

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 30 SEPTEMBER 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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2022

	Individual Period (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year-to-date	Preceding Year-to-date		
	30-Sep-22 RM	30-Sep-21 RM	RM	%	30-Sep-22 RM	30-Sep-21 RM	RM	%
Revenue	170,548,064	192,207,564	(21,659,500)	-11%	630,827,948	635,682,207	(4,854,259)	-1%
Cost of sales	(153,603,092)	(162,933,809)	9,330,717	-6%	(540,490,542)	(542,031,278)	1,540,736	0%
Gross profit	16,944,972	29,273,755	(12,328,783)	-42%	90,337,407	93,650,929	(3,313,523)	-4%
Other operating income	5,762,091	986,174	4,775,917	484%	12,909,587	2,635,370	10,274,217	390%
Selling and distribution costs	(2,092,546)	(3,580,070)	1,487,524	-42%	(8,665,778)	(6,561,777)	(2,104,001)	32%
Administrative expenses	(6,946,117)	(5,669,067)	(1,277,050)	23%	(23,529,981)	(17,044,252)	(6,485,729)	38%
Other operating expenses	(1,595,962)	(818,276)	(777,686)	95%	(4,705,418)	(1,059,496)	(3,645,922)	344%
Net gain/(loss) on impairment of financial assets	(237,147)	2,470,049	(2,707,195)	-110%	(136,120)	1,532,037	(1,668,157)	-109%
Operating profit	11,835,293	22,662,565	(10,827,273)	-48%	66,209,698	73,152,812	(6,943,114)	-9%
Finance costs	(569,429)	(744,130)	174,701	-23%	(2,016,707)	(2,200,194)	183,486	-8%
Profit before Tax	11,265,864	21,918,435	(10,652,572)	-49%	64,192,990	70,952,618	(6,759,628)	-10%
Taxation	(2,718,619)	(5,367,504)	2,648,885	-49%	(15,292,881)	(17,100,278)	1,807,397	-11%
Profit after Tax	8,547,245	16,550,931	(8,003,687)	-48%	48,900,109	53,852,340	(4,952,231)	-9%
Exchange gain on translation of foreign operations	333,358	214,482	118,876	55%	542,284	255,941	286,343	112%
Fair value loss on equity investments	(398,868)	(333,344)	(65,524)	20%	(1,152,163)	(1,618,491)	466,328	-29%
Total other comprehensive loss	(65,509)	(118,862)	53,352	-45%	(609,879)	(1,362,550)	752,671	-55%
Total comprehensive income for the period	8,481,735	16,432,070	(7,950,334)	-48%	48,290,230	52,489,790	(4,199,560)	-8%
Profit attributable to:								
-Owners of the Company	8,783,543	14,704,229	(5,920,686)	-40%	43,204,486	51,834,297	(8,629,812)	-17%
-Non controlling interests	(236,298)	1,846,702	(2,083,000)	-113%	5,695,623	2,018,043	3,677,580	182%
	8,547,245	16,550,931	(8,003,686)	-48%	48,900,109	53,852,340	(4,952,231)	-9%
Total comprehensive income attributable to:								
-Owners of the Company	8,696,881	14,571,150	(5,874,268)	-40%	42,562,924	50,458,127	(7,895,202)	-16%
-Non controlling interests	(215,146)	1,860,919	(2,076,065)	-112%	5,727,306	2,031,664	3,695,642	182%
	8,481,735	16,432,069	(7,950,334)	-48%	48,290,230	52,489,790	(4,199,560)	-8%
Earnings per share attributable to owners of the Company								
Earnings per share - Basic (Sen)	0.82	1.41	(0.59)		4.04	5.25	(1.21)	
Earnings per share - Fully Diluted (Sen)	0.82	1.41	(0.59)		4.04	5.25	(1.21)	

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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NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

	Current Quarter Ended 30-Sep-22 RM	Current Year- to-date Ended 30-Sep-22 RM
Interest income	(403,382)	(1,197,695)
Other income*	(5,358,709)	(11,711,892)
Interest expense	569,429	2,016,707
Depreciation & amortisation	3,096,922	9,112,484
Net loss on impairment of financial assets	237,147	136,120
Foreign exchange gain - realised	(3,650,435)	(9,206,571)
Foreign exchange (gain)/loss - unrealised	(249,488)	183
Gain on derivatives	(10,817)	(39,038)

