

LUXCHEM CORPORATION BERHAD

(Company No: 199101014102 (224414-D))

(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT AS AT 31 DECEMBER 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 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2022

	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-22 RM	31-Dec-21 RM	RM	%	31-Dec-22 RM	31-Dec-21 RM	RM	%
Revenue	171,948,633	288,594,180	(116,645,547)	-40%	802,776,581	924,276,387	(121,499,806)	-13%
Cost of sales	(148,585,341)	(244,443,308)	95,857,967	-39%	(689,075,883)	(786,474,586)	97,398,703	-12%
Gross profit	23,363,292	44,150,872	(20,787,580)	-47%	113,700,698	137,801,801	(24,101,103)	-17%
Other operating income	(3,529,510)	1,206,226	(4,735,736)	-393%	9,380,077	3,841,596	5,538,481	144%
Selling and distribution costs	(2,706,998)	(4,936,144)	2,229,146	-45%	(11,372,776)	(11,497,921)	125,145	-1%
Administrative expenses	(10,019,046)	(11,468,459)	1,449,413	-13%	(33,549,027)	(28,512,711)	(5,036,316)	18%
Other operating expenses	(1,582,691)	(2,359,651)	776,961	-33%	(6,288,108)	(3,419,147)	(2,868,961)	84%
Net (loss)/gain on impairment of financial assets	(519,606)	1,781,886	(2,301,492)	-129%	(655,726)	3,313,922	(3,969,648)	-120%
Operating profit	5,005,441	28,374,729	(23,369,289)	-82%	71,215,138	101,527,540	(30,312,402)	-30%
Finance costs	(631,027)	(936,587)	305,561	-33%	(2,647,734)	(3,136,781)	489,047	-16%
Profit before Tax	4,374,414	27,438,142	(23,063,728)	-84%	68,567,404	98,390,759	(29,823,355)	-30%
Taxation	(2,012,118)	(7,257,410)	5,245,293	-72%	(17,304,999)	(24,357,688)	7,052,689	-29%
Profit after Tax	2,362,297	20,180,732	(17,818,435)	-88%	51,262,405	74,033,071	(22,770,666)	-31%
Re-measurement of defined benefit obligations	18,012	83,690	(65,678)	-78%	18,012	83,690	(65,678)	-78%
Exchange (loss)/gain on translation of foreign operations	(833,189)	(41,075)	(792,113)	1928%	(290,904)	214,866	(505,770)	-235%
Fair value gain/(loss) on equity investments	31,806	(117,280)	149,086	-127%	(1,120,357)	(1,735,771)	615,414	-35%
Total other comprehensive loss	(783,370)	(74,665)	(708,705)	949%	(1,393,249)	(1,437,215)	43,966	-3%
Total comprehensive income for the period	1,578,926	20,106,067	(18,527,141)	-92%	49,869,157	72,595,856	(22,726,699)	-31%
Profit attributable to:								
-Owners of the Company	2,437,902	16,410,048	(13,972,146)	-85%	45,642,388	68,244,345	(22,601,957)	-33%
-Non controlling interests	(75,605)	3,770,683	(3,846,288)	-102%	5,620,018	5,788,726	(168,708)	-3%
	2,362,297	20,180,731	(17,818,434)	-88%	51,262,405	74,033,071	(22,770,666)	-31%
Total comprehensive income attributable to:								
-Owners of the Company	1,711,164	16,331,782	(14,620,619)	-90%	44,274,088	66,789,909	(22,515,821)	-34%
-Non controlling interests	(132,237)	3,774,283	(3,906,521)	-104%	5,595,068	5,805,947	(210,879)	-4%
	1,578,926	20,106,066	(18,527,140)	-92%	49,869,157	72,595,856	(22,726,699)	-31%
Earnings per share attributable to owners of the Company								
Earnings per share - Basic (Sen)	0.23	1.52	(1.29)		4.27	6.77	(2.50)	
Earnings per share - Fully Diluted (Sen)	0.23	1.52	(1.29)		4.27	6.77	(2.50)	

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 FOURTH QUARTER ENDED 31 DECEMBER 2022

