

LUXCHEM

LUXCHEM CORPORATION BERHAD

Registration No: 199101014102 (224414 - D)
(Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

LUXCHEM CORPORATION BERHAD

Registration No: 199101014102 (224414-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	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-23 RM	30-Jun-22 RM	RM	%	30-Jun-23 RM	30-Jun-22 RM	RM	%
Revenue	157,563,378	220,760,328	(63,196,950)	-29%	310,395,293	460,279,884	(149,884,592)	-33%
Cost of sales	(135,638,088)	(183,624,912)	47,986,824	-26%	(265,355,192)	(386,887,450)	121,532,257	-31%
Gross profit	21,925,290	37,135,416	(15,210,126)	-41%	45,040,100	73,392,435	(28,352,334)	-39%
Other operating income	3,284,547	5,317,431	(2,032,884)	-38%	5,334,565	7,147,496	(1,812,931)	-25%
Selling and distribution costs	(2,310,566)	(3,644,468)	1,333,902	-37%	(4,373,273)	(6,573,233)	2,199,960	-33%
Administrative expenses	(7,297,969)	(8,436,142)	1,138,173	-13%	(15,970,092)	(16,583,864)	613,772	-4%
Other operating expenses	(1,617,568)	(1,556,141)	(61,428)	4%	(3,178,723)	(3,109,456)	(69,267)	2%
Net reversal on impairment of financial assets	-	-	-	-	-	101,027	(101,027)	-100%
Operating profit	13,983,734	28,816,097	(14,832,363)	-51%	26,852,577	54,374,405	(27,521,827)	-51%
Finance costs	(623,762)	(699,839)	76,077	-11%	(1,291,906)	(1,447,278)	155,373	-11%
Profit before Tax	13,359,972	28,116,258	(14,756,286)	-52%	25,560,672	52,927,126	(27,366,455)	-52%
Taxation	(3,171,397)	(6,699,102)	3,527,705	-53%	(6,152,447)	(12,574,262)	6,421,815	-51%
Profit after Tax	10,188,575	21,417,156	(11,228,581)	-52%	19,408,224	40,352,864	(20,944,640)	-52%
Exchange gain on translation of foreign operations	676,824	155,247	521,577	336%	1,166,511	208,926	957,585	458%
Fair value gain/(loss) on equity investments	(24,382)	(504,212)	479,830	-95%	(15,103)	(753,295)	738,192	-98%
Total other comprehensive income/(loss)	652,442	(348,965)	1,001,407	-287%	1,151,408	(544,369)	1,695,777	-312%
Total comprehensive income for the period	10,841,017	21,068,191	(10,227,174)	-49%	20,559,632	39,808,495	(19,248,862)	-48%
Profit attributable to:								
-Owners of the Company	9,415,678	18,326,966	(8,911,288)	-49%	16,915,145	34,420,943	(17,505,798)	-51%
-Non controlling interests	772,897	3,090,190	(2,317,293)	-75%	2,493,079	5,931,921	(3,438,842)	-58%
Total comprehensive income attributable to:	10,188,575	21,417,156	(11,228,581)	-52%	19,408,224	40,352,864	(20,944,640)	-52%
-Owners of the Company	10,025,744	17,970,097	(7,944,352)	-44%	17,990,044	33,866,043	(15,875,999)	-47%
-Non controlling interests	815,272	3,098,094	(2,282,822)	-74%	2,569,588	5,942,452	(3,372,863)	-57%
Earnings per share attributable to owners of the Company	10,841,017	21,068,191	(10,227,174)	-49%	20,559,632	39,808,495	(19,248,862)	-48%
Earnings per share - Basic (Sen)	0.88	1.71	(0.83)		1.58	3.22	(1.64)	
Earnings per share - Fully Diluted (Sen)	0.88	1.71	(0.83)		1.58	3.22	(1.64)	
No. of shares		1,069,766,119				1,069,766,119		
Weighted Average No. of Dilutive Share		1,069,766,119				1,069,766,119		

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this quarterly financial report.

