

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SECOND ANNUAL GENERAL MEETING (“32ND AGM”) OF THE COMPANY HELD ON THURSDAY, 23 MAY 2024 AT 10.00 A.M.

1. Is the Company expanding its production capacity? I noticed that the Company incurred RM9.9 million in 2023 and RM40.4 million in 2022 to purchase property, plant, and equipment. Can the Management provide insight into whether these investments are indicative of the expansion efforts?

Reply: Ng Wei Shing, Group Accountant

In 2022, our capital expenditure (“**capex**”) comprised mainly land and building costs, incurred by Luxchem Trading Sdn. Bhd. and Lexis. In 2023, our capex included renovations of our new building at Jaya one, solar project, motor vehicles and factory equipment. These investments are part of our expansion efforts.

2. The manufacturing utilisation capacity seems very low. What is the Management’s target for utilisation capacity?

Reply: Ng Wei Shing, Group Accountant

The utilisation rates of manufacturing segment for FYE 2023 were as follows:

Luxchem Polymer Industries Sdn. Bhd	-	Capacity = 40,000mt, Utilisation = 68%
Transform Master Sdn. Bhd.	-	Capacity = 18,000mt, Utilisation = 65%
Lexis Chemical Sdn. Bhd.	-	Capacity = 46,800mt, Utilisation = 39%

We expect the utilisation rate for FYE 2024 to be higher than FYE 2023:

Luxchem Polymer Industries Sdn. Bhd	-	75%
Transform Master Sdn. Bhd.	-	70%
Lexis Chemical Sdn. Bhd.	-	40%

3. Is the depreciation of the Ringgit beneficial or detrimental to Luxchem?

Reply: Ng Wei Shing, Group Accountant

About 50% of our purchases and 30% of our sales are in USD.

Since we conduct both purchases and sales in USD, fluctuations in the USD/RM exchange rate are neither beneficial nor detrimental to us. However, we need to monitor and manage our positions accordingly.

LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00 A.M.

4. In the first quarter, Luxchem's sales penetrated the Middle East (United Arab Emirates) and Algeria. What are the prospects for these two regions?

Reply: Ng Wei Shing, Group Accountant

Our sales to the UAE consist of unsaturated polyester resin (“UPR”) produced by Luxchem Polymer Industries Sdn. Bhd. (“LPI”). The exports account for 60% of LPI’s sales. Besides the UAE market, we are also developing the US market.

The export market is very competitive and our pricing depends on raw material cost, freight and foreign currency exchange rates. We are continuously monitoring these factors to establish our potential in the export market.

In Algeria, our sales are related to the glove industry, where we supply latex chemicals, additives, and products from our own manufacturing under Lexis. From our visits to Algeria, we understand that our customer is expanding its production lines and more glove companies are expected to be set up soon. Algeria offers advantages, such as low energy and labour costs, which we believe will enable us to expand our business in the region.

5. Since Luxchem is a net cash company with minimal investment or expansion, will the Management establish a dividend policy and provide a better dividend rate?

Reply: Ng Wei Shing, Group Accountant

The Company has not formulated any dividend policy, but it has been our practice to pay dividends every year. In FYE 2023, our dividend payout was 34.4% of our total profit attributable to owners. (FYE 2022: 41.7%)

The dividend payout depends on our profits and our cash flow forecast requirements.

We need to reserve cash to upgrade our business premises, especially our factories, plant and machines, and for business expansion.

6. What is the status of Lexis’ profit guarantee?

Reply: Ng Wei Shing, Group Accountant

Luxchem Corporation Berhad’s acquisition of the Lexis group of companies was completed on 24 August 2021.

Subsequent to the acquisition date, Lexis have achieved the required profit-after-tax and the profit guarantees have been settled with the vendors.

7. Is there any expansion in the pipeline?

Reply: Ng Wei Shing, Group Accountant

We are always open to any business opportunities or acquisitions that synergise with our existing business.

**LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL
MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00
A.M.**

8. Will the Company consider giving e-vouchers/e-wallet credits/door gift for attending this RPV as a token of appreciation?

Reply: Ng Wei Shing, Group Accountant

The Company will not give door gifts or any kind of vouchers to shareholders at this point of time. The Company believes that giving dividends regularly is the most appropriate way of appreciating our shareholders.

9. How much does the Company spend on this virtual AGM plus remote participation and voting (“RPV”)? Can the Company conduct the next AGM, EGM or other meetings physically?