	Current Quarter Ended 31-Dec-22 RM	Current Year- to-date Ended 31-Dec-22 RM
Interest income	(676,192)	(1,873,887)
Other income*	4,205,702	(7,506,190)
Interest expense	631,027	2,647,734
Depreciation & amortisation	3,220,003	12,332,487
Net loss on impairment of financial assets	519,606	655,726
Foreign exchange loss/(gain) - realised	3,867,620	(5,338,951)
Foreign exchange loss - unrealised	2,081,346	2,081,529
Loss on derivatives	90,534	51,497

*Includes foreign exchange gain

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Unaudited As at 31-Dec-22 RM	Audited As at 31-Dec-21 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	117,917,224	83,598,532
Investment property	2,686,783	2,715,087
Goodwill	64,706,662	64,706,662
Intangible assets	119,987,150	125,427,414
Other investments	810,857	1,931,214
Deferred tax assets	858,733	598,017
	<u>306,967,409</u>	<u>278,976,926</u>
Current Assets		
Inventories	67,956,105	129,765,121
Trade and other receivables	111,641,017	171,024,954
Derivative financial assets	1,473	-
Current tax assets	6,829,119	3,225,652
Cash and bank balances	224,276,585	208,519,046
	<u>410,704,299</u>	<u>512,534,773</u>
Total Assets	<u>717,671,708</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	463,050	1,848,027
Retained profits	214,215,451	189,951,710
	<u>512,685,762</u>	<u>489,806,998</u>
Non-controlling interests	76,268,684	75,308,614
Total Equity	<u>588,954,446</u>	<u>565,115,612</u>
Non-current Liabilities		
Retirement benefits	679,721	658,106
Lease liabilities	160,287	406,137
Term loan	14,895,144	8,977,147
Deferred tax liabilities	30,146,864	31,271,016
	<u>45,882,016</u>	<u>41,312,406</u>
Current Liabilities		
Trade and other payables	40,471,416	94,459,409
Derivative financial liabilities	71,091	18,121
Lease liabilities	682,652	476,187
Term loan	3,322,975	1,257,839
Bank borrowings	38,287,113	84,878,117
Current tax liabilities	-	3,994,008
	<u>82,835,247</u>	<u>185,083,681</u>
Total Liabilities	<u>128,717,263</u>	<u>226,396,087</u>
Total Equity and Liabilities	<u>717,671,708</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 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

	Current Year- to-date Ended 31-Dec-22 RM	Preceding Year Corresponding Year Ended 31-Dec-21 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	68,567,404	98,390,759
Adjustments for :		
Amortisation of intangible assets	6,539,866	2,290,110
Bad debts written off	-	8,841
Depreciation of investment property	28,304	28,305
Depreciation of property, plant and equipment	5,764,316	4,128,731
Defined benefit obligations	64,357	(31,802)
Dividend income	(69,274)	(331,383)
Loss on changes in fair value of forward exchange contracts	51,497	40,393
Gain on disposal of property, plant and equipment	(267,283)	(156,762)
Gain on termination of lease	(1,599)	(2,303)
Impairment losses on trade receivables	1,008,495	127,505
Interest income	(1,873,887)	(2,189,197)
Interest expense	2,647,734	3,136,781
Inventories written down	417,330	1,645,073
Inventories written off	49	536,843
Property, plant and equipment written off	85,187	14,395
Intangible asset written off	-	3
Net unrealised loss on foreign exchange	2,081,529	173,818
Reversal of impairment loss on trade receivables	(352,770)	(3,441,427)
Reversal of inventories written down	(1,393,205)	(970,784)
Operating profit before working capital changes	83,298,051	103,397,899
Decrease/(Increase) in inventories	62,532,045	(49,932,116)
Decrease in trade and other receivables	56,094,699	16,068,058
Decrease in trade and other payables	(53,832,947)	(3,737,000)
Cash generated from operations	148,091,849	65,796,841
Tax paid	(26,321,487)	(25,505,321)
Interest received	1,873,887	2,189,197
Interest paid	(2,605,568)	(3,101,841)
Net cash generated from operating activities	121,038,681	39,378,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(14,485,172)
Purchase of property, plant and equipment	(40,434,204)	(7,656,839)
Purchase of intangible assets	(271,614)	(66,983)
Proceeds from disposal of property, plant and equipment	406,953	159,398
Dividends received	69,274	331,383
Withdrawal of deposits with licensed banks with original maturity of more than three (3) months	2,971,799	7,981,506
Net cash used in investing activities	(37,257,792)	(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	(745,068)	(591,925)
Interest paid on lease liabilities	(42,166)	(34,940)
Net drawdown/(repayment) of term loan	7,983,133	(454,797)
Net (repayment)/drawdown of trade finance	(45,742,277)	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	(64,576,701)	50,358,804
Net increase in cash and cash equivalents	19,204,188	76,000,973
Cash and cash equivalents at beginning of financial year	195,844,240	119,699,585
Effect of changes in exchange rates	(474,851)	143,682
Cash and cash equivalents at end of financial year	214,573,577	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	75,418,756	114,583,765
Deposits with financial institutions	148,857,829	93,935,281
	224,276,585	208,519,046
Deposits placed with licensed banks with original maturity of more than three (3) months	(9,703,008)	(12,674,806)
	214,573,577	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 FOURTH QUARTER ENDED 31 DECEMBER 2022