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	Current Quarter Ended 30-Jun-23 RM	Current Year-to-date Ended 30-Jun-23 RM
Interest income	(1,112,832)	(2,229,370)
Other income*	(2,171,531)	(2,853,043)
Interest expense	623,762	1,291,906
Depreciation & amortisation	3,208,861	6,375,968
Gain on disposal of property, plant & equipment	(184)	(252,152)
Net foreign exchange gain - realised	(2,171,358)	(2,162,027)
Net foreign exchange gain - unrealised	(380,736)	(45,262)
Fair value gain on derivative instruments	-	(69,618)

*Includes foreign exchange gain and gain on derivative instruments

LUXCHEM CORPORATION BERHAD

Registration No: 199101014102 (224414-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Unaudited As at 30-Jun-23 RM	Audited As at 31-Dec-22 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	119,677,961	117,917,225
Investment property	2,672,631	2,686,783
Goodwill	64,706,662	64,706,662
Intangible assets	116,724,773	119,987,149
Other investments	795,754	810,857
Deferred tax assets	900,895	870,755
	<u>305,478,676</u>	<u>306,979,431</u>
Current Assets		
Inventories	54,426,563	67,956,105
Trade and other receivables	108,432,420	111,686,856
Derivative financial assets	-	1,473
Current tax assets	10,237,657	6,814,180
Cash and bank balances	224,753,095	224,276,585
	<u>397,849,735</u>	<u>410,735,199</u>
Total Assets	<u>703,328,411</u>	<u>717,714,630</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	1,536,373	461,471
Retained profits	220,466,197	214,248,714
	<u>520,009,831</u>	<u>512,717,446</u>
Non-controlling interests	77,220,795	76,271,207
Total Equity	<u>597,230,626</u>	<u>588,988,653</u>
Non-current Liabilities		
Retirement benefits	748,564	679,721
Lease liabilities	392,849	160,287
Term loan	13,598,129	14,895,144
Deferred tax liabilities	29,392,840	30,146,863
	<u>44,132,382</u>	<u>45,882,015</u>
Current Liabilities		
Trade and other payables	27,669,821	41,653,001
Derivative financial liabilities	-	71,092
Lease liabilities	293,272	682,652
Term loan	3,000,473	3,322,974
Bank borrowings	31,001,837	37,114,243
	<u>61,965,403</u>	<u>82,843,962</u>
Total Liabilities	<u>106,097,785</u>	<u>128,725,977</u>
Total Equity and Liabilities	<u>703,328,411</u>	<u>717,714,630</u>
Net Assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.56	0.55

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this quarterly financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023

	Year-to-date Ended	
	30-Jun-23	30-Jun-22
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	25,560,672	52,927,126
Adjustments for :		
Amortisation of intangible assets	3,262,376	3,257,887
Depreciation of investment property	14,152	14,152
Depreciation of property, plant and equipment	3,099,440	2,743,523
Dividend income	(80,757)	(53,853)
Gain on changes in fair value of forward foreign exchange contracts	(69,618)	(28,221)
Gain on disposal of property, plant and equipment	(252,152)	(218,746)
Gain on termination of lease	(222)	(1,589)
Interest income	(2,229,370)	(794,313)
Interest expense	1,291,906	1,447,278
Property, plant and equipment written off	60,761	4,734
Net unrealised (gain)/loss on foreign exchange	(45,262)	249,671
Reversal of impairment loss on trade receivables	-	(101,027)
Operating profit before working capital changes	30,611,925	59,446,625
Decrease in inventories	13,843,186	24,299,482
Decrease in trade and other receivables	4,245,499	47,478,471
Decrease in trade and other payables	(14,416,200)	(51,918,207)
Cash generated from operations	34,284,410	79,306,371
Tax paid	(10,219,524)	(15,152,388)
Interest received	2,229,370	794,313
Interest paid	(1,274,003)	(1,423,073)
Net cash generated from operating activities	25,020,253	63,525,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,684,883)	(17,181,160)
Purchase of intangible assets	-	(249,566)
Proceeds from disposal of property, plant and equipment	332,715	304,253
Dividends received	80,757	53,853
Net (placement)/withdrawal of deposits with licensed banks with original maturity of more than three (3) months	(31,992,755)	1,971,793
Net cash used in investing activities	(36,264,166)	(15,100,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on lease liabilities	(454,032)	(392,837)
Interest paid on lease liabilities	(17,903)	(24,206)
Net repayment of term loan	(1,619,516)	(606,660)
Net repayment of trade finance	(7,248,430)	(27,211,418)
Dividends paid to:		
- Shareholders of the Company	(10,697,661)	(10,697,661)
- Subsidiaries' non-controlling interests	(1,620,000)	(2,250,000)
Net cash used in financing activities	(21,657,542)	(41,182,782)
Net (decrease)/increase in cash and cash equivalents	(32,901,455)	7,241,613
Cash and cash equivalents at beginning of financial year	196,830,779	195,844,240
Effect of changes in exchange rates	1,385,209	269,370
Cash and cash equivalents at end of financial year	165,314,533	203,355,222
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	72,754,803	125,543,740
Deposits with financial institutions	151,998,292	88,514,496
	224,753,095	214,058,235
Deposits placed with licensed banks with original maturity of more than three (3) months	(59,438,563)	(10,703,013)
	165,314,533	203,355,222