*Includes foreign exchange gain and gain on derivatives

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QUARTERLY FINANCIAL REPORT AS AT 30 SEPTEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Unaudited As at 30-Sep-22 RM	Audited As at 31-Dec-21 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	116,990,224	83,598,532
Investment property	2,693,859	2,715,087
Goodwill	64,706,662	64,706,662
Intangible assets	121,606,087	125,427,414
Other investments	779,051	1,931,214
Deferred tax assets	609,978	598,017
	<u>307,385,861</u>	<u>278,976,926</u>
Current Assets		
Inventories	78,967,107	129,765,121
Trade and other receivables	110,884,550	171,024,954
Derivative financial assets	20,917	-
Current tax assets	4,483,306	3,225,652
Cash and bank balances	203,337,430	208,519,046
	<u>397,693,310</u>	<u>512,534,773</u>
Total Assets	<u>705,079,171</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	1,206,472	1,848,027
Retained profits	211,760,865	189,951,710
	<u>510,974,598</u>	<u>489,806,998</u>
Non-controlling interests	76,400,921	75,308,614
Total Equity	<u>587,375,519</u>	<u>565,115,612</u>
Non-current Liabilities		
Retirement benefits	685,151	658,106
Lease liabilities	236,953	406,137
Term loan	16,448,627	8,977,147
Deferred tax liabilities	30,119,279	31,271,016
	<u>47,490,010</u>	<u>41,312,406</u>
Current Liabilities		
Trade and other payables	27,972,038	94,459,409
Derivative financial liabilities	-	18,121
Lease liabilities	700,025	476,187
Term loan	2,542,653	1,257,839
Bank borrowings	38,081,347	84,878,117
Current tax liabilities	917,579	3,994,008
	<u>70,213,642</u>	<u>185,083,681</u>
Total Liabilities	<u>117,703,652</u>	<u>226,396,087</u>
Total Equity and Liabilities	<u>705,079,171</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 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

	Current Year- to-date Ended 30-Sep-22 RM	Preceding Year Corresponding Year Ended 31-Dec-21 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	64,192,990	98,390,759
Adjustments for :		
Amortisation of intangible assets	4,898,880	2,290,110
Bad debts written off	-	8,841
Depreciation of investment property	21,228	28,305
Depreciation of property, plant and equipment	4,192,375	4,128,731
Defined benefit obligations	-	(31,802)
Dividend income	(59,303)	(331,383)
(Gain)/Loss on changes in fair value of forward exchange contract	(39,038)	40,393
Gain on disposal of property, plant and equipment	(262,883)	(156,762)
Gain on termination of lease	(1,599)	(2,303)
Impairment losses on trade receivables	237,147	127,505
Interest income	(1,197,695)	(2,189,197)
Interest expense	2,016,707	3,136,781
Inventories written down	-	1,645,073
Inventories written off	-	536,843
Property, plant and equipment written off	69,934	14,395
Intangible asset written off	-	3
Net unrealised (gain)/loss on foreign exchange	183	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	73,967,900	103,397,899
Decrease/(Increase) in inventories	51,101,375	(49,932,116)
Decrease in trade and other receivables	60,932,300	16,068,058
Decrease in trade and other payables	(66,933,043)	(3,737,000)
Cash generated from operations	119,068,532	65,796,841
Tax paid	(20,739,812)	(25,505,321)
Interest received	1,197,695	2,189,197
Interest paid	(1,983,015)	(3,101,841)
Net cash generated from operating activities	97,543,399	39,378,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(14,485,172)
Purchase of property, plant and equipment	(37,987,081)	(7,656,839)
Purchase of intangible assets	(249,566)	(66,983)
Proceeds from disposal of property, plant and equipment	399,943	159,398
Dividends received	59,303	331,383
Withdrawal of deposits with licensed banks with original maturity of more than three (3) months	2,943,841	7,981,506
Net cash used in investing activities	(34,833,561)	(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	(565,426)	(591,925)
Interest paid on lease liabilities	(33,692)	(34,940)
Net drawdown/(repayment) of term loan	8,756,294	(454,797)
Net (repayment)/drawdown of trade finance	(47,815,242)	18,122,890
Dividends paid to:		
- Shareholders of the Company	(21,395,322)	(37,471,191)
- Subsidiaries' non-controlling interests	(4,635,000)	-
Net cash (used in)/generated from financing activities	(65,688,388)	50,358,804
Net (decrease)/increase in cash and cash equivalents	(2,978,549)	76,000,973
Cash and cash equivalents at beginning of financial year	195,844,240	119,699,585
Effect of changes in exchange rates	740,774	143,682
Cash and cash equivalents at end of financial year	193,606,465	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	107,597,937	114,583,765
Deposits with financial institutions	95,739,494	93,935,281
	203,337,430	208,519,046
Deposits placed with licensed banks with original maturity of more than three (3) months	(9,730,965)	(12,674,806)
	193,606,465	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 THIRD QUARTER ENDED 30 SEPTEMBER 2022