For the 12 months ended 31 Dec 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	-	-	-	-	45,642,380	45,642,380	5,620,018	51,262,398
Foreign currency translations	-	(264,620)	-	-	-	(264,620)	(26,278)	(290,898)
Fair value loss on equity investments	-	-	(1,120,357)	-	-	(1,120,357)	-	(1,120,357)
Remeasurement of defined benefit obligations	-	-	-	-	16,683	16,683	1,329	18,012
Total comprehensive income for the period	-	(264,620)	(1,120,357)	-	45,659,063	44,274,086	5,595,069	49,869,155
Transactions with owners								
Repurchase of treasury shares of the Company	-	-	-	-	-	-	-	-
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)
Total transactions with owners	-	-	-	-	(21,395,322)	(21,395,322)	(4,635,000)	(26,030,322)
Balance as at 31 Dec 2022	298,077,797	(52,465)	515,515	(70,536)	214,215,451	512,685,762	76,268,683	588,954,445

For the 12 months ended 31 Dec 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	-	-	-	-	68,244,345	68,244,345	5,788,726	74,033,071
Foreign currency translations	-	203,821	-	-	-	203,821	11,045	214,866
Fair value loss on equity investments	-	-	(1,735,771)	-	-	(1,735,771)	-	(1,735,771)
Remeasurement of defined benefit obligations	-	-	-	-	77,514	77,514	6,176	83,690
Total comprehensive income for the period	-	203,821	(1,735,771)	-	68,321,859	66,789,909	5,805,947	72,595,856
Transactions with owners								
Adjustment on acquisition of subsidiary	-	-	-	-	-	-	69,089,409	69,089,409
Shares issued for acquisition of subsidiary	52,846,385	-	-	-	-	52,846,385	-	52,846,385
Transactions with owners								
Ordinary shares issued pursuant to Private Placement	72,574,500	-	-	-	-	72,574,500	-	72,574,500
Share issued expenses	(1,715,197)	-	-	-	-	(1,715,197)	-	(1,715,197)
Repurchase of treasury shares of the Company	-	-	-	(70,536)	-	(70,536)	-	(70,536)
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(37,471,191)	(37,471,191)	-	(37,471,191)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	-	-
Total transactions with owners	123,705,688	-	-	(70,536)	(37,471,191)	86,163,961	69,089,409	155,253,370
Balance as at 31 Dec 2021	298,077,797	212,155	1,635,872	(70,536)	189,951,710	489,806,998	75,308,614	565,115,612