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 2023

For the 6 months ended 30 June 2023

	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		
2023								
Balance as at 1 January 2023	298,077,797	(54,044)	515,515	(70,536)	214,248,714	512,717,446	76,271,207	588,988,653
Profit for the period	-	-	-	-	16,915,144	16,915,144	2,493,079	19,408,223
Foreign currency translations	-	1,090,002	-	-	-	1,090,002	76,509	1,166,511
Fair value loss on equity investments	-	-	(15,103)	-	-	(15,103)	-	(15,103)
Total comprehensive income for the period	-	1,090,002	(15,103)	-	16,915,144	17,990,043	2,569,588	20,559,631
Transactions with owners								
Dividends paid to:								
- shareholders of the Company	-	-	-	-	(10,697,661)	(10,697,661)	-	(10,697,661)
- subsidiaries' non-controlling interest	-	-	-	-	-	-	(1,620,000)	(1,620,000)
Total transactions with owners	-	-	-	-	(10,697,661)	(10,697,661)	(1,620,000)	(12,317,661)
Balance as at 30 June 2023	298,077,797	1,035,958	500,412	(70,536)	220,466,197	520,009,828	77,220,795	597,230,623

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	208,933
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	33,866,040	5,942,453	39,808,493
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)
Total transactions with owners	-	-	-	-	(10,697,661)	(10,697,661)	(2,250,000)	(12,947,661)
Balance as at 30 June 2022	298,077,797	410,556	882,577	(70,536)	213,674,983	512,975,377	79,001,067	591,976,444

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 2022 and the accompanying explanatory notes attached to this quarterly financial report.

PART A : NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING**A1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

The accounting standards adopted by the Group are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the following which were adopted at the beginning of the current financial year. The adoption of these new standards and other pronouncements did not have any significant effects on the interim financial statements upon their initial applications.

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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

Other than as disclosed above, the accounting policies and method of computation adopted by the Group in preparing these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022.

A2. Seasonal or Cyclical Factors

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

A3. Auditor’s Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2022.

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. Significant Estimates and Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period under review.

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A6. Debt and Equity Securities

Of the total 1,069,866,119 issued ordinary shares as at 30 June 2023, 100,000 ordinary shares were held as treasury shares by the Company. Accordingly, the number of outstanding ordinary shares in issue as at 30 June 2023 was therefore 1,069,766,119.

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current period under review.

A7. Dividends Paid

On 12 May 2023, the Company had made 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 amounting to RM10,697,661.

A8. Segmental Information

The Group has two reportable operating segments as follows:

- i. **Trading** – Import, export and distribution of petrochemical and other related products.
- ii. **Manufacturing** – Manufacturing and trading of unsaturated polyester resin (“UPR”), latex chemical dispersions, latex processing chemicals, former cleaning agents, powder free coagulant and related products.