For the 9 months ended 30 Sep 2022

	Attributable to Owners of the Company					Total RM	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			
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	-	-	-	-	43,204,477	43,204,477	5,695,623	48,900,100
Foreign currency translations	-	510,607	-	-	-	510,607	31,684	542,291
Fair value loss on equity investments	-	-	(1,152,163)	-	-	(1,152,163)	-	(1,152,163)
Total comprehensive income for the period	-	510,607	(1,152,163)	-	43,204,477	42,562,921	5,727,307	48,290,228
Transactions with owners								
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(21,395,322)	(21,395,322)	-	(21,395,322)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	(4,635,000)	(4,635,000)
Balance as at 30 Sep 2022	298,077,797	722,762	483,709	(70,536)	211,760,865	510,974,597	76,400,921	587,375,518

For the 9 months ended 30 Sep 2021

	Attributable to Owners of the Company					Total RM	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			
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	-	-	-	-	51,834,297	51,834,297	2,018,043	53,852,340
Foreign currency translations	-	242,320	-	-	-	242,320	13,621	255,941
Fair value loss on equity investments	-	-	(1,618,491)	-	-	(1,618,491)	-	(1,618,491)
Total comprehensive income for the period	-	242,320	(1,618,491)	-	51,834,297	50,458,126	2,031,664	52,489,790
Adjustment on acquisition of subsidiary	-	-	-	-	-	-	78,082,963	78,082,963
Shares issued for acquisition of subsidiary	60,500,000	-	-	-	-	60,500,000	-	60,500,000
Transactions with owners								
Ordinary shares issued pursuant to Private Placement	70,859,303	-	-	-	-	70,859,303	-	70,859,303
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(37,471,191)	(37,471,191)	-	(37,471,191)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	-	-
Balance as at 30 Sep 2021	305,731,412	250,654	1,753,152	-	173,464,148	481,199,366	80,527,885	561,727,251

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.

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A5. Dividends Paid

On 13 May 2022, the Company had made 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 amounting to RM10,697,661.

On 15 September 2022, the Company had made 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 amounting to RM10,697,661.

A6. Segmental Information

Segmental results by business activities:

Operating Segments				
YTD 30 SEP 2022				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	430,607,485	318,455,029	-	749,062,514
Inter-segment revenue	(11,333,908)	(106,900,658)	-	(118,234,566)
External sales	419,273,577	211,554,372	-	630,827,948
Results				
Segment results	29,162,688	36,129,088	(397,576)	64,894,201
Dividend, interest & rental	636,944	350,516	328,038	1,315,498
Operating profit	29,799,632	36,479,604	(69,538)	66,209,699
Finance costs	(1,548,344)	(468,363)	-	(2,016,707)
Profit before tax	28,251,288	36,011,241	(69,538)	64,192,991
Taxation	(6,768,565)	(8,524,317)	-	(15,292,881)
Profit for the period	21,482,723	27,486,924	(69,538)	48,900,110
Segment assets	288,559,086	389,294,001	27,226,082	705,079,170
Segment liabilities	58,372,023	59,205,800	125,827	117,703,650

Operating Segments				
YTD 30 Sep 21				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	517,363,375	240,197,799	-	757,561,174
Inter-segment revenue	(3,732,086)	(118,146,881)	-	(121,878,967)
External sales	513,631,289	122,050,918	-	635,682,207
Results				
Segment results	43,230,757	29,743,469	(1,773,353)	71,200,873
Dividend, interest & rental	758,032	521,250	672,657	1,951,939
Operating profit	43,988,789	30,264,719	(1,100,696)	73,152,812
Finance costs	(1,809,230)	(390,963)	-	(2,200,194)
Profit before tax	42,179,558	29,873,756	(1,100,696)	70,952,618
Taxation	(10,067,589)	(7,181,329)	148,640	(17,100,278)
Profit for the period	32,111,969	22,692,427	(952,056)	53,852,340
Segment assets	296,842,805	274,948,962	175,626,393	747,418,160
Segment liabilities	85,599,115	64,139,449	35,952,347	185,690,911