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 31 Dec 2022				
	Trading RM	Manufacturing RM	Adjustments RM	Conso RM
Total revenue	545,301,408	412,666,161	-	957,967,569
Inter-segment revenue	(16,493,271)	(138,697,717)	-	(155,190,988)
External sales	528,808,137	273,968,444	-	802,776,581
Results				
Segment results	32,828,181	36,995,554	(629,757)	69,193,977
Dividend, interest & rental	973,776	533,827	513,558	2,021,161
Operating profit	33,801,957	37,529,381	(116,199)	71,215,139
Finance costs	(2,078,193)	(569,541)	-	(2,647,734)
Profit before tax	31,723,764	36,959,840	(116,199)	68,567,405
Taxation	(7,718,072)	(9,465,247)	(121,680)	(17,304,999)
Profit for the period	24,005,692	27,494,593	(237,879)	51,262,406
Segment assets	290,628,032	399,800,582	27,243,093	717,671,708
Segment liabilities	62,482,681	65,924,326	310,258	128,717,265

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 22	YTD 31 Dec 21	Change	
	Revenue	Revenue	RM	%
	RM	RM	RM	%
Malaysia	518,096,081	608,777,164	(90,681,083)	-15%
Vietnam	104,952,847	86,602,307	18,350,540	21%
Indonesia	59,822,577	99,921,743	(40,099,166)	-40%
China	49,476,944	24,986,712	24,490,232	98%
Thailand	20,233,867	38,942,790	(18,708,923)	-48%
Australia	12,829,750	11,444,475	1,385,275	12%
New Zealand	6,802,600	4,223,785	2,578,815	61%
Bangladesh	6,288,099	6,745,416	(457,317)	-7%
Sri Lanka	6,056,440	6,986,264	(929,824)	-13%
Singapore	4,973,056	25,497,722	(20,524,666)	-80%
Philippines	2,583,429	2,957,144	(373,715)	-13%
India	1,937,931	436,327	1,501,604	>100%
United Arab Emirates	1,885,485	884,716	1,000,769	>100%
Hong Kong	1,848,966	1,776,817	72,148	4%
Others	4,988,509	4,093,005	895,504	22%
Total exports	284,680,500	315,499,223	(30,818,723)	-10%
Total	802,776,581	924,276,387	(121,499,806)	-13%

For current financial year-to-date ended 31 December 2022, the Group achieved revenue of RM802.78 million. There is a decrease of RM121.5 million or 13% compared with preceding financial year-to-date ended 31 December 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 31 December 2022	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	
- property, plant and equipment	4,129,547
- intangible assets	113,961
Approved but not contracted for	7,388,138
	<u>11,631,646</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 (4th quarter)		Changes	
	Current Year Quarter 31-Dec-22 RM	Preceding Year Corresponding Quarter 31-Dec-21 RM	RM	%
Revenue	171,948,633	288,594,180	(116,645,547)	-40%
Cost of sales	(148,585,341)	(244,443,308)	95,857,967	-39%
Gross profit	23,363,292	44,150,872	(20,787,580)	-47%
Other operating income	(3,529,510)	1,206,226	(4,735,736)	-393%
Selling and distribution costs	(2,706,998)	(4,936,144)	2,229,146	-45%
Administrative expenses	(10,019,046)	(11,468,459)	1,449,413	-13%
Other operating expenses	(1,582,691)	(2,359,651)	776,961	-33%
Net (loss)/gain on impairment of financial assets	(519,606)	1,781,886	(2,301,492)	-129%
Operating profit	5,005,441	28,374,729	(23,369,289)	-82%
Finance costs	(631,027)	(936,587)	305,561	-33%
Profit before Tax	4,374,414	27,438,142	(23,063,728)	-84%
Taxation	(2,012,118)	(7,257,410)	5,245,293	-72%
Profit after Tax	2,362,297	20,180,732	(17,818,435)	-88%

The Group reported lower revenue of RM171.95 million for the current quarter ended 31 December 2022, as compared to preceding year corresponding quarter ended 31 December 2021 of RM288.59 million. Revenue decreased by RM116.65 million or 40%. The lower revenue was attributable to both trading and manufacturing segments.