Operating Segments				
YTD 30 JUNE 2023				
	Trading RM	Manufacturing RM	Others RM	Conso RM
Total revenue	214,360,007	164,037,045	-	378,397,052
Inter-segment revenue	(6,167,167)	(61,834,593)	-	(68,001,760)
External sales	208,192,840	102,202,452	-	310,395,293
Results				
Segment results	10,469,541	14,295,922	(280,013)	24,485,450
Dividend, interest & rental	928,809	1,034,236	404,082	2,367,127
Operating profit	11,398,350	15,330,158	124,069	26,852,577
Finance costs	(1,016,268)	(275,637)	-	(1,291,906)
Profit before tax	10,382,082	15,054,521	124,069	25,560,672
Taxation	(2,540,728)	(3,611,720)	-	(6,152,447)
Profit for the period	7,841,354	11,442,801	124,069	19,408,224
Segment assets	282,533,096	393,542,485	27,252,828	703,328,410
Segment liabilities	46,301,080	59,686,725	109,983	106,097,788

Operating Segments				
YTD 30 JUN 2022				
	Trading RM	Manufacturing RM	Others 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	298,562,056	161,717,828	-	460,279,884
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	15,975,452	24,353,730	23,682	40,352,864
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

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A8. Segmental Information (cont'd)

Segmental results by Geographical Segment:

Country	YTD 30 Jun 23	YTD 30 Jun 22	Change	
	Revenue	Revenue	RM	%
	RM	RM	RM	%
Malaysia	201,027,354	295,554,923	(94,527,569)	-32%
Vietnam	37,533,536	54,493,048	(16,959,513)	-31%
Indonesia	28,002,800	36,169,692	(8,166,892)	-23%
China	14,812,625	34,277,011	(19,464,386)	-57%
Thailand	10,094,749	12,686,614	(2,591,866)	-20%
Bangladesh	4,802,051	4,034,461	767,590	19%
Australia	4,089,678	2,954,498	1,135,180	38%
Sri Lanka	1,595,041	4,967,379	(3,372,338)	-68%
New Zealand	1,197,988	3,440,188	(2,242,200)	-65%
Singapore	1,190,626	2,896,271	(1,705,646)	-59%
Philippines	1,169,272	1,576,651	(407,379)	-26%
Cambodia	1,112,973	991,107	121,867	12%
Hong Kong	839,633	1,078,092	(238,459)	-22%
Japan	679,152	323,174	355,978	110%
Others	2,247,816	4,836,776	(2,588,960)	-54%
Total exports	109,367,939	164,724,961	(55,357,022)	-34%
Total	310,395,292	460,279,884	(149,884,592)	-33%

For the current financial year-to-date ended 30 June 2023, the Group achieved revenue of RM310.40 million. There is a decrease of RM149.88 million or 33% compared with preceding financial year-to-date ended 30 June 2022. Lower revenue was attributable to local and export sales from both trading and manufacturing segments.

A9. Valuation of Property, Plant and Equipment

There was no revaluation of the property, plant and equipment in the current period under review.

A10. Capital Commitments

Capital commitments as at 30 June 2023	Amount RM
Capital commitments for the purchase of property, plant and equipment as follow:	
Approved and contracted for	
- property, plant and equipment	4,910,678
- intangible assets	458,838
Approved but not contracted for	
- property, plant and equipment	2,922,590
- intangible assets	554,108
	<u>8,846,213</u>

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A11. Changes in the Composition of the Group

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

A12. Contingent Liabilities

Contingent liabilities of the Group as at the date of this report, are in respect of guarantees given to financial institutions for credit facilities granted to subsidiaries amounting to RM47,600,440.

A13. Significant Event Subsequent to the End of the Reporting Period

There was no material event subsequent to the end of the reporting period.

