

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2022

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 30 June 2022.

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, manufacturing of latex chemical dispersion and related products for the latex industry as well as manufacturing and trading of former cleaning agents, powder free coagulants and polymer coatings.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	Individual Period (2nd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year-to-date	Preceding Year-to-date		
	30-Jun-22 RM	30-Jun-21 RM	RM	%	30-Jun-22 RM	30-Jun-21 RM	RM	%
Revenue	220,760,328	215,606,901	5,153,426	2%	460,279,884	443,474,643	16,805,241	4%
Cost of sales	(183,624,912)	(187,130,919)	3,506,007	-2%	(386,887,450)	(379,097,469)	(7,789,981)	2%
Gross profit	37,135,416	28,475,983	8,659,433	30%	73,392,435	64,377,174	9,015,260	14%
Other operating income	5,317,431	594,866	4,722,566	794%	7,147,496	1,649,197	5,498,299	333%
Selling and distribution costs	(3,644,468)	(1,494,172)	(2,150,296)	144%	(6,573,233)	(2,981,707)	(3,591,526)	120%
Administrative expenses	(8,436,142)	(5,090,843)	(3,345,299)	66%	(16,583,864)	(11,375,185)	(5,208,679)	46%
Other operating expenses	(1,556,141)	(34,519)	(1,521,622)	4408%	(3,109,456)	(241,220)	(2,868,236)	1189%
Net gain/(loss) on impairment of financial assets	-	110,000	(110,000)	-100%	101,027	(938,013)	1,039,040	-111%
Operating profit	28,816,097	22,561,314	6,254,783	28%	54,374,405	50,490,246	3,884,159	8%
Finance costs	(699,839)	(755,977)	56,139	-7%	(1,447,278)	(1,456,063)	8,784	-1%
Profit before Tax	28,116,258	21,805,337	6,310,921	29%	52,927,126	49,034,184	3,892,943	8%
Taxation	(6,699,102)	(5,177,855)	(1,521,247)	29%	(12,574,262)	(11,732,774)	(841,488)	7%
Profit after Tax	21,417,156	16,627,482	4,789,674	29%	40,352,864	37,301,410	3,051,454	8%
Exchange gain on translation of foreign operations	155,247	21,876	133,371	610%	208,926	41,459	167,467	404%
Fair value loss on equity investments	(504,212)	(389,695)	(114,517)	29%	(753,295)	(1,285,148)	531,852	-41%
Total other comprehensive loss	(348,965)	(367,819)	18,854	-5%	(544,369)	(1,243,689)	699,319	-56%
Total comprehensive income for the period	21,068,191	16,259,663	4,808,528	30%	39,808,495	36,057,721	3,750,774	10%
Profit attributable to:								
-Owners of the Company	18,326,966	16,566,645	1,760,321	11%	34,420,943	37,130,069	(2,709,126)	-7%
-Non controlling interests	3,090,190	60,837	3,029,354	4979%	5,931,921	171,341	5,760,580	3362%
Total comprehensive income attributable to:	21,417,156	16,627,482	4,789,674	29%	40,352,864	37,301,410	3,051,454	8%
-Owners of the Company	17,970,097	16,197,208	1,772,889	11%	33,866,043	35,886,977	(2,020,934)	-6%
-Non controlling interests	3,098,094	62,455	3,035,640	4861%	5,942,452	170,744	5,771,708	3380%
Earnings per share attributable to owners of the Company								
Earnings per share - Basic (Sen)	1.71	1.64	0.07		3.22	3.84	(0.62)	
Earnings per share - Fully Diluted (Sen)	1.71	1.64	0.07		3.22	3.84	(0.62)	

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this quarterly financial report.

