

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 2021

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 and year-to-date ended 31 December 2021.

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, manufacturing of unsaturated polyester resins and manufacturing 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 2021

	Individual Period (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year-to-date	Preceding Year-to-date		
	31-Dec-21 RM	31-Dec-20 RM	RM	%	31-Dec-21 RM	31-Dec-20 RM	RM	%
Revenue	288,690,933	220,231,784	68,459,148	31%	924,373,140	726,264,486	198,108,654	27%
Cost of sales	(244,602,993)	(187,259,367)	(57,343,626)	31%	(786,634,271)	(632,353,552)	(154,280,719)	24%
Gross profit	44,087,939	32,972,417	11,115,522	34%	137,738,869	93,910,934	43,827,935	47%
Other operating income	3,585,499	1,647,790	1,937,709	118%	7,569,206	5,635,855	1,933,351	34%
Selling and distribution costs	(4,936,144)	(1,689,083)	(3,247,061)	192%	(11,497,921)	(5,769,187)	(5,728,734)	99%
Administrative expenses	(12,036,869)	(7,218,161)	(4,818,708)	67%	(28,806,120)	(23,621,412)	(5,184,708)	22%
Other operating expenses	(1,765,566)	(4,959,184)	3,193,618	-64%	(2,916,363)	(5,046,997)	2,130,634	-42%
Operating profit	28,934,860	20,753,779	8,181,081	39%	102,087,671	65,109,193	36,978,478	57%
Finance costs	(936,589)	(489,968)	(446,621)	91%	(3,136,783)	(2,586,116)	(550,667)	21%
Profit before Tax	27,998,271	20,263,811	7,734,460	38%	98,950,889	62,523,077	36,427,812	58%
Taxation	(7,477,441)	(4,110,171)	(3,367,270)	82%	(24,577,719)	(15,577,303)	(9,000,416)	58%
Profit after Tax	20,520,829	16,153,640	4,367,189	27%	74,373,170	46,945,774	27,427,396	58%
Exchange gain on translation of foreign operations	(41,658)	53,115	(94,773)	-178%	214,283	261,576	(47,293)	-18%
Fair value loss on equity investments	(117,280)	(1,096,166)	978,886	-89%	(1,735,771)	1,900,280	(3,636,051)	-191%
Total other comprehensive (loss)/income	(158,938)	(1,043,051)	884,113	-85%	(1,437,798)	2,161,856	(3,599,654)	-167%
Total comprehensive income for the period	20,361,891	15,110,589	5,251,302	35%	72,935,372	49,107,630	23,827,742	49%
Profit attributable to:								
-Owners of the Company	16,592,003	16,095,629	496,374	3%	68,426,300	47,854,100	20,572,200	43%
-Non controlling interests	3,928,827	58,012	3,870,815	6672%	5,946,870	(908,326)	6,855,196	-755%
Total comprehensive income attributable to:	20,520,829	16,153,640	4,367,189	27%	74,373,170	46,945,774	27,427,396	58%
-Owners of the Company	16,513,198	14,986,422	1,526,775	10%	66,971,324	49,949,801	17,021,523	34%
-Non controlling interests	3,932,384	60,252	3,872,132	6427%	5,964,048	(906,086)	6,870,134	-758%
	20,445,582	15,046,674	5,398,908	36%	72,935,372	49,043,715	23,891,657	49%
Earnings per share attributable to owners of the Company								
Earnings per share - Basic (Sen)	1.54	1.80	(0.26)		6.79	5.34	1.45	
Earnings per share - Fully Diluted (Sen)	1.54	1.80	(0.26)		6.79	5.34	1.45	

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this quarterly financial report.