A14. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Quoted shares of the Group are measured at Level 1. The fair value of quoted ordinary shares of the Group is determined by reference to exchange quoted market prices.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Forward foreign exchange contracts are measured at Level 2. The fair value of forward foreign exchange contracts is based on the difference between contracted forward rates and forward exchange rate as at the end of each reporting period.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- Unquoted shares of the Group are measured at Level 3. The fair value of unquoted ordinary shares of the Group is estimated based on price to earnings valuation method.

As at 30 June 2023	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets at fair value through other comprehensive income				
<i>Other investments - quoted shares</i>	685,753	-	-	685,753
<i>Other investments - Unquoted shares</i>	-	-	110,001	110,001
Financial liabilities at fair value through profit or loss				
<i>- forward foreign exchange contracts</i>	-	-	-	-
As at 31 December 2022				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets at fair value through other comprehensive income				
<i>Other investments - Quoted shares</i>	700,856	-	-	700,856
<i>Other investments - Unquoted shares</i>	-	-	110,001	110,001
Financial liabilities at fair value through profit or loss				
<i>- Forward foreign exchange contracts</i>	-	(69,619)	-	(69,619)

PART B : NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

B1.1 Financial Review for current quarter compared with preceding year corresponding quarter

	Individual Period (2nd Quarter)		Changes	
	Current Year 30-Jun-23 RM	Preceding Year Corresponding 30-Jun-22 RM	RM	%
Revenue	157,563,378	220,760,328	(63,196,950)	-29%
Profit before Tax	13,359,972	28,116,258	(14,756,286)	-52%
Profit after Tax	10,188,575	21,417,156	(11,228,581)	-52%
<u>Revenue</u>				
Trading	105,576,227	140,750,231	(35,174,004)	-25%
Manufacturing	51,987,151	80,010,096	(28,022,945)	-35%
Investment holding & others	-	-	-	-
	157,563,378	220,760,328	(63,196,950)	-29%
<u>Profit before tax</u>				
Trading	6,122,782	10,396,231	(4,273,449)	-41%
Manufacturing	7,111,704	17,657,743	(10,546,039)	-60%
Investment holding & others	125,487	62,285	63,201	>100%
	13,359,973	28,116,259	(14,756,287)	-52%
<u>Profit after tax</u>				
Trading	4,657,141	7,938,562	(3,281,421)	-41%
Manufacturing	5,405,948	13,416,310	(8,010,363)	-60%
Investment holding & others	125,487	62,285	63,201	>100%
	10,188,575	21,417,157	(11,228,582)	-52%

The Group reported lower revenue of RM157.56 million for the current quarter ended 30 June 2023, as compared to preceding year corresponding quarter ended 30 June 2022 of RM220.76 million. Revenue decreased by RM63.20 million or 29%. The lower revenue was attributable to both trading and manufacturing segments.

The Group reported lower profit after tax of RM10.19 million for the current quarter ended 30 June 2023, as compared to preceding year corresponding quarter ended 30 June 2022 of RM21.42 million. Profit after tax decreased by RM11.23 million or 52% due to both trading and manufacturing segments.

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B1. Review of Group Performance (cont'd)

B1.2 Financial Review for current year-to-date compared with preceding year-to-date

	Cumulative Period		Changes	
	Current Year-to-date 30-Jun-23 RM	Preceding Year-to-date 30-Jun-22 RM	RM	%
Revenue	310,395,293	460,279,884	(149,884,592)	-33%
Profit before Tax	25,560,672	52,927,126	(27,366,455)	-52%
Profit after Tax	19,408,224	40,352,864	(20,944,640)	-52%
<u>Revenue</u>				
Trading	208,192,840	298,562,056	(90,369,216)	-30%
Manufacturing	102,202,452	161,717,828	(59,515,376)	-37%
Investment holding & others	-	-	-	-
	310,395,293	460,279,884	(149,884,592)	-33%
<u>Profit before tax</u>				
Trading	10,382,082	21,012,877	(10,630,796)	-51%
Manufacturing	15,054,521	31,890,568	(16,836,047)	-53%
Investment holding & others	124,069	23,682	100,387	>100%
	25,560,672	52,927,127	(27,366,455)	-52%
<u>Profit after tax</u>				
Trading	7,841,354	15,975,452	(8,134,098)	-51%
Manufacturing	11,442,801	24,353,730	(12,910,929)	-53%
Investment holding & others	124,069	23,682	100,387	>100%
	19,408,224	40,352,864	(20,944,640)	-52%

