



TEXCHEM RESOURCES BHD (16318-K)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and nine months ended 30 September 2019

	Note	3 months ended 30 September			9 months ended 30 September		
		2019 RM'000	2018 RM'000	Changes (%)	2019 RM'000	2018 RM'000	Changes (%)
Continuing Operations							
Revenue	8	284,541	294,334	(3.33)	844,503	845,035	(0.06)
Cost of sales		(211,864)	(219,614)	3.53	(634,101)	(627,199)	(1.10)
Gross profit		72,677	74,720	(2.73)	210,402	217,836	(3.41)
Distribution costs		(40,697)	(40,871)	0.43	(119,767)	(121,692)	1.58
Administrative expenses		(28,570)	(32,105)	11.01	(91,369)	(92,079)	0.77
Other income		1,270	1,703	(25.43)	4,229	4,737	(10.72)
Operating profit excluding exceptional items		4,680	3,447	35.77	3,495	8,802	(60.29)
Exceptional (expenses)/income	4	-	(891)	100.00	4,541	(891)	609.65
Share of loss of equity accounted associates, net of tax		(27)	(238)	88.66	(37)	(2,038)	98.18
Profit before interest and taxation		4,653	2,318	100.73	7,999	5,873	36.20
Finance costs	19	(3,248)*	(2,346)	(38.45)	(9,764)*	(6,789)	(43.82)
Profit/(loss) before taxation		1,405	(28)	5,117.86	(1,765)	(916)	(92.69)
Income tax expense	18	(1,069)	(2,600)	58.88	(4,662)	(7,361)	36.67
Profit/(loss) for the period	19	336	(2,628)	112.79	(6,427)	(8,277)	22.35
Profit/(loss) attributable to:							
Owners of the Company		(203)	(2,083)	90.25	(6,011)	(7,697)	21.90
Non-controlling interests		539	(545)	198.90	(416)	(580)	28.28
Profit/(loss) for the period		336	(2,628)	112.79	(6,427)	(8,277)	22.35
Basic loss per share attributable to owners of the Company (sen)	27	(0.17)	(1.71)	90.06	(4.96)	(6.33)	21.64

* As disclosed on Page 12 of Note 1, the finance costs for 3 months ended and 9 months ended 30 September 2019 has increased by RM723,000 and RM2,218,000 respectively upon adoption of MFRS 16 Leases on 1 January 2019.

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the quarter and nine months ended 30 September 2019 (Cont'd)

	Note	3 months ended 30 September			9 months ended 30 September		
		2019 RM'000	2018 RM'000	Changes (%)	2019 RM'000	2018 RM'000	Changes (%)
Profit/(loss) for the period		336	(2,628)	112.79	(6,427)	(8,277)	22.35
Other comprehensive income/(expense), net of tax							
Foreign currency translation differences for foreign operations		916	1,435	(36.17)	2,942	(297)	1,090.57
Total comprehensive income/(expense) for the period		1,252	(1,193)	204.95	(3,485)	(8,574)	59.35
Total comprehensive income/(expense) attributable to:							
Owners of the Company		727	(218)	433.49	(3,018)	(7,358)	58.98
Non-controlling interests		525	(975)	153.85	(467)	(1,216)	61.60
Total comprehensive income/(expense) for the period		1,252	(1,193)	204.95	(3,485)	(8,574)	59.35

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 30 September 2019

	Note	30 September 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
ASSETS			
Property, plant and equipment		190,146	186,156
Right-of-use assets		43,667	-
Investment in associates		5,646	1,671
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		1,477	1,511
Other receivables		6,696	7,981
Total non-current assets		303,514	253,201
Trade receivables		139,400	133,897
Other receivables		33,160	33,608
Inventories		93,931	114,342
Current tax assets		3,897	1,891
Cash and cash equivalents		68,539	81,557
Derivative assets	22	-	8
Total current assets		338,927	365,303
TOTAL ASSETS		642,441	618,504
EQUITY			
Share capital		149,667	149,667
Reserves		86,936	91,432
Total equity attributable to owners of the Company		236,603	241,099
Non-controlling interests		35,766	36,649
TOTAL EQUITY		272,369	277,748
LIABILITIES			
Loans and borrowings	21	20,375	15,984
Lease liabilities		21,957	-
Deferred tax liabilities		2,482	2,944
Deferred liabilities		2,777	2,634
Provision		7,043	6,555
Total non-current liabilities		54,634	28,117

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 30 September 2019 (Cont'd)

	Note	30 September 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
LIABILITIES			
Trade payables		66,363	78,183
Other payables		59,452	69,335
Provision		157	111
Loans and borrowings	21	164,687	161,810
Lease liabilities		22,887	-
Current tax liabilities		1,556	2,864
Deferred liabilities		336	336
Total current liabilities		315,438	312,639
TOTAL LIABILITIES		370,072	340,756
TOTAL EQUITY AND LIABILITIES		642,441	618,504

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.



TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the nine months ended 30 September 2019

	<-----Attributable to owners of the Company----->						
	Non-distributable				Distributable		Total equity RM'000
Note	Share capital RM'000	Treasury shares RM'000	Other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	
At 1 January 2019	149,667	(4,400)	1,561	94,271	241,099	36,649	277,748
Adjustment on initial application of MFRS 16	-	-	-	(1,161)	(1,161)	(386)	(1,547)
At 1 January 2019, restated	149,667	(4,400)	1,561	93,110	239,938	36,263	276,201
Other comprehensive income/(expense)	-	-	2,993	-	2,993	(51)	2,942
Loss for the period	-	-	-	(6,011)	(6,011)	(416)	(6,427)
Total comprehensive income/(expense) for the period	-	-	2,993	(6,011)	(3,018)	(467)	(3,485)
Accretion of interest in an existing subsidiary	-	-	-	10	10	(660)	(650)
Issuance of shares to non-controlling interests	-	-	-	-	-	630	630
Purchase of treasury shares	-	(325)	-	-	(325)	-	(325)
Transaction costs of treasury shares	-	(2)	-	-	(2)	-	(2)
Transfer to legal reserve	-	-	144	(144)	-	-	-
Total transaction with owners of the Company	-	(327)	144	(134)	(317)	(30)	(347)
At 30 September 2019	149,667	(4,727)	4,698	86,965	236,603	35,766	272,369

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.



TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the nine months ended 30 September 2018

	<-----Attributable to owners of the Company----->						Total equity RM'000
	Non-distributable			Distributable		Non-controlling interests RM'000	
	Share capital RM'000	Treasury shares RM'000	Other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000		
At 1 January 2018	149,667	(4,400)	988	111,820	258,075	29,125	287,200
Other comprehensive income/(expense)	-	-	339	-	339	(636)	(297)
Loss for the period	-	-	-	(7,697)	(7,697)	(580)	(8,277)
Total comprehensive income/(expense) for the period	-	-	339	(7,697)	(7,358)	(1,216)	(8,574)
Accretion of interest in existing subsidiaries	-	-	-	(6,813)	(6,813)	6,173	(640)
Issuance of shares to non-controlling interests	-	-	-	-	-	700	700
Total transaction with owners of the Company	-	-	-	(6,813)	(6,813)	6,873	60
At 30 September 2018	149,667	(4,400)	1,327	97,310	243,904	34,782	278,686

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the nine months ended 30 September 2019

	Note	9 months ended 30 September	
		2019	2018
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,765)	(916)
Adjustments for:			
Depreciation of property, plant and equipment		23,766	24,237
Depreciation of right-of-use assets		21,204	-
Provision for Directors' retirement/resignation benefits		550	475
Property, plant and equipment written off		592	1,452
Impairment loss on goodwill		-	2,927
Gain on disposal of property, plant and equipment		(313)	(559)
Gain on termination of lease		(7)	-
Interest income		(418)	(516)
Interest expense		9,764	6,789
Share of loss of equity accounted associates		37	2,038
Gain on disposal of a subsidiary		(2,316)	-
Gain on re-measurement of retained interest in an associate		(2,225)	-
Gain on disposal of an associate		-	(2,036)
Loss on liquidation of an associate		3	-
Gain on deconsolidation of a subsidiary	B	(4)	(24)
		50,633	34,783
Operating profit before changes in working capital		48,868	33,867
Changes in working capital:			
Inventories		20,403	(9,969)
Trade and other receivables		(4,953)	2,754
Trade and other payables		(20,251)	(10,923)
		44,067	15,729
Cash generated from operations			
Income tax paid		(8,154)	(8,398)
Directors' retirement/resignation benefits paid		(387)	(152)
		35,526	7,179
Net cash from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,820	972
Purchase of property, plant and equipment		(22,192)	(18,766)
Interest received		418	516
Disposal of a subsidiary, net of cash and cash equivalents disposed	C	3,561	-
Deconsolidation of a subsidiary, net of cash and cash equivalents	B	-	(2)
Accretion of interest in an existing subsidiary		(650)	(640)
Subscription of shares in an associate		-	(3,980)
Proceeds from disposal of an associate		-	5,290
Proceeds from liquidation of an associate		99	-
		(16,944)	(16,610)
Net cash used in investing activities			

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the nine months ended 30 September 2019 (Cont'd)