Reply: Ng Wei Shing, Group Accountant

Holding the AGM via RPV increases flexibility and convenience for our shareholders. However, we note the request to hold physical meetings and will consider for future meetings.

10. China’s market has contributed about 5% to the Company’s revenue. What are the products that have contributed to the revenue from China? Are they from Lexis? Although Lexis was mentioned in the previous AGM as part of the Company’s strategy to expand into the China market, revenue in China has not shown any growth over the past 2 to 3 years. What are the reasons for this? Is China’s market too challenging and competitive?

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

Our revenue from China is mainly from Lexis, which is related to the glove industry.

Revenue from China has not grown over the past 2 to 3 years due to the global overcapacity and soft demand in the glove market, resulting from the excess inventory accumulation during the Covid-19 pandemic. However, we have noted some recovery in the recent quarterly results, i.e. Q4’2023 and Q1’2024.

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

In relation to the glove industry, the demand and supply are global and not restricted to the China market. We export our products to many regions. The China market is very competitive and we may consider setting up a production plant in China to meet the local demand, as exporting raw materials from Malaysia to China is not viable in the long term. The Management will update shareholders in the next AGM if there is any further progress.

LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00 A.M.

11. Shareholders anticipated the acquisition of Lexis to create synergy and revenue growth. However, we observed a peak in revenue in FY2021, followed by a decline in both revenue and profit in FY2022 and FY2023. Can you provide an explanation for this?

Reply: Madam Chen Moi Kew

Lexis' business is related to the glove industry. The glove industry has been contending with a post-pandemic downcycle amid a combination of global overcapacity, soft demand resulting from excess inventory accumulation as well as intense competition among regional and domestic glove players.

Nonetheless, Lexis is the major contributor to the profit in Luxchem Group for FY2023.

12. What is the Company's competitive advantage, since the product does not differ significantly from the competitors'?

Reply: Madam Chen Moi Kew

One of our competitive advantages is our business segment, which includes both manufacturing and trading segments. Our manufacturing segment contributes more than 50% to the Group's revenue, making us more than just a trading company. Our three manufacturing plants produce UPR, fiberglass reinforced plastic and latex for the glove industry. This capability allows us to monitor cost efficiency, quality and quantity of the products to meet customer's requirements.

Another competitive advantage is our geographical segments. The Company is not solely dependent on the local market, but we also export to more than 20 countries, which contributed about 40% of the group revenue in 2023.

Additionally, our product diversification focuses on four major industries, i.e. latex, rubber, fiberglass reinforced plastic and PVC, ensuring that no single industry dominates our revenue stream, with contributions ranging from 10% to 40%.

Reply: Mr Tang Ying See

Given the geopolitical tensions between the US and China, Southeast Asia has become advantageous for Western countries to source materials. Additionally, with our office in Indonesia, we collaborate closely with factories, supplying raw materials for export to Western countries. We have established ourselves in the market and our strong balance sheet places us in a good position.

13. The recent move by the US Government to raise import tariffs on gloves manufactured in China has resulted in positive sentiments towards Malaysian glove manufacturers and their exports to the US market. Has the Company seen increased demand for its products related to the rubber gloves industry? What is the prospect for these products, which saw a decline in demand for the past two years?

LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00 A.M.

Reply: Madam Chen Moi Kew

The Malaysian Rubber Glove Manufacturers Association (MARGMA) does not anticipate an immediate impact from the implementation of US tariff on Malaysian rubber gloves, as they are set to take effect in 2026.

The glove industry is showing incipient signs of improvement with a gradual recovery in sales orders.

Reply: Mr Tang Ying See

The tariff will only take effect in 2026, giving about one-and-a-half years for China’s glove producers to potentially initiate production in Southeast Asia. They are well-positioned due to their existing exports to the region. Similarly, we are well-positioned in the glove industry and also export to Southeast Asia. Overall, Southeast Asia, including Malaysia, stands to benefit from this development.

14. What is the major product supplied to China? How might the recent US sanctions against China impact Luxchem’s business? Will US sanctions against China’s glove companies cause a revenue decrease for Luxchem in the coming years, especially after year 2025?

Reply: Madam Chen Moi Kew

The major products supplied to China are chemical industrial products from Lexis Chemical Sdn. Bhd.