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A6. Segmental Information (cont'd)

Segmental results by Geographical Segment:

Country	YTD 30 Sep 22	YTD 30 Sep 21	Change	
	Revenue	Revenue		
	RM	RM	RM	%
Malaysia	412,514,375	442,798,193	(30,283,818)	-7%
Vietnam	76,007,136	60,099,994	15,907,142	26%
Indonesia	48,540,001	69,011,008	(20,471,007)	-30%
China	37,252,082	6,174,279	31,077,802	>100%
Thailand	16,335,349	23,961,867	(7,626,519)	-32%
Sri Lanka	5,335,831	5,137,650	198,181	4%
Bangladesh	5,308,258	4,246,642	1,061,616	25%
Australia	5,223,887	3,214,953	2,008,934	62%
New Zealand	9,209,251	7,451,830	1,757,420	24%
Singapore	3,662,315	6,299,945	(2,637,629)	-42%
United Arab Emirates	1,755,869	326,794	1,429,075	>100%
Philippines	2,026,991	2,556,032	(529,041)	-21%
India	1,937,931	436,327	1,501,604	>100%
Hong Kong	1,547,891	994,590	553,301	56%
Others	4,170,782	2,972,102	1,198,679	40%
Total exports	218,313,573	192,884,014	25,429,559	13%
Total	630,827,948	635,682,207	(4,854,260)	-1%

For current financial year-to-date ended 30 September 2022, the Group achieved revenue of RM630.83 million. There is a decrease of RM4.85 million or 1% compared with preceding financial year-to-date ended 30 September 2021. Lower revenue was attributable to lower sales from trading 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 September 2022	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	
- property, plant and equipment	5,641,499
- intangible assets	444,151
Approved but not contracted for	2,936,868
	<u>9,022,519</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 (3rd quarter)		Changes	
	Current Year Quarter 30-Sep-22 RM	Preceding Year Corresponding Quarter 30-Sep-21 RM	RM	%
Revenue	170,548,064	192,207,564	(21,659,500)	-11%
Cost of sales	(153,603,092)	(162,933,809)	9,330,717	-6%
Gross profit	16,944,972	29,273,755	(12,328,783)	-42%
Other operating income	5,762,091	986,174	4,775,917	484%
Selling and distribution costs	(2,092,546)	(3,580,070)	1,487,524	-42%
Administrative expenses	(6,946,117)	(5,669,067)	(1,277,050)	23%
Other operating expenses	(1,595,962)	(818,276)	(777,686)	95%
Net gain/(loss) on impairment of financial assets	(237,147)	2,470,049	(2,707,195)	-110%
Operating profit	11,835,293	22,662,565	(10,827,273)	-48%
Finance costs	(569,429)	(744,130)	174,701	-23%
Profit before Tax	11,265,864	21,918,435	(10,652,572)	-49%
Taxation	(2,718,619)	(5,367,504)	2,648,885	-49%
Profit after Tax	8,547,245	16,550,931	(8,003,687)	-48%

The Group reported lower revenue of RM170.55 million for the current quarter ended 30 September 2022, as compared to preceding year corresponding quarter ended 30 September 2021 of RM192.21 million. Revenue decreased by RM21.66 million or 11%. The lower revenue was attributable to trading segment.

The Group reported lower profit after tax of RM8.55 million for the current quarter ended 30 September 2022, as compared to preceding year corresponding quarter ended 30 September 2021 of RM16.55 million. Profit after tax decreased by RM8.00 million or 48% 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 30-Sep-22 RM	Immediate Preceding Quarter 30-Jun-22 RM	Changes	
			RM	%
Revenue	170,548,064	220,760,328	(50,212,264)	-23%
Cost of sales	(153,603,092)	(183,624,912)	30,021,820	-16%
Gross profit	16,944,972	37,135,416	(20,190,444)	-54%
Other operating income	5,762,091	5,317,431	444,660	8%
Selling and distribution costs	(2,092,546)	(3,644,468)	1,551,922	-43%
Administrative expenses	(6,946,117)	(8,436,142)	1,490,025	-18%
Other operating expenses	(1,595,962)	(1,556,141)	(39,821)	3%
Net gain/(loss) on impairment of financial assets	(237,147)	-	(237,147)	-
Operating profit	11,835,293	28,816,097	(16,980,804)	-59%
Finance costs	(569,429)	(699,839)	130,410	-19%
Profit before Tax	11,265,864	28,116,258	(16,850,395)	-60%
Taxation	(2,718,619)	(6,699,102)	3,980,483	-59%
Profit after Tax	8,547,245	21,417,156	(12,869,911)	-60%