	Note	9 months ended 30 September	
		2019	2018
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		5,501	-
Repayment of term loans		(7,973)	(8,563)
Repayment of finance lease liabilities		(3,803)	(2,733)
Drawdown of borrowings (net)		5,707	6,655
Payment of lease liabilities		(21,433)	-
Proceeds from issuance of shares to non-controlling interests		630	700
Purchase of treasury shares		(327)	-
Interest paid		(9,764)	(6,789)
Dividend paid	7	-	(10,076)
Net cash used in financing activities		(31,462)	(20,806)
Net decrease in cash and cash equivalents		(12,880)	(30,237)
Cash and cash equivalents at 1 January		63,609	75,871
Effects of exchange differences on cash and cash equivalents		511	(129)
Cash and cash equivalents at 30 September	A	51,240	45,505

Note A: Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following condensed consolidated statement of financial position amounts:

	30 September	30 September
	2019	2018
	RM'000	RM'000
Cash and bank balances	68,539	62,034
Bank overdrafts	(17,299)	(16,529)
	51,240	45,505

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the nine months ended 30 September 2019 (Cont'd)

Note B: Deconsolidation of a subsidiary

During the financial period ended 30 September 2019, the Group lost control over its subsidiary, namely ASKA Marine Products Sdn Bhd which is under the process of striking off. Accordingly, the Group deconsolidated the above subsidiary and derecognised its related liabilities.

The deconsolidation had the following effect on the Group's liabilities.

	30 September 2019 RM'000
Net identifiable liabilities – Other payables	(52)
Net off with amount due from subsidiary	48
Gain on deconsolidation of a subsidiary	(4)

During the financial period ended 30 September 2018, the Group lost control over its subsidiary, namely Texchem-Pack Holdings (S) Pte. Ltd which is under Member's Winding-Up proceeding. Accordingly, the Group deconsolidated the above subsidiary and derecognised its related assets and liabilities.

The deconsolidation had the following effect on the Group's assets and liabilities.

	30 September 2018 RM'000
Cash and cash equivalents receivable	-
Identifiable assets and liabilities	
Cash and cash equivalents	*
Other receivables	2
Other payables	31,738
Net identifiable assets	(30)
Net off with amount due to subsidiary	31,710
Gain on deconsolidation of a subsidiary	(24)

* Net cash outflow arising from deconsolidation of a subsidiary

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the nine months ended 30 September 2019 (Cont'd)

Note C: Disposal of a subsidiary

On 15 March 2019, the Company entered into a Shares Purchase Agreement (“SPA”) with Mérieux Nutrisciences Corporation for the disposal of 51% of the issued and paid-up share capital of Acumen Sdn. Bhd. (“Acumen”) for a cash consideration of RM4,282,139. Upon disposal, the Company holds 49% of the total issued and paid-up share capital in Acumen and Acumen becomes an associate company of the Company.

The disposal had the following effect on the Group’s assets and liabilities.

	30 September 2019 RM’000
Identifiable assets and liabilities disposed	
Property, plant and equipment	2,121
Right-of-use assets	685
Inventories	8
Trade and other receivables	2,164
Current tax assets	28
Cash and cash equivalents	721
Trade and other payables	(804)
Deferred tax liabilities	(297)
Deferred liabilities	(42)
Lease liabilities	(728)
Net assets disposed	<u>3,856</u>
Transfer to investment in an associate	(1,890)
Gain on disposal of a subsidiary	2,316
Consideration received, satisfied in cash	<u>4,282</u>
Cash and cash equivalents disposed	<u>(721)</u>
Net cash inflow	<u><u>3,561</u></u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared on the historical cost basis, unless otherwise stated.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2019.

The Group has adopted MFRS 16 *Leases* with effective from 1 January 2019 as mentioned below:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

As allowed by the transitional provision, the Group apply MFRS 16 with effect from 1 January 2019, using the modified retrospective approach, with no restatement of comparative information and cumulative effect of adopting MFRS 16 will be recognised as an adjustment to the opening balance of following components at 1 January 2019.

Condensed Consolidated Statement of Financial Position at 1 January 2019			
Opening Balance	MFRS 117	Effect of Adoption	MFRS 16
	RM’000	RM’000	RM’000
Right-of-use assets	-	45,400	45,400
Lease liabilities	-	46,947	46,947
Retained earnings	94,271	(1,161)	93,110
Non-controlling interests	36,649	(386)	36,263

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation (Cont'd)
MFRS 16 Leases (Cont'd)

The adoption of MFRS 16 have impact on the finance costs of the Group for the period ended 30 September 2019 as shown below:

	MFRS 117	Effect of Adoption	MFRS 16
	RM'000	RM'000	RM'000
(i) 3 months ended 30 September 2019			
Finance costs	2,525	723	3,248
(ii) 9 months ended 30 September 2019			
Finance costs	7,546	2,218	9,764

The following revised MFRSs and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements
MFRS 128	Investment in Associates and Joint Ventures – Sale or Contribution by Assets between an Investor and its Associate or Joint Venture

The Group do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

3. Seasonality and cyclicity of interim operations

The Group's operations were not significantly affected by any unusual seasonal or cyclical factors.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and nine months ended 30 September 2019, other than gain on disposal of a subsidiary and gain on re-measurement of retained interest in an associate amounting to RM2.3 million and RM2.2 million respectively.