For current year-to-date ended 30 June 2023, the Group achieved revenue of RM310.40 million, representing a decrease of RM149.88 million or 33% compared to preceding year-to-date ended 30 June 2022. This was mainly due to lower sales in both trading and manufacturing segments.

The Group achieved profit after tax of RM19.41 million during the current year-to-date ended 30 June 2023. There is a decrease of RM20.94 million or 52% compared to preceding year-to-date ended 30 June 2022 due to both trading and manufacturing segments.

B1. Review of Group Performance (cont'd)

B1.3 Financial review for current quarter compared with the immediate preceding quarter

	Current Year	Immediate Preceding	Changes	
	30-Jun-23 RM	31-Mar-23 RM	RM	%
Revenue	157,563,378	152,831,915	4,731,463	3%
Profit before Tax	13,359,973	12,200,699	1,159,273	10%
Profit after Tax	10,188,575	9,219,649	968,926	11%
<u>Revenue</u>				
Trading	105,576,227	102,616,613	2,959,614	3%
Manufacturing	51,987,151	50,215,301	1,771,850	4%
Investment holding & others	-	-	-	-
	157,563,378	152,831,915	4,731,463	3%
<u>Profit before tax</u>				
Trading	6,122,782	4,259,300	1,863,482	44%
Manufacturing	7,111,704	7,942,817	(831,113)	-10%
Investment holding & others	125,487	(1,418)	126,904	>100%
	13,359,973	12,200,699	1,159,273	10%
<u>Profit after tax</u>				
Trading	4,657,141	3,184,213	1,472,928	46%
Manufacturing	5,405,948	6,036,854	(630,906)	-10%
Investment holding & others	125,487	(1,418)	126,904	>100%
	10,188,575	9,219,649	968,926	11%

For the current quarter ended 30 June 2023, the Group achieved revenue of RM157.56 million, representing an increase of RM4.73 million or 3% compared to previous quarter ended 31 March 2023. This was mainly due to higher sales in both trading and manufacturing segments.

The Group achieved profit after tax of RM10.19 million during the current quarter ended 30 June 2023. There is an increase of RM0.97 million or 11% compared to previous quarter ended 31 March 2023 due to trading segment.

B2. Prospects

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 competition as well as the on-going conflict between Russia and Ukraine.

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

B3. Variance between Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B4. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

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B5. Taxation

	Current Quarter Ended 30-Jun-23 RM	Current Year-to-date Ended 30-Jun-23 RM
Tax expenses	(3,171,397)	(6,152,447)

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

B6. Group Borrowings and Debt Securities

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

	Currency	As at 30 Jun 2023					
		Long Term		Short Term		Total borrowings	
		Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
Secured							
Hire-purchase (Lease Liabilities)	IDR	100,320,507	31,200	75,092,832	23,354	175,413,339	54,554
Trade financing	IDR	-	-	13,838,255,366	4,303,698	13,838,255,366	4,303,698
	USD	-	-	549,524	2,567,975	549,524	2,567,975
	RM	-	-	-	24,130,164	-	24,130,164
Term loans	RM	-	13,598,129	-	3,000,474	-	16,598,603
Total			13,629,329		34,025,665		47,654,994

	Currency	As at 30 June 2022					
		Long Term		Short Term		Total borrowings	
		Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
Secured							
Hire-purchase (Lease Liabilities)	IDR	-	-	-	-	-	-
Trade financing	IDR	-	-	14,773,960,664	4,373,093	14,773,960,664	4,373,093
	USD	-	-	834,722	3,378,011	834,722	3,378,011
	RM	-	-	-	47,313,875	-	47,313,875
Term loans	RM	-	8,782,427	-	3,787,111	-	12,569,538
Total			8,782,427		58,852,090		67,634,517

Exchange rates on borrowings as at 30 June:

	2023	2022
USD to RM	4.6650	4.4080
USD to IDR	15,026	14,848
IDR100 to RM	0.0311	0.0296

The Group's total borrowing as at 30 June 2023 was RM47.65 million, a decrease of RM19.98 million compared to preceding year corresponding quarter.