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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

	Current Quarter Ended 31-Dec-21 RM	Current Year- to-date Ended 31-Dec-21 RM
Interest income	(370,536)	(2,189,197)
Other income*	(3,214,963)	(5,380,009)
Interest expense	936,589	3,136,783
Depreciation & amortisation	2,720,492	6,361,577
Write back of receivable	(1,818,093)	(3,441,429)
Write back of inventories	(1,153,748)	(1,185,240)
Foreign exchange (gain)/loss - realised	(25,129)	443,144
Foreign exchange (gain)/loss - unrealised	(1,169)	118,924
Loss on derivatives	7,088	40,393

*Includes foreign exchange gain

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Unaudited As at 31-Dec-21 RM	Audited As at 31-Dec-20 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	83,602,433	63,220,609
Investment property	2,715,087	2,743,392
Goodwill	64,706,661	35,802,888
Intangible assets	125,427,414	4,742,149
Other investments	1,931,214	3,666,985
Deferred tax assets	710,186	1,569,340
	<u>279,092,995</u>	<u>111,745,363</u>
Current Assets		
Inventories	130,234,120	72,882,379
Trade and other receivables	175,470,024	159,903,609
Derivative financial assets	-	52,450
Current tax assets	3,007,920	2,422,688
Cash and bank balances	208,519,045	140,355,897
	<u>517,231,109</u>	<u>375,617,023</u>
Total Assets	<u>796,324,104</u>	<u>487,362,386</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	298,077,798	174,372,109
Treasury Shares	(70,536)	-
Other reserves	1,847,491	3,379,977
Retained profits	190,133,662	159,101,042
	<u>489,988,415</u>	<u>336,853,128</u>
Non-controlling interests	75,466,715	413,258
Total Equity	<u>565,455,130</u>	<u>337,266,386</u>
Non-current Liabilities		
Term loan	8,977,147	-
Retirement benefits	658,106	781,762
Lease liabilities	406,138	268,279
Deferred tax liabilities	31,271,016	1,324,304
	<u>41,312,407</u>	<u>2,374,345</u>
Current Liabilities		
Trade and other payables	98,814,246	81,173,123
Derivative financial liabilities	18,121	30,178
Lease liabilities	479,178	397,984
Term loan	1,257,839	-
Bank borrowings	84,878,117	63,793,408
Current tax liabilities	4,109,066	2,326,962
	<u>189,556,567</u>	<u>147,721,655</u>
Total Liabilities	<u>230,868,974</u>	<u>150,096,000</u>
Total Equity and Liabilities	<u>796,324,104</u>	<u>487,362,386</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.57	0.38

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this quarterly financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

	Current Year- to-date Ended 31-Dec-21 RM	Preceding Year Corresponding Year Ended 31-Dec-20 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	98,950,889	62,523,077
Adjustments for :		
Amortisation of intangible assets	2,290,111	256,050
Bad debts written off	8,841	-
Depreciation of investment property	28,304	28,304
Depreciation of property, plant and equipment	4,012,580	3,923,878
Defined benefit obligations	(31,802)	146,459
Dividend income	(331,383)	(156,413)
Loss/(gain) on changes in fair value of forward exchange contracts	40,393	(180,548)
Gain on disposal of property, plant and equipment	(156,762)	(18,442)
Gain on remeasurement of lease	(2,303)	-
Impairment losses on trade receivables	127,505	3,858,681
Interest income	(2,189,197)	(1,314,840)
Interest expense	3,136,783	2,586,116
Inventories written down	1,859,527	987,305
Inventories written off	517,659	608,205
Property, plant and equipment written off	14,398	208,956
Net unrealised loss/(gain) on foreign exchange	202,406	(337,515)
Reversal of impairment loss on trade receivables	(3,441,429)	(1,240,015)
Reversal of inventories written down	(1,185,240)	(186,883)
Operating profit before working capital changes	103,851,278	71,692,375
Increase in inventories	(50,381,930)	(5,495,697)
Decrease/(Increase) in trade and other receivables	11,680,330	(27,473,399)
(Decrease)/Increase in trade and other payables	531,921	25,171,532
Cash generated from operations	65,681,599	63,894,811
Tax paid	(25,505,320)	(14,841,277)
Interest received	2,189,197	1,314,840
Interest paid	(3,106,335)	(2,529,161)
Net cash (used in)/generated from operating activities	39,259,141	47,839,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	(14,485,172)	-
Purchase of Treasury shares	(70,536)	-
Purchase of property, plant and equipment	(7,544,584)	(14,453,804)
Purchase of intangible assets	(66,983)	(406,811)
Proceeds from disposal of property, plant and equipment	159,397	111,217
Dividend received	331,383	156,413
Deposits placed with licensed banks with original maturity of more than three (3) months	7,981,506	(4,497,906)
Net cash used in investing activities	(13,694,990)	(19,090,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued pursuant to Private Placement exercise	70,859,303	-
Repayment on lease liabilities	(588,933)	(681,193)
Interest paid on lease liabilities	(30,448)	(56,955)
Net loan repayment	(454,798)	-
Net drawdown of trade finance	18,122,890	1,620,093
Dividend paid	(37,471,191)	(20,155,692)
Net cash generated from/(used in) financing activities	50,436,823	(19,273,747)
Net increase in cash and cash equivalents	76,000,974	9,474,575
Cash and cash equivalents at beginning of financial year	119,699,585	110,315,680
Effect of changes in exchange rates	143,680	(90,670)
Cash and cash equivalents at end of financial year	195,844,239	119,699,585
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	115,583,763	39,363,585
Deposits with financial institutions	92,935,282	100,992,312
	208,519,045	140,355,897
Deposits placed with licensed banks with original maturity of more than three (3) months	(12,674,806)	(20,656,312)
	195,844,238	119,699,585