During the quarter and nine months ended 30 September 2018, the exceptional items were the impairment loss on goodwill of RM2.93 million and gain on disposal of an associate of RM2.04 million.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and nine months ended 30 September 2019.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the quarter and nine months ended 30 September 2019 other than 526,800 of issued ordinary shares were repurchased from the open market at an average price of RM0.62 per share for the nine months ended 30 September 2019.

7. Dividend paid

The Company had declared and paid the following dividend:-

	Sen per share (Single tier)	Amount RM'000	Date of declaration	Date of payment
First interim 2018	10.0	12,151	14 December 2017	15 January 2018
Less: Dividend received by a subsidiary		<u>(2,075)</u>		
		<u>10,076</u>		

As Texcorp is a 73.94% owned subsidiary of the Company, the dividend shared by the non-controlling interests of Texcorp amounted to RM541,000.

The net dividend paid in 2018 was amounted to RM10,076,000 as disclosed in the Condensed Consolidated Statement of Cash Flows.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. Operating segments

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000
3 months ended 30																
September																
Revenue from external customers	113,427	114,266	56,038	56,032	32,641	42,703	76,360	77,854	5,675	3,149	400	330	-	-	284,541	294,334
Inter-segment revenue	784	1,908	358	466	4,908	80	92	140	7,693	8,979	2,897	2,806	(16,732)	(14,379)	-	-
Total revenue	114,211	116,174	56,396	56,498	37,549	42,783	76,452	77,994	13,368	12,128	3,297	3,136	(16,732)	(14,379)	284,541	294,334
Profit/(loss) before share of profit/(loss) of equity accounted associates, net of tax	1,302	1,066	1,319	1,832	(1,141)	(2,488)	1,967	2,945	(943)	(1,480)	(1,072)	(1,665)			1,432	210
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	-	-	-	7	(238)	-	-	(34)	-			(27)	(238)
Profit/(loss) before tax	1,302	1,066	1,319	1,832	(1,141)	(2,488)	1,974	2,707	(943)	(1,480)	(1,106)	(1,665)			1,405	(28)

* The comparative figures have been reclassified and restated to conform with the presentation of current quarter.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134
8. Operating segments (Cont'd)

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 * RM'000	2019 RM'000	2018 * RM'000
9 months ended 30																
September																
Revenue from external customers	329,276	327,812	145,902	155,676	132,949	124,123	220,762	224,561	14,434	11,526	1,180	1,337	-	-	844,503	845,035
Inter-segment revenue	3,297	5,427	787	764	6,263	4,416	262	180	25,958	23,996	8,549	8,041	(45,116)	(42,824)	-	-
Total revenue	332,573	333,239	146,689	156,440	139,212	128,539	221,024	224,741	40,392	35,522	9,729	9,378	(45,116)	(42,824)	844,503	845,035
Profit/(loss) before share of profit/(loss) of equity accounted associates, net of tax	3,386	4,558	(1,813)	3,230	269	(5,226)	3,041	6,962	(3,919)	(4,543)	(2,692)	(3,859)			(1,728)	1,122
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	-	-	-	76	(2,038)	-	-	(113)	-			(37)	(2,038)
Profit/(loss) before tax	3,386	4,558	(1,813)	3,230	269	(5,226)	3,117	4,924	(3,919)	(4,543)	(2,805)	(3,859)			(1,765)	(916)
Segment assets	154,943	148,417	179,334	176,280	70,048	72,364	170,351	142,082	23,667	18,260	44,098	32,092			642,441	589,495

* The comparative figures have been reclassified and restated to conform with the presentation of current period.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2018.

10. Material events subsequent to the end of the reporting period

There were no material events which occurred subsequent to the end of the reporting period until the date of this announcement.

11. Changes in composition of the Group for the nine months ended 30 September 2019

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the nine months ended 30 September 2019, there are no changes to the composition of the Group since the last quarter.

12. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets in the Group since the end of the last reporting period as at 30 September 2019.