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(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2022

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	Current Quarter Ended 30-Jun-22 RM	Current Year- to-date Ended 30-Jun-22 RM
Interest income	(523,561)	(794,313)
Other income*	(4,793,870)	(6,353,183)
Interest expense	699,839	1,447,278
Depreciation & amortisation	3,080,745	6,015,562
Net gain on impairment of financial assets	-	(101,027)
Foreign exchange gain - realised	(4,446,072)	(5,556,136)
Foreign exchange loss - unrealised	76,380	249,671
Gain on derivatives	(4,105)	(28,221)

*Includes foreign exchange gain and gain on derivatives

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QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Unaudited As at 30-Jun-22 RM	Audited As at 31-Dec-21 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	97,704,148	83,598,532
Investment property	2,700,935	2,715,087
Goodwill	64,706,662	64,706,662
Intangible assets	123,247,080	125,427,414
Other investments	1,177,919	1,931,214
Deferred tax assets	602,005	598,017
	<u>290,138,749</u>	<u>278,976,926</u>
Current Assets		
Inventories	105,566,760	129,765,121
Trade and other receivables	123,925,233	171,024,954
Derivative financial assets	10,100	-
Current tax assets	2,880,387	3,225,652
Cash and bank balances	214,058,236	208,519,046
	<u>446,440,716</u>	<u>512,534,773</u>
Total Assets	<u>736,579,465</u>	<u>791,511,699</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	298,077,797	298,077,797
Treasury Shares	(70,536)	(70,536)
Other reserves	1,293,133	1,848,027
Retained profits	213,674,983	189,951,710
	<u>512,975,377</u>	<u>489,806,998</u>
Non-controlling interests	79,001,067	75,308,614
Total Equity	<u>591,976,444</u>	<u>565,115,612</u>
Non-current Liabilities		
Retirement benefits	667,121	658,106
Lease liabilities	291,470	406,137
Term loan	8,782,427	8,977,147
Deferred tax liabilities	30,422,194	31,271,016
	<u>40,163,212</u>	<u>41,312,406</u>
Current Liabilities		
Trade and other payables	42,903,953	94,459,409
Derivative financial liabilities	-	18,121
Lease liabilities	778,457	476,187
Term loan	845,899	1,257,839
Bank borrowings	58,006,190	84,878,117
Current tax liabilities	1,905,310	3,994,008
	<u>104,439,809</u>	<u>185,083,681</u>
Total Liabilities	<u>144,603,021</u>	<u>226,396,087</u>
Total Equity and Liabilities	<u>736,579,465</u>	<u>791,511,699</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.55	0.53

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this quarterly financial report.