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021

For the 12 months ended 31 December 2021

	Attributable to Owners of the Company						Non-controlling interests RM	Total equity RM
	<----- Non - distributable ----->			Distributable				
	Share capital RM	Treasury Shares RM	Exchange translation reserve RM	Fair value reserve RM	Retained earnings RM	Total RM		
2021								
Balance as at 1 January 2021	174,372,109	-	8,334	3,371,643	159,101,042	336,853,128	413,258	337,266,386
Profit for the period	-	-	-	-	68,426,299	68,426,299	5,946,870	74,373,169
Foreign currency translations	-	-	203,282	-	-	203,282	11,002	214,283
Fair value loss on equity investments	-	-	-	(1,735,771)	-	(1,735,771)	-	(1,735,771)
Total comprehensive income for the period	-	-	203,282	(1,735,771)	68,503,813	66,971,323	5,964,048	72,935,371
Adjustment on acquisition of subsidiaries	-	-	-	-	-	-	69,089,410	69,089,410
Shares issued for acquisition of subsidiaries	52,846,385	-	-	-	-	52,846,385	-	52,846,385
Transactions with owners								
Ordinary shares issued pursuant to Private Placement	70,859,303	-	-	-	-	70,859,303	-	70,859,303
Purchase of Treasury Shares	-	(70,536)	-	-	-	(70,536)	-	(70,536)
Dividends paid	-	-	-	-	(37,471,191)	(37,471,191)	-	(37,471,191)
Balance as at 31 December 2021	298,077,797	(70,536)	211,616	1,635,872	190,133,664	489,988,413	75,466,715	565,455,128

For the 12 months ended 31 December 2020

	Attributable to Owners of the Company						Non-controlling interests RM	Total equity RM
	<----- Non - distributable ----->			Distributable				
	Share capital RM	Treasury Shares RM	Exchange translation reserve RM	Fair value reserve RM	Retained earnings RM	Total 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 period	-	-	-	-	47,854,100	47,854,100	(908,326)	46,945,774
Foreign currency translations	-	-	254,619	-	-	254,619	6,957	261,576
Fair value gain on equity investments	-	-	-	1,900,280	-	1,900,280	-	1,900,280
Remeasurement of defined benefit obligations	-	-	-	-	(59,198)	(59,198)	(4,717)	(63,915)
Total comprehensive income for the period	-	-	254,619	1,900,280	47,794,902	49,949,801	(906,086)	49,043,715
Transactions with owners								
Accretion of interest in a subsidiary	-	-	-	-	(1,947,659)	(1,947,659)	1,947,659	-
Dividends paid	-	-	-	-	(20,155,692)	(20,155,692)	-	(20,155,692)
Balance as at 31 December 2020	174,372,109	-	8,334	3,371,643	159,101,042	336,853,128	413,258	337,266,386

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 2020 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

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 2020.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2020 other than the application of new MFRSs and amendments to the MFRSs which became effective for annual period beginning on 1 January 2021. The initial application of these new MFRSs 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
Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021

A2. Auditor’s Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2020.

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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A5. Dividends Paid

On 12 May 2021, the Company had made the payment of single tier second interim dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2020 amounting to RM19,939,491.

On 3 June 2021, the Company had made the payment of single tier first interim dividend of 0.9 sen per ordinary share in respect of the financial year ending 31 December 2021 amounting to RM8,972,771.