13. Commitments

	30 September 2019 RM'000	31 December 2018 RM'000
Property, plant and equipment	<u>3,920</u>	<u>15,459</u>

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
14. Group's Financial Performance Review and Segmental Analysis
(a) Overall review of Group's financial performance

	3 months ended 30 September			9 months ended 30 September		
	2019 RM'000	2018 RM'000	Changes (%)	2019 RM'000	2018 RM'000	Changes (%)
Revenue	284,541	294,334	(3.33)	844,503	845,035	(0.06)
Operating profit excluding exceptional items	4,680	3,447	35.77	3,495	8,802	(60.29)
Profit before interest and taxation	4,653	2,318	100.73	7,999	5,873	36.20
Profit/(loss) before taxation	1,405	(28)	5,117.86	(1,765)	(916)	(92.69)
Profit/(loss) after taxation	336	(2,628)	112.79	(6,427)	(8,277)	22.35
Loss attributable to owners of the Company	(203)	(2,083)	90.25	(6,011)	(7,697)	21.90

(i) Statement of Profit or Loss and Other Comprehensive Income

The Group recorded revenue of RM844.5 million and operating profit of RM3.5 million in YTD Q3 2019 as compared to revenue of RM845.0 million and operating profit of RM8.8 million in YTD Q3 2018. The variance in revenue and operating profit will be explained in the respective operating business segments in Note 14(b).

(ii) Statement of Financial Position

As at 30 September 2019, total equity attributable to owners of the Company was decreased to RM236.6 million from RM241.1 million as at 31 December 2018 mainly due to loss after tax and non-controlling interest incurred for the period ended 30 September 2019.

Total borrowings of the Group increased to RM185.1 million as at 30 September 2019 against RM177.8 million as at 31 December 2018.

(iii) Statement of Cash Flows

The net cash generated from operating activities of the Group was RM35.5 million for the nine months ended 30 September 2019 against RM7.2 million in corresponding period of 2018 mainly due to decrease in the working capital requirements and depreciation of right-of-use assets arising from adoption of MFRS 16, Leases on 1 January 2019. Net cash used in investing activities increased slightly to RM16.9 million during the period against RM16.6 million mainly due to purchase of property, plant and equipment in 2019. Net cash used in financing activities increased from RM20.8 million for the corresponding period in 2018 to RM31.5 million during the period mainly due to payment of lease liabilities arising from adoption of MFRS 16, Leases on 1 January 2019. Overall, cash and cash equivalents decreased by RM12.9 million as compared with opening cash and cash equivalents as at 1 January 2019. The cash and cash equivalents of the Group was RM51.2 million as at 30 September 2019.

TEXCHEM RESOURCES BHD**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

14. Group's Financial Performance Review and Segmental Analysis (Cont'd)**(b) Segmental analysis (Note 8)****(1) Current quarter compared with previous corresponding quarter****Continuing Operations**

The Group recorded revenue of RM284.5 million as compared to RM294.3 million in Q3 2018. The Group reported pre-tax profit of RM1.4 million in Q3 2019 against pre-tax loss of RM0.03 million in Q3 2018 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in Q3 2019 was RM114.2 million as compared to RM116.2 million in Q3 2018. The Division achieved slightly higher pre-tax profit of RM1.3 million in Q3 2019 as compared to RM1.1 million in Q3 2018 mainly due to cessation of business by a loss making subsidiary in Q3 2019.

(ii) Polymer Engineering Division

The revenue recorded in Q3 2019 was RM56.4 million against RM56.5 million in Q3 2018. The Division achieved lower pre-tax profit of RM1.3 million in Q3 2019 as compared to pre-tax profit of RM1.8 million achieved in Q3 2018 mainly due to slowdown in the semiconductor and hard disk drive industries, but the impact was mitigated by steady growth of medical life science segment.

(iii) Food Division

The revenue recorded for Q3 2019 was RM37.5 million against RM42.8 million in Q3 2018. The Division recorded pre-tax loss of RM1.1 million in Q3 2019 against the pre-tax loss of RM2.5 million in Q3 2018 mainly due to the cost saving measures implemented in 2019.

(iv) Restaurant Division

The revenue recorded for Q3 2019 was RM76.5 million against RM78.0 million in Q3 2018. The Division achieved lower pre-tax profit of RM2.0 million in Q3 2019 as compared to RM2.7 million in Q3 2018 mainly due to higher operating costs.

(v) Venture Business Division

The Division consists mainly of food processing services and biopolymer research and development. The revenue recorded in Q3 2019 was RM13.4 million as compared to RM12.1 million in Q3 2018 mainly contributed by food processing services. The Division incurred pre-tax loss of RM0.9 million in Q3 2019 against the pre-tax loss of RM1.5 million in Q3 2018 mainly due to losses incurred by biopolymer research and development segment.