Reply: Mr Tang Ying See

China holds a significant market share in the glove industry, with the US representing only a portion of the global market. China can export its products to various other regions, such as Europe, Latin America, and Africa. Additionally, China has the capability to establish manufacturing plants in Southeast Asia to cater to the US market. China’s glove producers are known for their speed and flexibility. Fortunately, we are exporting our products to numerous countries. With the US sanctions against China, Southeast Asia’s glove manufacturers, including those in Malaysia, Indonesia, Vietnam, and Thailand, stand to benefit. Overall, this situation is advantageous for us.

15. How is the current inflation situation affecting manufacturing costs?

Reply: Madam Chen Moi Kew

The prices of raw materials, transportation, labour, and shipping fees are on the rise, leading to an inevitable increase in our operating costs. We will closely monitor our operations and ensure efficient and effective management. If necessary, the Company may need to pass on these increased costs to customers.

LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00 A.M.

16. How does Luxchem strategise within the UPR industry to compete against Taiwanese UPR competitors who established production facilities in Malaysia a few years ago, particularly in terms of price competition?

Reply: Madam Chen Moi Kew

Over the past few years, we have consistently maintained sales quantity and machinery utilisation levels approximately 70% to 80%. Our primary export destinations are Vietnam and Indonesia. Additionally, we are also capable of maintaining our local market share.

Reply: Mr Tang Ying See

Taiwanese UPR companies are well-established in Taiwan and China, but in Malaysia, we have managed to maintain our market share. Our advantage lies in our integrated approach, i.e. production, distribution and providing financial support to our customers. This has enabled us to maintain our market position.

17. Despite lower revenue and profitability, Luxchem Group consistently maintains a substantial amount of cash and cash equivalents, amounting to RM252.67 million in FY2023. Can the Managing Director elaborate on the Group's capital management strategies and the rationale for holding such high levels of cash?

Reply: Madam Chen Moi Kew

As at 31 December 2023, we have approximately RM252 million in cash. Despite paying out about 30% of our profit as dividend distribution in FY 2023, the Company typically retains about 60% of its cash annually after conversion from the profit. This amount roughly equates to 4 months of revenue for FY2023, compared with approximately 3.8 months for FY2022. Given our global operations and business sizes, most of our purchases are made via telegraphic transfer on an advance payment basis. This practice ensures better price negotiations from vendors and mitigates the foreign currency exchange risks for Luxchem. Hence, maintaining an optimal cash reserve is beneficial for the Company.

Regarding capex, the Company incurred approximately RM40 million in FY2022 and RM10 million in FY2023. With substantial cash reserves, financial institutions tend to offer lower interest rates for loans to us.

Furthermore, our business often involves business acquisitions. In 2021, we completed a major acquisition of Lexis entities, and in 2024, we made a small acquisition of Hurco Marketing Sdn. Bhd. for approximately RM1 million to expand our presence in the coating industry. Maintaining adequate cash reserves allows us to seize promising business opportunities swiftly.

The Company will not leave the cash idle and will ensure that cash is utilised effectively by negotiating favourable fixed deposit interest rates with various banks. Typically, more than 50% of our cash is deposited in fixed deposits for mid- to long-term durations, ranging from 3 to 6 months.

**LUXCHEM CORPORATION BERHAD
REGISTRATION NO. 199101014102 (224414-D)
SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY- SECOND ANNUAL GENERAL
MEETING (“31ST AGM”) OF THE COMPANY HELD ON THURSDAY, 25 MAY 2023 AT 10.00
A.M.**

18. What factors contribute to the low utilisation of Lexis’s plant? Are there any potential enhancements that can be implemented?

Reply: Madam Chen Moi Kew

The utilisation rate of the Lexis plant is approximately 30% to 40%, with a slight increase observed in the first quarter of this year. This plant is relatively new, having been completed in 2022. Prior to that, Lexis had been renting a facility from others.

The plant was constructed during the peak of the glove industry, signalling its intended expansion. Despite the current utilisation rate hovering around 40%, there remains ample room for future expansion. We are actively pursuing business expansion in China and Thailand to increase its utilisation rates.

19. Are Lexis' products involved in other rubber products, such as in the automotive industry, besides the glove industry?

Reply: Mr Tang Ying See

No, Lexis focuses on the glove industry. We do have a separate division that supplies rubber polymer and additives specifically for the automotive industry. However, it’s worth noting that the market share of the automotive industry, especially for tyre manufacturers, is not that big in Malaysia.