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QUARTERLY FINANCIAL REPORT AS AT 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	Current Year- to-date Ended 30-Jun-22 RM	Preceding Year Corresponding Year Ended 31-Dec-21 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	52,927,126	98,390,759
Adjustments for :		
Amortisation of intangible assets	3,257,887	2,290,110
Bad debts written off	-	8,841
Depreciation of investment property	14,152	28,305
Depreciation of property, plant and equipment	2,743,523	4,128,731
Defined benefit obligations	-	(31,802)
Dividend income	(53,853)	(331,383)
(Gain)/Loss on changes in fair value of forward exchange contracts	(28,221)	40,393
Gain on disposal of property, plant and equipment	(218,746)	(156,762)
Gain on termination of lease	(1,589)	(2,303)
Impairment losses on trade receivables	-	127,505
Interest income	(794,313)	(2,189,197)
Interest expense	1,447,278	3,136,781
Inventories written down	-	1,645,073
Inventories written off	-	536,843
Property, plant and equipment written off	4,734	14,395
Intangible asset written off	-	3
Net unrealised loss on foreign exchange	249,671	173,818
Reversal of impairment loss on trade receivables	(101,027)	(3,441,427)
Reversal of inventories written down	-	(970,784)
Operating profit before working capital changes	59,446,625	103,397,899
Decrease/(Increase) in inventories	24,299,482	(49,932,116)
Decrease in trade and other receivables	47,478,471	16,068,058
Decrease in trade and other payables	(51,918,207)	(3,737,000)
Cash generated from operations	79,306,371	65,796,841
Tax paid	(15,152,388)	(25,505,321)
Interest received	794,313	2,189,197
Interest paid	(1,423,073)	(3,101,841)
Net cash generated from operating activities	63,525,223	39,378,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(14,485,172)
Purchase of property, plant and equipment	(17,181,160)	(7,656,839)
Purchase of intangible assets	(249,566)	(66,983)
Proceeds from disposal of property, plant and equipment	304,253	159,398
Dividends received	53,853	331,383
Withdrawal of deposits with licensed banks with original maturity of more than three (3) months	1,971,793	7,981,506
Net cash used in investing activities	(15,100,828)	(13,736,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued pursuant to Private Placement exercise	-	70,859,303
Repurchase of treasury share of the Company	-	(70,536)
Repayment on lease liabilities	(392,837)	(591,925)
Interest paid on lease liabilities	(24,206)	(34,940)
Net repayment of term loan	(606,660)	(454,797)
Net (repayment)/drawdown of trade finance	(27,211,418)	18,122,890
Dividends paid to:		
- Shareholders of the Company	(10,697,661)	(37,471,191)
- Subsidiaries' non-controlling interests	(2,250,000)	-
Net cash (used in)/generated from financing activities	(41,182,782)	50,358,804
Net increase in cash and cash equivalents	7,241,613	76,000,973
Cash and cash equivalents at beginning of financial year	195,844,240	119,699,585
Effect of changes in exchange rates	269,370	143,682
Cash and cash equivalents at end of financial year	203,355,222	195,844,240
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	125,543,740	114,583,765
Deposits with financial institutions	88,514,496	93,935,281
	214,058,236	208,519,046
Deposits placed with licensed banks with original maturity of more than three (3) months	(10,703,013)	(12,674,806)
	203,355,222	195,844,240

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 SECOND QUARTER ENDED 30 JUNE 2022

For the 6 months ended 30 June 2022

	Attributable to Owners of the Company						Non-controlling interests RM	Total equity RM
	Non - distributable			Distributable				
	Share capital RM	Exchange translation reserve RM	Fair value reserve RM	Treasury Shares RM	Retained earnings RM	Total RM		
2022								
Balance as at 1 January 2022	298,077,797	212,155	1,635,872	(70,536)	189,951,710	489,806,998	75,308,614	565,115,612
Profit for the period	-	-	-	-	34,420,934	34,420,934	5,931,921	40,352,855
Foreign currency translations	-	198,401	-	-	-	198,401	10,532	208,932
Fair value loss on equity investments	-	-	(753,295)	-	-	(753,295)	-	(753,295)
Total comprehensive income for the period	-	198,401	(753,295)	-	34,420,934	33,866,039	5,942,453	39,808,492
Transactions with owners								
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(10,697,661)	(10,697,661)	-	(10,697,661)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	(2,250,000)	(2,250,000)
Balance as at 30 June 2022	298,077,797	410,556	882,577	(70,536)	213,674,983	512,975,376	79,001,067	591,976,443

For the 6 months ended 30 June 2021

	Attributable to Owners of the Company						Non-controlling interests RM	Total equity RM
	Non - distributable			Distributable				
	Share capital RM	Exchange translation reserve RM	Fair value reserve RM	Treasury Shares 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	-	-	-	-	37,130,067	37,130,067	171,341	37,301,408
Foreign currency translations	-	42,056	-	-	-	42,056	(597)	41,459
Fair value loss on equity investments	-	-	(1,285,148)	-	-	(1,285,148)	-	(1,285,148)
Total comprehensive income for the period	-	42,056	(1,285,148)	-	37,130,067	35,886,975	170,744	36,057,719
Transactions with owners								
Ordinary shares issued pursuant to Private Placement	70,859,303	-	-	-	-	70,859,303	-	70,859,303
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(28,912,262)	(28,912,262)	-	(28,912,262)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	-	-
Balance as at 30 June 2021	245,231,412	50,390	2,086,495	-	167,318,847	414,687,144	584,002	415,271,146

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 2021 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 2021.