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14. Group's Financial Performance Review and Segmental Analysis (Cont'd)

- (b) Segmental analysis (Note 8)(Cont'd)
- (2) Current nine (9) months financial period compared with previous corresponding financial period

Continuing Operations

The Group recorded revenue of RM844.5 million as compared to RM845.0 million in YTD Q3 2018. The Group reported pre-tax loss of RM1.8 million in YTD Q3 2019 against RM0.9 million in YTD Q3 2018 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in YTD Q3 2019 was RM332.6 million as compared to RM333.2 million in YTD Q3 2018. Lower pre-tax profit of RM3.4 million was achieved in YTD Q3 2019 against RM4.6 million in YTD Q3 2018 mainly due to lower margin on sales mix.

(ii) Polymer Engineering Division

The revenue recorded for YTD Q3 2019 was RM146.7 million against RM156.4 million in YTD Q3 2018 mainly due to slowdown in semiconductor and hard disk drive industries. As such, the Division recorded pre-tax loss of RM1.8 million in YTD Q3 2019 against pre-tax profit of RM3.2 million in YTD Q3 2018.

(iii) Food Division

The revenue recorded for YTD Q3 2019 was RM139.2 million against RM128.5 million in YTD Q3 2018. The Division achieved pre-tax profit of RM0.3 million against pre-tax loss of RM5.2 million in YTD Q3 2018 mainly due to higher revenue and improved performance resulting from cost rationalisation.

(iv) Restaurant Division

The revenue recorded for YTD Q3 2019 was RM221.0 million against RM224.7 million in YTD Q3 2018. The Division achieved lower pre-tax profit of RM3.1 million against pre-tax profit of RM4.9 million in YTD Q3 2018 mainly due to higher operating costs.

(v) Venture Business Division

The revenue recorded for YTD Q3 2019 was RM40.4 million against RM35.5 million in YTD Q3 2018. The Division recorded pre-tax loss of RM3.9 million against RM4.5 million in YTD Q3 2018 mainly due to losses incurred by biopolymer research and development segment.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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15. Financial review for current quarter compared with immediate preceding quarter

The comparison of the Group's revenue and operating loss or profit for the current and the preceding quarters are as follows:

	Quarter 3	Quarter 2	Changes
	2019	2019	
	RM'000	RM'000	
Revenue	284,541	274,122	3.80
Operating profit/(loss)	4,680	(5,458)	185.75
Profit/(loss) before interest and taxation	4,653	(5,560)	183.69
Profit/(loss) before taxation	1,405	(8,882)	115.82
Profit/(loss) after taxation	336	(10,047)	103.34
Loss attributable to owners of the Company	(203)	(8,232)	97.53

The revenue of the Group is higher in the current quarter as compared to the preceding quarter and operating profit is achieved in the current quarter against operating loss recorded in preceding quarter mainly due to various factors as explained in Note 14.

16. Prospects for 2019

The business environment for Industrial Division is expected more volatile in Q4 2019. The Division is taking cautious approach as well as restructuring some of its operations in order to deal with such volatility.

The organisational changes at Polymer Engineering Division has started to show its effects. The Division will strive to improve its performance in Q4 2019.

The Food Division has gone through the seasonal fishing ban from June to August 2019 in Myanmar and is expected to perform better in Q4 2019.

The Restaurant Division is in the process of remodeling its existing restaurants to cater to the new market environment through online food delivery services and Sushi King apps.

17. Profit forecast

Not applicable as no profit forecast was published.

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18. Income tax expense

The income tax expense for continuing operations comprises:

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense				
- current period	1,517	2,640	5,182	7,032
- prior period	(390)	59	(390)	401
	<u>1,127</u>	<u>2,699</u>	<u>4,792</u>	<u>7,433</u>
Deferred tax expense				
- current period	(58)	(96)	(130)	(69)
- prior period	-	(3)	-	(3)
	<u>1,069</u>	<u>2,600</u>	<u>4,662</u>	<u>7,361</u>

The effective tax rates were higher than the statutory tax rate mainly due to the losses which cannot be set-off against taxable profits made by subsidiaries and certain expenses which are not tax deductible.

19. Profit/(loss) for the period

Profit/(loss) for the period is arrived at after charging/(crediting):

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	(90)	(112)	(418)	(516)
Interest expense	3,248	2,346	9,764	6,789
Depreciation of property, plant and equipment	7,976	7,597	23,766	24,237
Depreciation of right-of-use assets	7,282	-	21,204	-
Impairment loss on trade receivables	19	16	216	29
Inventories written down	275	192	350	272
Gain on disposal of property, plant and equipment	(11)	(281)	(313)	(559)
Gain on termination of lease	(1)	-	(7)	-
Property, plant and equipment written off	48	773	592	1,452
(Gain)/loss on foreign exchange	(103)	47	10	413
Provision for Directors' retirement/ resignation benefits	181	150	550	475
Gain on disposal of a subsidiary	-	-	(2,316)	-
Impairment loss on goodwill	-	2,927	-	2,927
Gain on re-measurement of retained interest in an associate	-	-	(2,225)	-
Loss on liquidation of an associate	-	-	3	-
Gain on disposal of an associate	-	(2,036)	-	(2,036)
Gain on deconsolidation of a subsidiary	-	(24)	(4)	(24)

