | 8,566,349 |
| Increase/(Decrease) in trade and other payables | 25,197,932 | (5,889,580) |
| Cash generated from operations | 63,894,811 | 76,284,643 |
| Tax paid | (14,841,276) | (11,280,800) |
| Interest received | 1,314,840 | 1,946,149 |
| Interest paid | (2,534,460) | (4,488,037) |
| Net cash generated from operating activities | 47,833,915 | 62,461,955 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (14,453,804) | (7,210,542) |
| Purchase of intangible assets | (406,810) | (11,395) |
| Proceeds from disposal of property, plant and equipment | 111,217 | 209,553 |
| Dividend received | 156,413 | 96,053 |
| Deposits received/(placed) with licensed banks with original maturity of more than three (3) months | 4,502,095 | (8,704,354) |
| Net cash used in investing activities | (10,090,889) | (15,620,685) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from shares issued pursuant to share options exercised | - | 8,143,056 |
| Repayment on lease liabilities | (681,193) | (917,036) |
| Interest paid on lease liabilities | (51,655) | (106,540) |
| Net drawdown/(repayment) of trade finance | 1,620,093 | (24,322,539) |
| Dividend paid | (20,155,692) | (19,888,094) |
| Net cash used in financing activities | (19,268,448) | (37,091,153) |
| Net increase in cash and cash equivalents | 18,474,578 | 9,750,117 |
| Cash and cash equivalents at beginning of financial year | 110,315,680 | 100,222,496 |
| Effect of changes in exchange rates | (90,670) | 343,067 |
| Cash and cash equivalents at end of financial year | 128,699,588 | 110,315,680 |
| 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 | 39,363,586 | 62,070,680 |
| Deposits with financial institutions | 100,992,312 | 64,403,406 |
| | 140,355,897 | 126,474,086 |
| Deposits placed with licensed banks with original maturity of more than three (3) months | (11,656,312) | (16,158,406) |
| | 128,699,586 | 110,315,680 |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 FOURTH QUARTER ENDED 31 DECEMBER 2020

For the 12 months ended 31 December 2020

| | Attributable to Owners of the Company | | | | Retained earnings RM | Total RM | Non- controlling interests RM | Total equity RM |
|--|---------------------------------------|--|-----------------------------|-----------------------------------|-------------------------|--------------------|--|-----------------------|
| | <----- Non - distributable -----> | | | Distributable | | | | |
| | Share capital RM | Exchange translation reserve RM | Fair value reserve RM | Share Options reserve RM | | | | |
| 2020 | | | | | | | | |
| Balance as at 1 January 2020 | 174,372,109 | (246,285) | 1,471,363 | - | 133,409,491 | 309,006,678 | (628,315) | 308,378,363 |
| Profit for the year | - | - | - | - | 47,884,637 | 47,884,637 | (908,326) | 46,976,311 |
| Foreign currency translations | - | 254,619 | - | - | - | 254,619 | 6,957 | 261,576 |
| Fair value gain on equity investments | - | - | 1,900,281 | - | - | 1,900,281 | - | 1,900,281 |
| Remeasurement of defined benefit obligations | - | - | - | - | (59,198) | (59,198) | (4,717) | (63,915) |
| Total comprehensive income for the year | - | 254,619 | 1,900,281 | - | 47,825,439 | 49,980,339 | (906,086) | 49,074,253 |
| Dividends paid | - | - | - | - | (20,155,692) | (20,155,692) | - | (20,155,692) |
| Balance as at 31 December 2020 | 174,372,109 | 8,334 | 3,371,644 | - | 161,079,238 | 338,831,325 | (1,534,401) | 337,296,924 |