On 30 September 2021, the Company had made the payment of single tier second interim dividend of 0.8 sen per ordinary share in respect of the financial year ending 31 December 2021 amounting to RM8,558,929.

A6. Segmental Information

Segmental results by business activities:

Operating Segments				
YTD 31 DECEMBER 2021				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	725,672,218	372,132,592	-	1,097,804,810
Inter-segment revenue	(7,781,759)	(165,649,911)	-	(173,431,670)
External sales	717,890,459	206,482,681	-	924,373,140
Results				
Segment results	59,741,210	43,375,682	(3,618,050)	99,498,841
Dividend, interest & rental	1,232,527	548,985	807,318	2,588,830
Operating profit	60,973,737	43,924,667	(2,810,733)	102,087,671
Finance costs	(2,566,530)	(570,252)	-	(3,136,783)
Profit before tax	58,407,207	43,354,415	(2,810,733)	98,950,889
Taxation	(14,174,751)	(10,702,151)	299,183	(24,577,719)
Profit for the period	44,232,456	32,652,263	(2,511,550)	74,373,170
Segment assets	350,084,881	298,262,427	147,976,798	796,324,106
Segment liabilities	124,803,131	76,536,348	29,529,500	230,868,979

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A6. Segmental Information (cont'd)

Segmental results by Geographical Segment:

Country	YTD 31 Dec 21	YTD 31 Dec 20	Change	
	Revenue	Revenue		
	RM	RM	RM	%
Malaysia	608,777,164	511,212,543	97,564,621	19%
Indonesia	100,018,498	86,177,969	13,840,529	16%
Vietnam	86,602,307	77,703,376	8,898,932	11%
Thailand	38,942,790	22,414,400	16,528,390	74%
China	24,986,712	28,292	24,958,419	88216%
Singapore	25,497,722	5,833,725	19,663,997	337%
Australia	11,444,475	4,179,896	7,264,579	174%
Sri Lanka	6,986,264	3,542,007	3,444,257	97%
Bangladesh	6,745,416	4,585,919	2,159,497	47%
New Zealand	4,223,785	2,837,036	1,386,749	49%
Philippines	2,957,144	3,466,137	(508,994)	-15%
Others	7,190,863	4,283,187	2,907,677	68%
Total exports	315,595,976	215,051,943	100,544,033	47%
Total	924,373,140	726,264,486	198,108,654	27%

For current financial year-to-date ended 31 December 2021, the Group achieved revenue of RM924.37 million. There is an increase of RM198.11 million or 27% compared with preceding financial year-to-date ended 31 December 2020. Higher revenue was attributable to both local and export sales from trading and manufacturing segments.

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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 31 December 2021	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	
- property, plant and equipment	15,682,265
- intangible assets	107,526
Approved but not contracted for	1,483,069
	<u>17,272,861</u>

A9. Changes in the Composition of the Group

There were no other changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations during the reporting period except for the following:

On 24 August 2021, the Company has completed the acquisition 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 RM113.35 million satisfied partly via cash and partly via issuance of new ordinary shares in the company. Accordingly, Lexis Chemical Sdn Bhd, Lexis Specialties Sdn Bhd and Lexis Corporation Sdn Bhd are now subsidiaries of the Company. The effect of business combination has been reflected in this report using the latest available financial information of Lexis Chemical Sdn Bhd, Lexis Specialties Sdn Bhd and Lexis Corporation Sdn Bhd as at 31 August 2021. All the income and expenses prior to this date would be accounted for as pre-acquisition reserve.

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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-21 RM	Preceding Year Corresponding Quarter 31-Dec-20 RM	RM	%
	Revenue	288,690,933	220,231,784	68,459,148
Cost of sales	(244,602,993)	(187,259,367)	(57,343,626)	31%
Gross profit	44,087,939	32,972,417	11,115,522	34%
Other operating income	3,585,499	1,647,790	1,937,709	118%
Selling and distribution costs	(4,936,144)	(1,689,083)	(3,247,061)	192%
Administrative expenses	(12,036,869)	(7,218,161)	(4,818,708)	67%
Other operating expenses	(1,765,566)	(4,959,184)	3,193,618	-64%
Operating profit	28,934,860	20,753,779	8,181,081	39%
Finance costs	(936,589)	(489,968)	(446,621)	91%
Profit before Tax	27,998,271	20,263,811	7,734,460	38%
Taxation	(7,477,441)	(4,110,171)	(3,367,270)	82%
Profit after Tax	20,520,829	16,153,640	4,367,189	27%

The Group reported higher revenue of RM288.69 million for the current quarter ended 31 December 2021, as compared to preceding year corresponding quarter ended 31 December 2020 of RM220.23 million. Revenue increased by RM68.46 million or 31%. The higher revenue was attributable to manufacturing segment.