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20. Status of corporate proposals

The status of the Group's corporate proposals is as follows:

A. An extension of time granted by the Companies Commission of Malaysia to Texchem Corporation Sdn. Bhd. ("Texcorp"), a 73.94% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act 2016

Texcorp is a 73.94% owned subsidiary of the Company and has been a subsidiary of the Company since 17 May 2013.

As at to-date, Texcorp holds 20,244,309 ordinary shares in the Company, representing 16.79% of the total issued and paid-up share capital in the Company [excluding 3,528,400 treasury shares].

Pursuant to Section 17 of the Companies Act 1965 (now under Section 22 of the Companies Act 2016), Texcorp is required to dispose of all its shareholding in the Company ("TRB Shares") within twelve (12) months or such longer period as the High Court of Malaya may allow after Texcorp became a subsidiary of the Company.

On 6 May 2014, the Company announced that Texcorp had been granted an Order by the Penang High Court for an extension of time of twelve (12) months from 17 May 2014 to 16 May 2015 to dispose of the TRB Shares in order to comply with the requirement of the Companies Act 1965.

On 12 May 2015, the Company announced that Texcorp had been granted an Order by the Penang High Court for an extension of time of twelve (12) months from 17 May 2015 to 16 May 2016 to dispose of the TRB Shares in order to comply with the requirement of the Companies Act 1965.

On 29 April 2016, the Company announced that Texcorp had been granted an Order by the Penang High Court for a further extension of time of twelve (12) months from 17 May 2016 to dispose of the TRB Shares in order to comply with the requirement of the Companies Act 1965, namely the new deadline for Texcorp to dispose of the TRB Shares is 16 May 2017.

On 31 January 2017, the Companies Act 1965 was repealed and replaced by Companies Act 2016. Accordingly, Section 17 of the Companies Act 1965 has been replaced with Section 22 of the Companies Act 2016.

Pursuant to Section 22(5)(b) of the Companies Act 2016, Texcorp had on 18 April 2017 submitted to the Companies Commission of Malaysia an application for extension of time to dispose of the TRB Shares.

On 15 May 2017, the Company announced that Texcorp has been granted an approval by the Companies Commission of Malaysia for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 November 2017.

On 9 November 2017, the Company announced that Texcorp had on 9 November 2017 received the letter of approval dated 8 November 2017 from the Companies Commission of Malaysia for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 May 2018.

On 27 April 2018, the Company announced that Texcorp had on 27 April 2018 received the letter of approval dated 26 April 2018 from the Companies Commission of Malaysia for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 November 2018.

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20. Status of corporate proposals (Cont'd)**A. An extension of time granted by the Companies Commission of Malaysia to Texchem Corporation Sdn. Bhd. (“Texcorp”), a 73.91% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act 2016 (Cont'd)**

On 8 November 2018, the Company announced that Texcorp had on 8 November 2018 received the letter of approval dated 7 November 2018 from the Companies Commission of Malaysia for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 May 2019.

On 10 May 2019, the Company announced that Texcorp had on 10 May 2019 received the letter of approval dated 9 May 2019 from the Companies Commission of Malaysia for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 November 2019.

Pending the disposal of the TRB Shares, Texcorp shall have no right to vote at meetings of the Company or any class of the Company’s members.

B. Cessation of Business Operations and Creditors’ Voluntary Winding Up of Dim Sum Delight Sdn. Bhd.

(a) On 3 July 2017, the Company announced that Dim Sum Delight Sdn. Bhd. (“Dim Sum Delight”), a 51% owned subsidiary of the Company, had ceased business operations in the sales of food and beverages with effect from 3 July 2017.

(b) On 17 July 2017, the Company announced that Dim Sum Delight had on 17 July 2017 appointed an Interim Liquidator to commence creditors’ voluntary winding up proceedings of Dim Sum Delight in accordance with Section 440(1) of the Companies Act 2016. The Members and Creditors’ meetings of Dim Sum Delight were held on 10 August 2017.

(c) On 10 August 2017, the Company announced that Dim Sum Delight had on 10 August 2017 held its Meeting of Members and Meeting of Creditors and appointed Mr Wong Soon Fong of 221B, Jalan Mahkota, Taman Maluri, 55100 Kuala Lumpur as the Liquidator for purposes of the Creditors’ Voluntary Winding Up of Dim Sum Delight.