The accounting policies applied by the Group are consistent with those applied in the annual financial statements for the year ended 31 December 2021 other than the application of new MFRSs and amendments to the MFRSs which became effective for annual period beginning on 1 January 2022. 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
Annual Improvements to MFRS Standards 2018 - 2021	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

A2. Auditor’s Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

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.

A5. Dividends Paid

No dividend was paid during the current quarter ended 30 June 2022.

LUXCHEM CORPORATION BERHAD

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A6. Segmental Information

Segmental results by business activities:

Operating Segments				
<u>YTD 30 JUN 2022</u>				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	307,238,349	237,947,950	-	545,186,299
Inter-segment revenue	(8,676,293)	(76,230,122)	-	(84,906,415)
External sales	<u>298,562,056</u>	<u>161,717,828</u>	-	<u>460,279,884</u>
Results				
Segment results	21,635,532	32,050,699	(198,992)	53,487,240
Dividend, interest & rental	450,396	214,096	222,673	887,165
Operating profit	22,085,929	32,264,795	23,682	54,374,405
Finance costs	(1,073,051)	(374,227)	-	(1,447,278)
Profit before tax	21,012,877	31,890,568	23,682	52,927,127
Taxation	(5,037,425)	(7,536,838)	-	(12,574,263)
Profit for the period	<u>15,975,452</u>	<u>24,353,730</u>	<u>23,682</u>	<u>40,352,864</u>
Segment assets	300,382,778	409,135,944	27,060,742	736,579,464
Segment liabilities	70,682,659	73,832,383	87,979	144,603,021

Operating Segments				
<u>YTD 30 Jun 2021</u>				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	368,176,985	161,398,924	-	529,575,909
Inter-segment revenue	(2,481,168)	(83,620,099)	-	(86,101,266)
External sales	<u>365,695,818</u>	<u>77,778,825</u>	-	<u>443,474,643</u>
Results				
Segment results	29,051,247	20,538,517	(438,294)	49,151,470
Dividend, interest & rental	505,165	356,147	477,463	1,338,775
Operating profit	29,556,412	20,894,663	39,170	50,490,245
Finance costs	(1,255,679)	(200,384)	-	(1,456,063)
Profit before tax	28,300,734	20,694,279	39,170	49,034,183
Taxation	(6,767,218)	(4,965,556)	-	(11,732,774)
Profit for the period	<u>21,533,515</u>	<u>15,728,724</u>	<u>39,170</u>	<u>37,301,409</u>
Segment assets	308,749,185	172,362,248	86,487,521	567,598,954
Segment liabilities	107,183,382	44,868,254	276,168	152,327,805

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A6. Segmental Information (cont'd)

Segmental results by Geographical Segment:

Country	YTD 30 Jun 22	YTD 30 Jun 21	Change	
	Revenue	Revenue		
	RM	RM	RM	%
Malaysia	295,554,923	322,040,132	(26,485,209)	-8%
Vietnam	54,493,048	45,835,010	8,658,039	19%
Indonesia	36,169,692	43,415,807	(7,246,116)	-17%
China	34,277,011	1,653	34,275,358	>100%
Thailand	12,686,614	11,993,221	693,394	6%
Sri Lanka	4,967,379	3,000,021	1,967,358	66%
Bangladesh	4,034,461	2,585,002	1,449,459	56%
Australia	3,440,188	1,919,266	1,520,922	79%
New Zealand	2,954,498	4,240,501	(1,286,003)	-30%
Singapore	2,896,271	4,233,291	(1,337,019)	-32%
United Arab Emirates	1,755,869	195,099	1,560,770	>100%
Philippines	1,576,651	1,553,514	23,136	1%
India	1,106,853	317,617	789,236	>100%
Hong Kong	1,078,092	463,550	614,542	>100%
Others	3,288,334	1,680,959	1,607,375	96%
Total exports	164,724,961	121,434,511	43,290,450	36%
Total	460,279,884	443,474,643	16,805,241	4%

For current financial year-to-date ended 30 June 2022, the Group achieved revenue of RM460.28 million. There is an increase of RM16.81 million or 4% compared with preceding financial year-to-date ended 30 June 2021. Higher revenue was attributable to local and export sales from manufacturing segment.