For the 12 months ended 31 Dec 2019

| | Attributable to Owners of the Company | | | | Retained earnings RM | Total RM | Non- controlling interests RM | Total equity RM |
|---|---------------------------------------|--|-----------------------------|-----------------------------------|-------------------------|--------------------|--|-----------------------|
| | <----- Non - distributable -----> | | | Distributable | | | | |
| | Share capital RM | Exchange translation reserve RM | Fair value reserve RM | Share Options reserve 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 | - | - | - | - | 37,644,630 | 37,644,630 | (689,265) | 36,955,365 |
| Foreign currency translations | - | (15,945) | - | - | - | (15,945) | (3,021) | (18,966) |
| Fair value loss on equity investments | - | - | (223,944) | - | - | (223,944) | - | (223,944) |
| Remeasurement of defined benefit obligations | - | - | - | - | (17,191) | (17,191) | (7,367) | (24,558) |
| Transactions with owners | | (15,945) | (223,944) | - | 37,627,439 | 37,387,550 | (699,653) | 36,687,897 |
| Share options vested under ESOS | - | - | - | 138,497 | - | 138,497 | - | 138,497 |
| Ordinary shares issued pursuant to ESOS | 10,994,816 | - | - | (2,851,760) | - | 8,143,056 | - | 8,143,056 |
| Share options forfeited | - | - | - | (85,481) | 85,481 | - | - | - |
| Share options lapsed | - | - | - | (1,630,773) | 1,630,773 | - | - | - |
| Dividends paid | - | - | - | - | (19,888,094) | (19,888,094) | - | (19,888,094) |
| Balance as at 31 December 2019 | 174,372,109 | (246,285) | 1,471,363 | - | 133,409,491 | 309,006,678 | (628,315) | 308,378,363 |

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 2019 and the accompanying explanatory notes attached to this quarterly financial report.

LUXCHEM CORPORATION BERHAD

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QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 2020

PART A NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”), INTERIM FINANCIAL REPORTING

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 2019.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2019 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning on 1 January 2020. 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 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 |
|--|-----------------------|
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Amendments to MFRS 3 Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 Definition of Material | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform | 1 January 2020 |

A2. Auditor’s Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2019.

A3. Seasonal or cyclical factors

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

A4. Items of Unusual nature and Amount

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence in the quarterly financial reports.

LUXCHEM CORPORATION BERHAD

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A5. Segmental Information

Segmental results by business activities:

| Operating Segments | | | | |
|-------------------------------|---------------|---------------------|-------------------|---------------|
| YTD 31 December 2020 | | | | |
| | Trading RM | Manufacturing RM | Adjustments RM | Conso RM |
| Total revenue | 598,510,619 | 273,337,495 | - | 871,848,114 |
| Inter-segment revenue | (2,227,609) | (143,356,019) | | (145,583,628) |
| External sales | 596,283,011 | 129,981,476 | - | 726,264,486 |
| Results | | | | |
| Segment results | 32,010,508 | 32,446,777 | (792,793) | 63,664,492 |
| Dividend, interest & rental | 874,412 | 153,831 | 446,994 | 1,475,237 |
| Operating profit/(loss) | 32,884,920 | 32,600,608 | (345,799) | 65,139,730 |
| Finance costs | (2,506,927) | (79,189) | - | (2,586,116) |
| Profit/(Loss) before taxation | 30,377,993 | 32,521,420 | (345,799) | 62,553,614 |
| Taxation | (7,790,342) | (7,680,860) | (106,100) | (15,577,302) |
| Profit/(Loss) for the period | 22,587,651 | 24,840,560 | (451,899) | 46,976,312 |
| Segment assets | 312,621,269 | 163,846,651 | 10,950,484 | 487,418,404 |
| Segment liabilities | 111,219,029 | 38,577,281 | 325,173 | 150,121,483 |

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Segmental results by Geographical Segment:

| Country | FYE 2020 | FYE 2019 | Change | |
|----------------------|--------------------|--------------------|---------------------|------------|
| | Revenue | Revenue | | |
| | RM | RM | RM | % |
| Malaysia | 511,212,542 | 528,686,656 | (17,474,115) | -3% |
| Indonesia | 86,177,969 | 111,428,867 | (25,250,898) | -23% |
| Vietnam | 77,703,376 | 80,043,885 | (2,340,510) | -3% |
| Thailand | 22,414,400 | 20,673,990 | 1,740,411 | 8% |
| Singapore | 5,833,725 | 5,697,452 | 136,272 | 2% |
| Bangladesh | 4,585,919 | 3,422,735 | 1,163,183 | 34% |
| Australia | 4,179,896 | 3,208,856 | 971,040 | 30% |
| Sri Lanka | 3,542,007 | 2,073,495 | 1,468,512 | 71% |
| Philippines | 3,466,137 | 3,223,056 | 243,081 | 8% |
| New Zealand | 2,837,036 | 2,544,015 | 293,022 | 12% |
| Cambodia | 1,398,233 | 2,476,411 | (1,078,177) | -44% |
| Others | 2,913,245 | 2,000,966 | 912,279 | 46% |
| Total exports | 215,051,943 | 236,793,728 | (21,741,785) | -9% |
| Total | 726,264,485 | 765,480,384 | (39,215,899) | -5% |

For current financial year to date ended 31 December 2020, the Group achieved revenue of RM726.26 million. There is a drop of RM39.22 million or 5% compared with preceding financial year to date ended 31 December 2019. Lower revenue was mainly attributable to lower local sales in trading segment and lower export sales to Indonesia through the subsidiary in Indonesia in trading segment.

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A6. Valuation of property, plant and equipment

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

A7. Capital commitments

| Capital commitments as at 31 December 2020 | Amount RM |
|--|------------------|
| Capital commitments for the purchase of property, plant and equipment as follow: | |
| Approved and contracted for | 1,110,851 |
| Approved but not contracted for | 1,529,784 |
| | <u>2,640,635</u> |

A8. Changes in the Composition of the Group

During the year, the Company has increased its investment in the subsidiary in Indonesia, PT Luxchem Indonesia from 70% to 92.62%.

Other than the above-mentioned, there are no significant changes in the composition of the Group during the financial year.

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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 (4th Quarter) | | Changes | |
|---|---|---|------------------|------------|
| | Current Year Quarter 31-Dec-20 RM | Preceding Year Corresponding Quarter 31-Dec-19 RM | RM | % |
| | Revenue | 220,231,785 | 187,155,351 | 33,076,434 |
| Cost of sales | (187,259,370) | (165,745,721) | (21,513,649) | 13% |
| Gross profit | 32,972,415 | 21,409,630 | 11,562,785 | 54% |
| Other operating income | 1,678,306 | 1,513,257 | 165,050 | 11% |
| Selling and distribution costs | (1,689,083) | (1,497,806) | (191,276) | 13% |
| Administrative expenses | (7,218,139) | (6,710,514) | (507,624) | 8% |
| Administrative expenses - share option expenses | - | - | - | - |
| Other operating expenses | (4,959,184) | (1,072,860) | (3,886,324) | 362% |
| Operating profit | 20,784,316 | 13,641,706 | 7,142,610 | 52% |
| Finance costs | (489,967) | (885,399) | 395,432 | -45% |
| Profit before Tax | 20,294,349 | 12,756,307 | 7,538,042 | 59% |
| Taxation | (4,110,170) | (3,339,012) | (771,159) | 23% |
| Profit after Tax | 16,184,179 | 9,417,295 | 6,766,884 | 72% |

The Group reported higher revenue of RM220.23 million for the current quarter ended 31 December 2020, as compared to preceding year corresponding quarter ended 31 December 2019. Revenue increased RM33.08 million or 18%. The higher revenue was mainly attributable to the trading segment.

The Group reported higher profit after tax of RM16.18 million for the current quarter ended 31 December 2020, as compared to preceding year corresponding quarter ended 31 December 2019 of RM9.42 million. Profit after tax increased by 72% mainly due to manufacturing segment.