The Group reported higher profit after tax of RM20.52 million for the current quarter ended 31 December 2021, as compared to preceding year corresponding quarter ended 31 December 2020 of RM16.15 million. Profit after tax increased by RM4.37 million or 27% due to both trading and manufacturing segments.

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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-21 RM	Immediate Preceding Quarter 30-Sep-21 RM	Changes	
			RM	%
Revenue	288,690,933	192,207,564	96,483,368	50%
Cost of sales	(244,602,993)	(162,933,809)	(81,669,184)	50%
Gross profit	44,087,939	29,273,755	14,814,184	51%
Other operating income	3,585,499	1,846,881	1,738,618	94%
Selling and distribution costs	(4,936,144)	(3,580,070)	(1,356,075)	38%
Administrative expenses	(12,036,869)	(5,669,067)	(6,367,802)	112%
Other operating expenses	(1,765,566)	791,066	(2,556,632)	-323%
Operating profit	28,934,860	22,662,565	6,272,294	28%
Finance costs	(936,589)	(744,131)	(192,458)	26%
Profit before Tax	27,998,271	21,918,434	6,079,836	28%
Taxation	(7,477,441)	(5,367,504)	(2,109,937)	39%
Profit after Tax	20,520,829	16,550,931	3,969,899	24%

For current quarter ended 31 December 2021, the Group achieved revenue of RM288.69 million, representing an increase of RM96.48 million or 50% compared to previous quarter ended 30 September 2021. This was mainly due to higher sales in both trading and manufacturing segments.

The Group achieved profit after tax of RM20.52 million during the current quarter ended 31 December 2021. There is an increase of RM3.97 million or 24% compared to previous quarter ended 30 September 2021 mainly due to both trading and manufacturing segments.

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, competition and current Covid-19 pandemic situation.

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

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.

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B4. Status of Corporate Proposals announced

a) 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 (“Vendors”) 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.

On 26 February 2021, the Company announced that the Company and the vendors had agreed to extend both the Due Diligence Period and the Expiry Date for a period of 60 days, commencing from 1 March 2021 until 29 April 2021 (“Extended Period”).

On 28 April 2021, the Company announced that the Company and the Vendors had agreed to further extend both the Due Diligence Period and the Expiry Date for a period of 20 days, commencing from 30 April 2021 until 19 May 2021 (“Extended Period”). The signing of the Definitive Agreement is also fixed on 19 May 2021.

On 19 May 2021, the Company had entered into a share sale agreement (“SSA”) with the Vendors for the Proposed Acquisition and the corresponding application in relation to the Proposed Acquisition has been submitted to Bursa Securities on 10 June 2021.

On 9 July 2021, the Company announced that Bursa Securities had, vide its letter dated 9 July 2021, approved the listing and quotation of 72,891,566 new Shares to be issued pursuant to the Proposed Acquisition.

On 11 August 2021, the Company had obtained the shareholders’ approval in the Extraordinary General Meeting convened to approve the Proposed Acquisitions.

On 17 August 2021, the SSA has become unconditional and the Acquisition has been completed on 24 August 2021 in accordance with the terms of the SSA.

Accordingly, Lexis Chemical Sdn Bhd, Lexis Specialties Sdn Bhd and Lexis Corporation Sdn Bhd have become the subsidiaries of Luxchem on 24 August 2021. The Consideration Shares have been issued to the Vendors and are listed and quoted on the Main Market of Bursa Securities on 26 August 2021.

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B4. Status of Corporate Proposals announced (cont'd)

b) 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 the Price-fixing Date fixed the issue price for the placement of 15,000,000 Placement Shares at RM0.73 per Placement Share. 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.