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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 30 June 2022	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	
- property, plant and equipment	24,507,639
- intangible assets	630,181
Approved but not contracted for	2,578,938
	<u>27,716,759</u>

A9. Changes in the Composition of the Group

There was no change in the composition of the Group during the current period.

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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-22 RM	Preceding Year Corresponding Quarter 30-Jun-21 RM	RM	%
	Revenue	220,760,328	215,606,901	5,153,426
Cost of sales	(183,624,912)	(187,130,919)	3,506,007	-2%
Gross profit	37,135,416	28,475,983	8,659,433	30%
Other operating income	5,317,431	594,866	4,722,566	794%
Selling and distribution costs	(3,644,468)	(1,494,172)	(2,150,296)	144%
Administrative expenses	(8,436,142)	(5,090,843)	(3,345,299)	66%
Other operating expenses	(1,556,141)	(34,519)	(1,521,622)	4408%
Net gain/(loss) on impairment of financial assets	-	110,000	(110,000)	-100%
Operating profit	28,816,097	22,561,314	6,254,783	28%
Finance costs	(699,839)	(755,977)	56,139	-7%
Profit before Tax	28,116,258	21,805,337	6,310,921	29%
Taxation	(6,699,102)	(5,177,855)	(1,521,247)	29%
Profit after Tax	21,417,156	16,627,482	4,789,674	29%

The Group reported higher revenue of RM220.76 million for the current quarter ended 30 June 2022, as compared to preceding year corresponding quarter ended 30 June 2021 of RM215.61 million. Revenue increased by RM5.15 million or 2%. The higher revenue was attributable to manufacturing segment.

The Group reported higher profit after tax of RM21.42 million for the current quarter ended 30 June 2022, as compared to preceding year corresponding quarter ended 30 June 2021 of RM16.63 million. Profit after tax increased by RM4.79 million or 29% 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	Immediate Preceding Quarter	Changes	
	30-Jun-22	31-Mar-22	RM	%
	RM	RM		
Revenue	220,760,328	239,519,556	(18,759,229)	-8%
Cost of sales	(183,624,912)	(203,262,538)	19,637,626	-10%
Gross profit	37,135,416	36,257,019	878,397	2%
Other operating income	5,317,431	1,830,064	3,487,367	191%
Selling and distribution costs	(3,644,468)	(2,928,765)	(715,703)	24%
Administrative expenses	(8,436,142)	(8,147,722)	(288,420)	4%
Other operating expenses	(1,556,141)	(1,553,315)	(2,825)	0%
Net gain on impairment of financial assets	-	101,027	(101,027)	-100%
Operating profit	28,816,097	25,558,308	3,257,789	13%
Finance costs	(699,839)	(747,440)	47,601	-6%
Profit before Tax	28,116,258	24,810,868	3,305,390	13%
Taxation	(6,699,102)	(5,875,160)	(823,942)	14%
Profit after Tax	21,417,156	18,935,708	2,481,449	13%

For current quarter ended 30 June 2022, the Group achieved revenue of RM220.76 million, representing a decrease of RM18.76 million or 8% compared to previous quarter ended 31 March 2022. This was mainly due to lower sales in trading segment.

The Group achieved profit after tax of RM21.42 million during the current quarter ended 30 June 2022. There is an increase of RM2.48 million or 13% compared to previous quarter ended 31 March 2022 mainly due to manufacturing segment.