(d) Dim Sum Delight had its Final Meeting on 20 August 2019. On 23 August 2019, the Company announced that a Return by Liquidator Relating to Final Meeting had been lodged with the Companies Commission of Malaysia and the Official Receiver on 20 August 2019 and 23 August 2019 respectively.

(e) Accordingly, Dim Sum Delight will be dissolved on 23 November 2019 pursuant to Section 459(5) of the Companies Act 2016.

C. Application to Strike Off a Dormant Sub-Subsidiary, ASKA Marine Products Sdn. Bhd.

On 26 June 2019, the Company announced that ASKA Marine Products Sdn. Bhd. (“AMP”), a wholly-owned subsidiary of Texchem Food Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had on 26 June 2019 submitted its application to the Companies Commission of Malaysia (“CCM”) to strike off its name from the register of CCM pursuant to Section 550 of the Companies Act 2016 (“Proposed Striking Off”).

The completion of the Striking Off is pending as at todate.

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21. Loans and borrowings

At 30 September 2019	Long term		Short term		Total borrowings	
	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)
<u>Unsecured</u>						
<u>Denominated in USD</u>						
Revolving credits	-	-	2,460	10,305	2,460	10,305
Trade financing	-	-	1,225	5,132	1,225	5,132
Term loans	171	716	85	356	256	1,072
<u>Denominated in THB</u>						
Trade financing	-	-	73,107	10,023	73,107	10,023
Finance lease obligation	2,513	345	355	49	2,868	394
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	132	400	132	400
Finance lease obligation	-	-	40	121	40	121
<u>Denominated in VND</u>						
Trade financing	-	-	51,716,483	9,309	51,716,483	9,309
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	16,899	-	16,899
Revolving credits	-	-	-	52,500	-	52,500
Trade financing	-	-	-	49,568	-	49,568
Term loans	-	9,708	-	6,022	-	15,730
Finance lease obligation	-	9,606	-	4,003	-	13,609
Total	-	20,375	-	164,687	-	185,062

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21. Loans and borrowings (Cont'd)

At 31 December 2018	Long term		Short term		Total borrowings	
	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)
<u>Unsecured</u>						
<u>Denominated in USD</u>						
Revolving credits	-	-	2,708	11,214	2,708	11,214
Trade financing	-	-	1,090	4,514	1,090	4,514
Term loans	33	137	36	149	69	286
<u>Denominated in THB</u>						
Trade financing	-	-	60,844	7,733	60,844	7,733
Finance lease obligation	200	25	162	21	362	46
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	184	558	184	558
Finance lease obligation	22	67	68	206	90	273
<u>Denominated in VND</u>						
Trade financing	-	-	43,836,709	7,891	43,836,709	7,891
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	17,390	-	17,390
Revolving credits	-	-	-	49,998	-	49,998
Trade financing	-	-	-	48,988	-	48,988
Term loans	-	9,066	-	9,907	-	18,973
Finance lease obligation	-	6,689	-	3,241	-	9,930
Total	-	15,984	-	161,810	-	177,794

Exchange rates applied

	At 30 September 2019	At 31 December 2018
USD/RM	4.189	4.141
THB/RM	0.1371	0.1271
SGD/RM	3.0331	3.0346
VND/RM	0.00018	0.00018

TEXCHEM RESOURCES BHD**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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22. Derivative financial instruments

As at 30 September 2019, the Group has no outstanding derivative financial instrument.

For nine months ended 30 September 2019, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the end of the last reporting period.

23. Gains and Losses arising from fair value changes of financial liabilities

There are no material gains and losses arising from changes on the fair values of financial liabilities as all financial liabilities are measured at the amortised cost using the effective interest method.

24. Material impairment of assets

There was no material impairment of assets during the quarter under review and financial year to date.

25. Changes in material litigation

There was no material litigation against the Group as at 30 September 2019.

26. Dividends

No dividend has been proposed or declared for the quarter ended 30 September 2019.

TEXCHEM RESOURCES BHD
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27. Basic loss per share

Basic loss per share of the Group is calculated by dividing the loss for the period attributable to the owners of the Company by the weighted average number of ordinary shares outstanding.

	3 months ended		9 months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loss for the period attributable to owners of the Company	(203)	(2,083)	(6,011)	(7,697)
Weighted average number of ordinary shares in issue*	121,193	121,508	121,193	121,508
Basic loss per share (sen)	(0.17)	(1.71)	(4.96)	(6.33)

***Weighted average number of ordinary shares:**

In thousands of shares	30 September 2019	30 September 2018
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(2,906)	(2,591)
Weighted average number of ordinary shares	121,193	121,508

BY ORDER OF THE BOARD

OOI CHYE KHOON
CHIEF FINANCIAL OFFICER
Date: 24 October 2019