The Group reported lower profit after tax of RM2.36 million for the current quarter ended 31 December 2022, as compared to preceding year corresponding quarter ended 31 December 2021 of RM20.18 million. Profit after tax decreased by RM17.82 million or 88% 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	Immediate	Changes	
	Quarter	Preceding		
	31-Dec-22	Quarter		
	RM	30-Sep-22	RM	%
		RM		
Revenue	171,948,633	170,548,064	1,400,569	1%
Cost of sales	(148,585,341)	(153,603,092)	5,017,751	-3%
Gross profit	23,363,292	16,944,972	6,418,319	38%
Other operating income	(3,529,510)	5,762,091	(9,291,601)	-161%
Selling and distribution costs	(2,706,998)	(2,092,546)	(614,453)	29%
Administrative expenses	(10,019,046)	(6,946,117)	(3,072,930)	44%
Other operating expenses	(1,582,691)	(1,595,962)	13,271	-1%
Net loss on impairment of financial assets	(519,606)	(237,147)	(282,459)	119%
Operating profit	5,005,441	11,835,293	(6,829,852)	-58%
Finance costs	(631,027)	(569,429)	(61,598)	11%
Profit before Tax	4,374,414	11,265,864	(6,891,450)	-61%
Taxation	(2,012,118)	(2,718,619)	706,501	-26%
Profit after Tax	2,362,297	8,547,245	(6,184,948)	-72%

For current quarter ended 31 December 2022, the Group achieved revenue of RM171.95 million, representing an increase of RM1.40 million or 1% compared to previous quarter ended 30 September 2022. This was mainly due to higher sales in manufacturing segment.

The Group achieved profit after tax of RM2.36 million during the current quarter ended 31 December 2022. There is a decrease of RM6.18 million or 72% compared to previous quarter ended 30 September 2022 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, stiff competitions as well as the on-going 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 31-Dec-22 RM	Current Year Ended 31-Dec-22 RM
Tax expenses		
- Current year	(1,898,798)	(17,191,679)
- Prior year	29,062	29,062
Deferred Taxation		
- Current year	(96,800)	(96,800)
- Prior year	(45,581)	(45,581)
	<u>(2,012,118)</u>	<u>(17,304,999)</u>

The effective tax rate of the Group in current year is higher than the statutory tax rate, mainly due to unrealised foreign exchange losses and certain expenses not being deductible for tax purposes.

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B6. Group borrowings and debt securities

The Group's borrowings as at 31 December 2022 as follows:

	As at 31 Dec 2022									
	Long Term						Short Term			
	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM
Secured										
Hire-purchase (Lease Liabilities)	-	-	138,421,102	39,035	-	39,035	72,908,358	20,560	-	20,560
Unsecured										
Bank borrowings	-	-	-	-	15,948,527	15,948,527	39,173,243,471	11,046,856	29,509,849	40,556,705
Total	-	-	138,421,102	39,035	15,948,527	15,987,562	39,246,151,829	11,067,416	29,509,849	40,577,265

	As at 31 Dec 2022						
	Total Borrowing						
	USD Borrowing	RM Equivalent	IDR Borrowing	RM Equivalent	RM Borrowing	Total RM	
Secured							
Hire-purchase (Lease Liabilities)	-	-	211,329,460	59,595	-	59,595	
Unsecured							
Bank borrowings	-	-	39,173,243,471	11,046,856	45,458,376	56,505,232	
Total	-	-	39,384,572,931	11,106,451	45,458,376	56,564,827	

Exchange rates on borrowings as at 31 December 2022:

USD to RM	4.3900
USD to IDR	15,731
IDR100 to RM	0.0282

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

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

The Group's total borrowings as at 31 December 2022 amounted to RM56.56 million, a decrease of RM38.58 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 31 December 2022, the amount of bank borrowings of its subsidiaries guaranteed by the Company amounted to RM56.51 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.

The Court has vacated the Full-Trial fixed on 17 February 2023 and 20 February 2023. The matter is now fixed for further Case Management (via Zoom) on 17 February 2023 for parties to receive further directions from the Court.

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B9. Dividends

The Board of Directors declared the payment of single tier second interim dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2022, payable on 12 May 2023 to depositors registered in the Records of Depositors at close of business on 14 April 2023.

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 RM2.44 million for the current quarter and RM45.64 million for the current financial year-to-date 31 December 2022 on the weighted average number of shares in issue of 1,069,766,119 as at 31 December 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: 16 February 2023