B2. Prospects for the following quarter

The Group's performance can be affected by several key challenges such as USD/RM exchange rates in a rising interest rate environment, raw material price fluctuations, raw material demand and supply situations, competition, current Covid-19 situation as well as the conflict between Russia and Ukraine.

The Group will continue to navigate these challenges by improving 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

Proposed acquisition of Property

The Company had on 20 April 2022 announced that Luxchem Trading Sdn. Bhd. (“LTSB” or the “Purchaser”), a wholly-owned subsidiary of the Company has entered into the Sale and Purchase Agreement (“SPA”) with Worldwide Emergency Assistance (Malaysia) Sdn. Bhd. (“Vendor”) to purchase the whole and entire building identified as Block N, Jaya One 72A, Jalan Prof Diraja Ungku Aziz, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia (“Property”) for a purchase consideration of RM19,880,000.

The Company has paid the Balance Purchase Price on 15 July 2022.

B5. Taxation

	Current Quarter Ended 30-Jun-22 RM	Current Year-to-date Ended 30-Jun-22 RM
Tax expenses	(6,699,102)	(12,574,262)

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

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B6. Group borrowings and debt securities

The Group's borrowings as at 30 June 2022 as follows:

	As at 30 Jun 2022							
	Long Term				Short Term			
	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured								
Hire-purchase (Lease Liabilities)	-	-	-	-	-	-	-	-
Unsecured								
Bank borrowings	-	-	8,782,427	8,782,427	26,186,159,448	7,751,104	51,100,986	58,852,090
Total	-	-	8,782,427	8,782,427	26,186,159,448	7,751,104	51,100,986	58,852,090

	As at 30 Jun 2022			
	Total Borrowing			
	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured				
Hire-purchase (Lease Liabilities)	-	-	-	-
Unsecured				
Bank borrowings	26,186,159,448	7,751,104	59,883,413	67,634,517
Total	26,186,159,448	7,751,104	59,883,413	67,634,517

Exchange rates on borrowings as at 30 June 2022:

USD to RM	4.4080
USD to IDR	14,848
IDR100 to RM	0.0296

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

The Group's borrowings as at 30 June 2021 as follows:

	As at 30 Jun 2021								
	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)	140,539,854	40,194	40,194	-	-	211,178,183	60,397	-	60,397
Unsecured									
Bank borrowings	-	-	-	4,074,203	16,900,295	40,121,487,278	11,474,746	70,610,496	98,985,538
Total	140,539,854	40,194	40,194	4,074,203	16,900,295	40,332,665,461	11,535,143	70,610,496	99,045,935

	As at 30 Jun 2021					
	Total Borrowing					
	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured						
Hire-purchase (Lease Liabilities)	-	-	351,718,037	100,591	-	100,591
Unsecured						
Bank borrowings	4,074,203	16,900,295	40,121,487,278	11,474,746	70,610,496	98,985,538
Total	4,074,203	16,900,295	40,473,205,315	11,575,338	70,610,496	99,086,129

Exchange rates on borrowings as at 30 June 2021:

USD to RM	4.1520
USD to IDR	14,496
IDR100 to RM	0.0286

The Group's total borrowings as at 30 June 2022 amounted to RM67.63 million, a decrease of RM31.45 million compared to preceding year corresponding quarter.

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 2022, the amount of bank borrowings of its subsidiaries guaranteed by the Company amounted to RM67.63 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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B8. 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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B8. 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.

B9. Dividends

The Board of Directors declared the payment of single tier first interim dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2022, payable on 15 September 2022 to depositors registered in the Records of Depositors at close of business on 18 August 2022.

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 RM18.33 million for the current quarter and RM34.42 million for the current financial year-to-date 30 June 2022 on the weighted average number of shares in issue of 1,069,766,119 as at 30 June 2022.

(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: 28 July 2022