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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 31-Dec-20 RM | Immediate Preceding Quarter 30-Sep-20 RM | Changes | |
|---|---|--|------------------|------------|
| | | | RM | % |
| Revenue | 220,231,785 | 191,260,089 | 28,971,696 | 15% |
| Cost of sales | (187,259,370) | (166,162,913) | (21,096,457) | 13% |
| Gross profit | 32,972,415 | 25,097,176 | 7,875,239 | 31% |
| Other operating income | 1,678,306 | 250,379 | 1,427,927 | 570% |
| Selling and distribution costs | (1,689,083) | (1,322,701) | (366,382) | 28% |
| Administrative expenses | (7,218,139) | (4,602,407) | (2,615,731) | 57% |
| Administrative expenses - share option expenses | - | - | - | - |
| Other operating expenses | (4,959,184) | (62,722) | (4,896,461) | 7807% |
| Operating profit | 20,784,316 | 19,359,725 | 1,424,591 | 7% |
| Finance costs | (489,967) | (512,231) | 22,263 | -4% |
| Profit before Tax | 20,294,349 | 18,847,494 | 1,446,855 | 8% |
| Taxation | (4,110,170) | (4,678,144) | 567,974 | -12% |
| Profit after Tax | 16,184,179 | 14,169,350 | 2,014,829 | 14% |

For current quarter ended 31 December 2020, the Group achieved revenue of RM220.23 million, representing an increase of RM28.97 million or 15% compared to current year preceding quarter. This was mainly due to higher sales in the trading segment.

The Group achieved profit after tax of RM16.18 million during the current quarter. There is an increase of RM2.01 million or 14% compared to current year preceding quarter which was mainly due to higher profit in the trading segment.

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B2. Prospects for the next financial year

The Group's performance can be affected by fluctuations in USD/RM exchange rates, raw material price fluctuations, raw material demand and supply situations, competition and current Covid-19 pandemic situation.

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 year.

B4. Status of Corporate Proposals announced

Proposed Acquisition

On 14 December 2020, the company entered into a Heads of Agreement ("HOA") with Mr. Chuah Kim Piew and Mr. Lee Juinn Yong for the proposed acquisition by the Company of 55% equity interest each in Lexis Chemical Sdn Bhd, Lexis Specialties Sdn Bhd and Lexis Corporation Sdn Bhd for a total purchase consideration of RM121.00 million to be satisfied partly via cash and partly via issuance of new ordinary shares in the company. The company is currently finalising the due diligence process.

Proposed Private Placement

On 14 December 2020, the company announced that the company proposes to undertake the private placement of up to 134,371,000 new ordinary shares in the company, representing approximately 15% of the total number of issued shares of the company, to independent third-party investors to be identified later and at an issue price to be determined later.

On 17 December 2020, the company announced that Bursa Securities had, vide its letter dated 17 December 2020, approved the listing and quotation of up to 134,371,000 Placement Shares to be issued pursuant to the Private Placement.

On 10 February 2021, the company announced that the Board had on to-date ("Price-fixing Date") fixed the issue price for the placement of 75,000,000 Placement Shares at RM0.71 per Placement Share ("Issue Price"). The Issue Price represents a discount of 9.14% to the 5-day VWAP of the Shares up to and including 9 February 2021 of RM0.7814, being the last market day immediately preceding the Price-fixing Date.

On 16 February 2021, the company announced that the Board had on to-date ("Price-fixing Date") fixed the issue price for the placement of 15,000,000 Placement Shares at RM0.73 per Placement Share ("Issue Price"). The Issue Price represents a discount of 7.71% to the 5-day VWAP of the Shares up to and including 15 February 2021 of RM0.7910, being the last market day immediately preceding the Price-fixing Date.

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B5. Taxation

| | Current Quarter Ended 31-Dec-20 RM | Current Year Ended 31-Dec-20 RM |
|-------------------|---|--|
| Tax expenses | | |
| - Current year | (5,481,273) | (16,927,194) |
| - Prior year | 9,893 | 9,893 |
| Deferred Taxation | | |
| - Current year | 1,107,062 | 1,176,281 |
| - Prior year | 254,148 | 163,718 |
| | <u>(4,110,170)</u> | <u>(15,577,302)</u> |

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

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B6. Group borrowings and debt securities