For current quarter ended 30 September 2022, the Group achieved revenue of RM170.55 million, representing a decrease of RM50.21 million or 23% compared to previous quarter ended 30 June 2022. This was mainly due to lower sales in both trading and manufacturing segments.

The Group achieved profit after tax of RM8.55 million during the current quarter ended 30 September 2022. There is a decrease of RM12.87 million or 60% compared to previous quarter ended 30 June 2022 mainly due to both trading and manufacturing segments.

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.

LTSB took vacant possession of the Property on 15 October 2022.

B5. Taxation

	Current Quarter Ended 30-Sep-22 RM	Current Year-to-date Ended 30-Sep-22 RM
Tax expenses	(2,718,619)	(15,292,881)

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 September 2022 as follows:

	As at 30 Sep 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	-	-	16,448,627	16,448,627	17,198,957,308	5,228,484	35,395,517	40,624,001
Total	-	-	16,448,627	16,448,627	17,198,957,308	5,228,484	35,395,517	40,624,001

	As at 30 Sep 2022			
	Total Borrowing			
	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured Hire-purchase (Lease Liabilities)	-	-	-	-
Unsecured Bank borrowings	17,198,957,308	5,228,484	51,844,144	57,072,628
Total	17,198,957,308	5,228,484	51,844,144	57,072,628

Exchange rates on borrowings as at 30 September 2022:

USD to RM	4.6340
USD to IDR	15,247
IDR100 to RM	0.0304

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

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

	As at 30 Sep 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)	107,179,808	31,404	-	31,404	-	-	187,731,307	55,005	-	55,005
Unsecured										
Bank borrowings	-	-	10,024,597	10,024,597	105,190	440,952	74,248,556,989	21,754,828	54,681,167	76,876,947
Total	107,179,808	31,404	10,024,597	10,056,000	105,190	440,952	74,436,288,296	21,809,833	54,681,167	76,931,952

	As at 30 Sep 2021						
	Total Borrowing						
	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM	
Secured							
Hire-purchase (Lease Liabilities)	-	-	294,911,115	86,409	-	86,409	
Unsecured							
Bank borrowings	105,190	440,952	74,248,556,989	21,754,828	64,705,764	86,901,544	
Total	105,190	440,952	74,543,468,104	21,841,237	64,705,764	86,987,953	

Exchange rates on borrowings as at 30 September 2021:

USD to RM	4.1870
USD to IDR	14,307
IDR100 to RM	0.0293

The Group's total borrowings as at 30 September 2022 amounted to RM57.07 million, a decrease of RM29.92 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 September 2022, the amount of bank borrowings of its subsidiaries guaranteed by the Company amounted to RM57.07 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 September 2021 and fixed the matter for case management on 15 September 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.

The Court had on 12 September 2022, informed to adjourn the case management, which supposed to be held on 12 September 2022, to 21 September 2022. The Court has conducted further Case Management (via Zoom) on 21 September 2022 and directed parties to file and serve Witness Statement on or before 29 September 2022.

Subsequently, the Court has vacated the Full-Trial fixed on 11 October 2022, 12 October 2022, 13 October 2022 and 14 October 2022. The matter is now fixed for further Case Management (via Zoom) on 11 October 2022 for parties to update on the Witness Statement and to fix new dates for Full-Trial.

The Court had fixed the new Full Trial on 17 February 2023 and 20 February 2023 via Zoom, after the Case Management (via Zoom) on 11 October 2022.

The Court had directed parties to file and serve any further Bundle of Documents and Witness Statement on or before 3 February 2023.

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B9. Dividends

There were no dividends proposed or declared for the current quarter under review.

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 RM8.78 million for the current quarter and RM43.20 million for the current financial year-to-date 30 September 2022 on the weighted average number of shares in issue of 1,069,766,119 as at 30 September 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: 27 October 2022