On 19 February 2021, the Company announced Private Placement of 70,750,000 new Shares were placed out at the price of RM0.71 per placement share and were listed on Bursa Malaysia Securities Bhd on 22 February 2021.

On 22 February 2021, the Company announced Private Placement of 4,250,000 new Shares were placed out at the price of RM0.71 per placement share and were listed on Bursa Malaysia Securities Bhd on 23 February 2021.

On 22 February 2021, the Company announced that the Board had on the Price-fixing Date fixed the issue price for the placement of 15,500,000 Placement Shares at RM0.75 per Placement Share. The Issue Price represents a discount of 8.38% to the 5-day VWAP of the Shares up to and including 19 February 2021 of RM0.8186, being the last market day immediately preceding the Price-fixing Date.

On 24 February 2021, the Company announced Private Placement of 15,000,000 new Shares were placed out at the price of RM0.73 per placement share and were listed on Bursa Malaysia Securities Bhd on 25 February 2021.

On 1 March 2021, the Company announced Private Placement of 11,166,000 new Shares were placed out at the price of RM0.75 per placement share and were listed on Bursa Malaysia Securities Bhd on 2 March 2021.

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B4. Status of Corporate Proposals announced (cont'd)

b) Proposed Private Placement (cont'd)

On 25 May 2021, the Company announced that the Company has submitted an application to seek Bursa Securities' approval for an extension of time of 6 months from 16 June 2021 up to 16 December 2021 for the Company to complete the implementation of the Private Placement.

On 3 June 2021, the Company announced that the Company had obtained the approval of Bursa Securities vide its letter dated 2 June 2021 (which was received on 3 June 2021) for an extension of time of 6 months up to 16 December 2021 for the Company to complete the implementation of the Private Placement.

On 9 December 2021, the Company announced that the Company had obtained the approval of Bursa Securities vide its letter dated 8 December 2021 (which was received on 9 December 2021) for an extension of time of 6 months up to 16 June 2022 for the Company to complete the implementation of the Private Placement.

On 31 December 2021, the Company announced that the Company has issued a total of 101,166,000 Placement Shares, representing 11.29% of the total number of issued Shares before the Private Placement.

In view that the 20% limit for the Private Placement as allowed under the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Securities on 16 April 2020 will be reinstated to 10% after 31 December 2021, the Private Placement is deemed completed today.

B5. Status of Utilisation of Proceeds Raised from Private Placement

The status of utilisation of proceeds raised from the Private Placement during the financial year ended 31 December 2021 is as follow:

Purpose	Proposed Utilisation RM	Actual Utilisation RM	Balance Unutilised RM	Intended timeframe for utilisation from completion of Private
i. Acquisition and/or investment in complementary business and/or assets	45,564,500	45,564,500	-	Within 24 months
ii. Working capital	25,294,803	25,294,803	-	Within 12 months
iii. Estimated expenses for Private Placement	1,715,197	1,715,197	-	Immediate
Total	72,574,500	72,574,500	-	

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B6. Taxation

	Current Quarter Ended 31-Dec-21 RM	Current Year-to-date Ended 31-Dec-21 RM
Tax expenses	(7,477,441)	(24,577,719)

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

B7. Group borrowings and debt securities

The Group's borrowings as at 31 December 2021 as follows:

	As at 31 Dec 2021									
	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 (Lease Liabilities)	51,007,674	14,894	-	14,894	-	-	47,398,970	13,840	-	13,840
Unsecured										
Bank borrowings	-	-	8,977,147	8,977,147	2,915,008	12,145,529	43,278,396,585	12,637,293	61,353,135	86,135,957
Total	51,007,674	14,894	8,977,147	8,992,041	2,915,008	12,145,529	43,325,795,555	12,651,133	61,353,135	86,149,798

	As at 31 Dec 2021					
	Total Borrowing					
	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured						
Hire-purchase (Lease Liabilities)	-	-	98,406,644	28,735	-	28,735
Unsecured						
Bank borrowings	2,915,008	12,145,529	43,278,396,585	12,637,293	70,330,282	95,113,104
Total	2,915,008	12,145,529	43,376,803,229	12,666,028	70,330,282	95,141,839

Exchange rates on borrowings as at 31 December 2021:

USD to RM	4.1650
USD to IDR	14,269
IDR100 to RM	0.0292

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B7. Group borrowings and debt securities (cont'd)

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

The Group's total borrowing as at 31 December 2021 was RM95.14 million, an increase of RM31.25 million compared to preceding year corresponding quarter.

