

LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-NINTH ANNUAL GENERAL MEETING (“29TH AGM”) OF THE COMPANY HELD ON THURSDAY, 27 MAY 2021 AT 10.00 A.M.

1. Rising resin price will increase the cost for both manufacturing & trading segments. Will the Company pass the extra cost to customers?

Reply: Madam Chen Moi Kew, the Executive Director/Chief Financial Officer

Yes, the Company will pass the extra cost to customers.

2. When will the Company pass the rising material cost to customers?

Reply: Madam Chen Moi Kew

We can effect the new prices immediately or in one month's time, depending on the circumstance.

3. When resin price falls, will the Company adjust the selling price accordingly and when will the adjustment be made?

Reply: Madam Chen Moi Kew

Yes, the Company will adjust the selling price accordingly.

Just like the time needed to implement the increased material cost, we will need up to a month to implement the new selling price. It can be immediately or within one month.

4. What is the raw material supply and demand situation at the moment? Is there any shortage of supply due to the COVID-19 disruption? Are the demands from most industries still strong or is the strong demand just from the glove industry?

Reply: Madam Chen Moi Kew

The raw material demand is strong but the supply is tight. There are no supply shortages, but there are shipment delays. Demand from most industries is still strong.

5. How much is the percentage of topline and bottom-line contribution from glove-related industries/products?

Reply: Madam Chen Moi Kew

It is between single digit and double digit, and depends on whether it is a commodity or specialty item.

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6. Operating profit margin for trading segment in Q1'FY2021 is quite strong at 8% vs FY'2020's 5.5%. Is this due to the higher average selling price? If not, please explain. Is this high level of margin sustainable in the next one to two years?

Reply: Madam Chen Moi Kew

The higher operating profit margin for trading segment Q1'FY2021 was due to the higher selling price and also improved margins. We see the prices are already on the high side and will gradually adjust back.

7. What is the estimate capital expenditure (“CAPEX”) for 2021 and the utilisation purpose? Is there any CAPEX to expand the plant's capacity, or for mergers and acquisition, etc.?

Reply: Madam Chen Moi Kew

We estimate the 2021 CAPEX to be about RM5 million. This will be for the routine plant upgrades and computerisation projects. The amount excludes mergers and acquisitions.

8. For the proposed acquisition on Lexis-related companies, what is the percentage of their revenue contribution to the glove segment? Will any CAPEX be required? What is the estimated profit in the first year?

Reply: Madam Chen Moi Kew

The Lexis-related companies are in the glove industry. As we have not completed our acquisition, we are unable to comment on the CAPEX requirements or the estimated profits.

9. I am delighted to see the extra 0.9 sen dividend proposal for April 2021. Normally, dividend proposals only happen in February and August. Will there be another dividend proposal in August 2021?

Reply: Madam Chen Moi Kew

The dividend proposal depends on the profitability and cash flow of the Company.

10. What is the Company's growth strategy in the next few financial years?

Reply: Madam Chen Moi Kew

We will continue to expand our product range, source for higher quality raw materials for our customers, provide good technical advice to our customers, expand our customer and supplier base and improve our manufacturing productivity.

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11. I hope this year, the Company will consider giving door gifts/e-vouchers to shareholders/proxies attending this very costly live streaming Annual General Meeting (“AGM”) and remote voting. Your kind gesture and show of appreciation will be much appreciated during this hard time when all our investments are performing poorly.

Will the Company be giving any door gifts/e-vouchers to shareholders/proxies attending this live streaming AGM and remote voting?

Reply: Madam Chen Moi Kew

The Company is not giving food or vouchers to shareholders at this point of time. The Company believes that giving dividends regularly is the most appropriate way of appreciating our shareholders.

12. Has the Company’s operations been affected by the Movement Control Order (“MCO”) 3? What keeps the CEO awake at night?

Reply: Madam Chen Moi Kew

The Company operates according to the MCO regulations and at the same time, strives to perform better every year.

Nothing is keeping the CEO awake at night.

13. Can the Company provide a brief presentation on the year's performance and the next year's outlook as it will add value to the AGM? Please consider this in future meetings.

Reply: Madam Chen Moi Kew

We note your suggestion.

14. Will Luxchem Corporation Berhad issue new Employees’ Share Option Scheme (“ESOS”) to the employees in the next two years?

Reply: Madam Chen Moi Kew

The Company completed the ESOS’s exercise in November 2019 and we will consider new ESOS in the future.

15. Will the Company issue a bonus issue to the shareholders in the future?

Reply: Madam Chen Moi Kew

The corporate exercise such as right issue, bonus issue and ESOS are largely dependent on the Company’s equity structure and available reserves.

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16. In Q1'FY2021, the Profit After Tax (“PAT”) of Luxchem group was RM20.5million. What is the prospect in the coming three quarters, excluding the profit contribution from Lexis? Can the PAT be maintained?

Reply: Mr Tang Ying See, the Managing Director/Chief Executive Officer.