The Group's borrowings as at 31 December 2020 as follows:

| | As at 31 Dec 2020 | | | | | | | | |
|--------------------------------------|--------------------|------------------|---------------|------------------|------------------|-----------------------|-------------------|-------------------|-------------------|
| | 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 (Lease Liabilities) | 134,106,660 | 38,355 | 38,355 | - | - | 204,004,328 | 58,344 | - | 58,344 |
| Unsecured | | | | | | | | | |
| Bank borrowings | - | - | - | 1,638,083 | 6,608,083 | 35,922,206,127 | 10,273,751 | 46,911,574 | 63,793,407 |
| Total | 134,106,660 | 38,355 | 38,355 | 1,638,083 | 6,608,083 | 36,126,210,455 | 10,332,095 | 46,911,574 | 63,851,752 |

| | As at 31 Dec 2020 | | | | | |
|--------------------------------------|-------------------|------------------|-----------------------|-------------------|-------------------|-------------------|
| | Total Borrowing | | | | | |
| | USD Borrowing | RM Equivalent | IDR Borrowing | RM Equivalent | RM Borrowing | Total RM |
| Secured | | | | | | |
| Hire-purchase (Lease Liabilities) | - | - | 338,110,988 | 96,700 | - | 96,700 |
| Unsecured | | | | | | |
| Bank borrowings | 1,638,083 | 6,608,083 | 35,922,206,127 | 10,273,751 | 46,911,574 | 63,793,407 |
| Total | 1,638,083 | 6,608,083 | 36,260,317,115 | 10,370,451 | 46,911,574 | 63,890,106 |

Exchange rates on borrowings as at 31 December 2020:

| | |
|--------------|--------|
| USD to RM | 4.0170 |
| USD to IDR | 14,105 |
| IDR100 to RM | 0.0286 |

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

The Group's borrowings as at 31 December 2019 as follows

| | As at 31 Dec 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 | 198,833,086 | 58,656 | 58,656 | - | - | 357,927,880 | 105,589 | - | 105,589 |
| Unsecured | | | | | | | | | |
| Bank borrowings | - | - | - | 3,003,591 | 12,317,110 | 50,235,391,549 | 14,819,441 | 35,864,658 | 63,001,209 |
| Total | 198,833,086 | 58,656 | 58,656 | 3,003,591 | 12,317,110 | 50,593,319,429 | 14,925,029 | 35,864,658 | 63,106,798 |

| | As at 31 Dec 19 | | | | | |
|------------------|------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
| | Total Borrowing | | | | | |
| | USD Borrowing | RM Equivalent | IDR Borrowing | RM Equivalent | RM Borrowing | Total RM |
| Secured | | | | | | |
| Hire-purchase | - | - | 556,760,966 | 164,244 | - | 164,244 |
| Unsecured | | | | | | |
| Bank borrowings | 3,003,591 | 12,317,110 | 50,235,391,549 | 14,819,441 | 35,864,658 | 63,001,209 |
| Total | 3,003,591 | 12,317,110 | 50,792,152,515 | 14,983,685 | 35,864,658 | 63,165,454 |

Exchange rates on borrowings as at 31 December 2019:

| | |
|--------------|--------|
| USD to RM | 4.0930 |
| USD to IDR | 13,901 |
| IDR100 to RM | 0.0295 |

The Group's total borrowing as at 31 December 2020 was RM63.89 million, an increase of RM0.72 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 31 December 2020, the amount of bank borrowings of its subsidiaries guaranteed by the company amounted to RM63.79 million.

The Company monitors the performance of the subsidiaries 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 31 December 2020, 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 and our subsidiaries.

B9. Dividend

The Board of Directors declared the payment of single tier second interim dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2020, payable on 12 May 2021 to depositors registered in the Records of Depositors at close of business on 14 April 2021.

B10. Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the Company of RM16.13 million for the current quarter and RM47.90 million for the current financial year to date as at 31 December 2020 and on the number of shares in issue of 895,808,553 as at 31 December 2020.

(b) Diluted earnings per share

There is no effect of dilution due to ESOS for the current quarter and current financial year to date as at 31 December 2020 as the ESOS had expired on 30 November 2019.

By order of the Board,

Chen Moi Kew
Director / Chief Financial Officer
Date: 19 February 2021