B8. 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 2021, the amount of bank borrowings of its subsidiaries guaranteed by the Company amounted to RM95.11 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.

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B9. Material Litigation

On 3 March 2021, the subsidiary of Luxchem, namely Luxchem Trading Sdn Bhd ("the Plaintiff") filed a writ of summons and a statement of claim on Central Spectrum (M) Sdn Bhd ("the Defendant") for breach of a sale and purchase agreement dated 29 January 2014 ("SPA") entered into between the Plaintiff (as purchaser) and the Defendant (as vendor) for the purchase by the Plaintiff from the Defendant, of a plot of industrial land in Pulau Indah Industrial Park, measuring approximately 8.42 acres ("Lot") at a purchase price of RM14,671,008.00 ("Purchase Price"). The Plaintiff alleged that the Defendant has failed to, amongst others, complete the basic infrastructure (in particular the water reticulation system) and the sewerage system, including to effect the handover of the water reticulation system to Air Selangor and the sewerage system to Indah Water Konsortium, in accordance with the terms of the SPA.

The plaintiff is claiming against the Defendant for, amongst others:-

1. declaration that the Defendant has breached the SPA;
2. declaration that the purported delivery of vacant possession by the Defendant on 10 September 2017 is null, void and of no effect;
3. declaration that the Defendant has not delivered vacant possession of the land to the Plaintiff in full compliance with the SPA and the Plaintiff is entitled to claim for liquidated ascertained damages ("LAD") pursuant to the terms of the SPA;
4. LAD from the official date for the purported delivery of vacant possession by the Defendant amounting to RM4,980,104.00 (calculated as at 31 January 2021) and such further LAD at the rate of 10% per annum of the Purchase Price until the date of delivery of actual vacant possession;
5. in the alternative to paragraph (4) above,
 - i. special damages of RM1,077,958.06 calculated up to 31 July 2021 and further special compensation to be assessed and determined by the Court
 - ii. general damages to be assess and determined by the Court after trial
6. further losses and damages for breach of the SPA to be assessed and determined by the court;
7. 5% interest on the sum of award ordered by the court from the date of judgement to the date of full and final settlement;
8. costs; and
9. such other reliefs as the court deems fit and just.

The Defendant filed its statement of defence on 2 April 2021 and the Plaintiff has filed its reply to defence on 15 April 2021. The court has directed the parties to comply with pre-trial directions by 15 June 2021 and fixed the matter for case management on 15 June 2021.

Based on the documents and evidence received as at the LPD, the Plaintiff's solicitor is of the view that Luxchem Trading Sdn Bhd has a good chance of succeeding in its claim for the declarations sought and is likely to be awarded either the LAD claimed or alternatively, the special and general damages claimed depending on the court's decision in respect of the Plaintiff's claim for declarations.

Due to Full Movement Control Order, the judge has fixed a further case management on 13 October 2021 for the parties to comply with the pre-trial directions.

The Court had on 13 October 2021, informed to adjourn the case management, which supposed to be held on 13 October 2021, to 5 January 2022.

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B9. Material Litigation (cont'd.)

The Court has conducted the first Case Management (via Zoom) on 5 January 2022. The Court has fixed the matter for further Case Management (via Zoom) on 12 September 2022 for parties to file witness statements.

The Court has also fixed the matter for Full-Trial on 11 October 2022, 12 October 2022, 13 October 2022 and 14 October 2022.

B10. Dividends

The Board of Directors declared the payment of single tier third interim dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2021, payable on 13 May 2022 to depositors registered in the Records of Depositors at close of business on 15 April 2022.

B11. 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 RM16.59 million for the current quarter and RM68.43 million for the current financial year-to-date 31 December 2021 and on the weighted average number of shares in issue of 1,008,140,289 as at 31 December 2021.

(b) Diluted earnings per share

There is no effect of dilution for the current quarter and financial year-to-date.

By order of the Board,

Chen Moi Kew
Director / Chief Financial Officer
Date: 17 February 2022