B7. Derivative Financial Instruments

There were no outstanding derivative financial instruments entered into by the Group as at the end of the reporting period.

B8. Fair Value Changes of Financial Liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss as at the end of the reporting period.

B9. Material Litigation

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

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

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

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

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

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

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

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.

B9. Material Litigation (cont'd.)

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 Full-Trial fixed on 17 February 2023 and 20 February 2023 has been vacated due to change of Judge. The Court has fixed the matter for Case Management on 5 April 2023 for parties to get directions from the new Judge.

On 6 April, the Company announced that the legal team of the Defendant would like to resolve the case through mediation and the Plaintiff concurred with the proposal.

The legal team of the Company has received a letter dated 4 April 2023 from the State Court of Selangor, informed that the Court had fixed the mediation on 19 April 2023, at 11:00AM, at Shah Alam Court Mediation Centre.

The Court has conducted Case Management on 5 April 2023, the trial had been fixed on 3 July 2023, 4 July 2023 and 5 July 2023 and the trial will be conducted physically in the Court. Parties are required to file and exchange witness statements two weeks prior to the trial.

The Judge further directed the parties to update the Court if the matter can be resolved through mediation.

On 17 April 2023, the Company announced that the mediation session supposed to be held on 19 April 2023, at 11:00AM, at Shah Alam Court Mediation Centre was brought forward to the even date, i.e. 17 April 2023, at 11:00AM. However, the aforesaid mediation session was then postponed to 1 June 2023, at 9:30AM.

On 29 May 2023, the Company announced that the Plaintiff disagreed with the terms proposed by the Defendant, as such, the Plaintiff has rejected the proposal offered by the Defendant. Hence, the representative of the Plaintiff will not attend the mediation session, to be held on 1 June 2023, at 9:30AM, at Shah Alam Court Mediation Centre.

As a result, the Plaintiff will proceed with the full trial, which had been fixed on 3 July 2023, 4 July 2023 and 5 July 2023 and the trial will be conducted physically in the Court.

On 4 July 2023, the Company announced that the Plaintiff had attended the full trial on 3 July 2023 and had called its first two witnesses, however, the earlier full trial dates fixed on 4 July 2023 and 5 July 2023 were vacated by the High Court. The full trial will resume on 4 December 2023 and 5 December 2023.

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B10. Dividends

The Board of Directors declared the payment of single tier first interim dividend of 0.6 sen per ordinary share in respect of the financial year ending 31 December 2023, payable on 30 August 2023 to depositors registered in the Records of Depositors at close of business on 10 August 2023.

B11. Earnings per share

(a) Basic earnings per share

	Individual Period (2nd Quarter)		Cumulative Period	
	Current Year 30-Jun-23 RM	Preceding Year Corresponding 30-Jun-22 RM	Current Year-to-date 30-Jun-23 RM	Preceding Year-to-date 30-Jun-22 RM
Profit attributable to Owners of the Company	9,415,678	18,326,966	16,915,145	34,420,943
Weighted average number of ordinary shares: Issued ordinary shares outstanding at beginning/end of the period Effect of treasury shares held	1,069,866,119 (100,000)	1,069,866,119 (100,000)	1,069,866,119 (100,000)	1,069,866,119 (100,000)
	1,069,766,119	1,069,766,119	1,069,766,119	1,069,766,119
Earnings per share - Basic (Sen)	0.88	1.71	1.58	3.22

The basic earnings per ordinary share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter and current financial year-to-date ended 30 June 2023, excluding treasury shares held by the Company.

(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 July 2023