As there were festive seasons and the ongoing movement curbs in Q2'FY2021, we expect Q2'FY2021 results to be slightly lower than Q1'FY2021 results but better than Q2'FY2020 results.

17. I believe the Company has benefited from the current glove industry boom. May I know how much of the Company's profit was derived from this segment in FY2020? What is your forecast on the prospects of the industry in FY2021?

Reply: Madam Chen Moi Kew

In FY2020, the glove industry contributed approximately 40% to the Company's revenue and profit.

Reply: Mr Tang Ying See

Luxchem has been in the glove industry for more than 20 years, and has not seen any decline in demand. However, this industry has become very competitive due to the entrance of new local and overseas players, such as China and Thailand. Nonetheless, the Company has been selling the products locally and overseas, hence I am confident that the glove industry is still very strong. If the proposed business acquisition of the Lexis group of companies is successful, it will broaden Luxchem's product range in the glove industry.

18. The cost of sales for FY2021 has gone down by 7.7% from FY2020. Is there any particular reason for this? The variance of RM50 million appears significant.

Reply: Madam Chen Moi Kew

In Q1'FY2021, the revenue increased mainly because of the rising raw material price and we took good position in raw material supply. Thus, the profit margin improved significantly.

19. How does the Company control staff cost? Was there any staff retrenchment or salary cut throughout the MCO period?

Reply: Madam Chen Moi Kew

The Company did not retrench staff or reduce staff's salary throughout the MCO period. In fact, the Company is still expanding and has job vacancies. Furthermore, the Company is giving salary increment and bonus to the staff.

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20. How many foreign and local workers does the Company have? Who are the machinery and equipment suppliers?

Reply: Madam Chen Moi Kew

The Company has only ten foreign workers. For the manufacturing sector, we have both local and overseas machinery suppliers.

21. Is the recent high freight rate affecting the profit margin of the Company?

Reply: Madam Chen Moi Kew

The freight rate for import or export is not a significant component of the total cost, so it does not affect the profit margin significantly and the Company will manage it diligently.

22. The share price of the Company is not moving up in tandem with the glove industry price movement. Why is the Company's share price not following the trend since the majority of the products are related to gloves?

Reply: Madam Chen Moi Kew

As mentioned earlier, our glove products only contribute approximately 40% to the total revenue while the remaining comes from the other business segments, which include polyvinyl chloride (PVC), fiberglass reinforced plastic (FRP) and rubber industry.

Reply: Mr Tang Ying See

The movement of share price is beyond our control as the share price depends on market sentiments. Nonetheless, the Company will strive to generate good profits in order to reward the shareholders of the Company.

23. Resin price has been increasing since the second half of 2020. Will the trend continue for this year?

Reply: Mr Tang Ying See

The raw material price has gone up in 2021, hence the Company has to increase the resin price. The selling price of resin has increased approximately 50% from with pre-Covid-19 time. I don't believe the selling price of resin will increase further. If the resin price continues to increase, it will be adjusted in Q3'FY2021.

24. What is the current capacity usage of the manufacturing plant?

Reply: Madam Chen Moi Kew

For Luxchem Polymer Industries Sdn. Bhd., the current utilisation is about 85% and for Transform Master Sdn. Bhd., the current utilization is about 90%.

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25. What is the expansion plan for the next one to two years?

Reply: Madam Chen Moi Kew

The Company is considering expanding the manufacturing plant but this will depend on the market condition.

26. The business for the Indonesia plant has been worsening in the past few quarters. What is the action plan to boost business?

Reply: Madam Chen Moi Kew

Indonesia is a trading segment instead of a manufacturing plant. The performance of Indonesia in FY2020 was affected by two factors. Firstly, the USD/IDR exchange rates, but it is quite stable for Q1'FY2021 and Q2'FY2021. Secondly, it was due to the lockdown caused by the Covid-19 pandemic.

Reply: Mr Tang Ying See

Indonesia has been greatly affected by the Covid-19 pandemic. I don't see a positive sign for 2021. Nevertheless, Indonesia's branch generated a positive income in Q1'FY2021 and we hope to break even in 2021.

27. Does Mr Tang plan to buy back shares in the near term?

Reply: Madam Chen Moi Kew

Although the Company is obtaining shareholder's approval on the share buy-back mandate in this Annual General Meeting, it still depends on the Company's retained profits. At the moment, the Company's level of retained profits is not significant. Hence, any share buy-back will not be significant. Nevertheless, we will still ask for the shareholder's approval for the mandate to buy back shares. The Company will only buy back shares when there is a need to do so.

28. As forex gain or loss is hard to predict, is there any forex hedging in place to minimise the impact of forex fluctuations?

Reply: Madam Chen Moi Kew

Yes, the Company has a forex hedging policy to manage currency exchange risk. Recently, the government has allowed companies in Malaysia to pay the resident companies in foreign currency, i.e. USD, subject to terms and conditions. This will reduce the foreign exchange risk.