



**TEXCHEM RESOURCES BHD [197301002868 (16318-K)]  
(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2020**

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the quarter and six months ended 30 June 2020

	Note	3 months ended 30 June		Changes (%)	6 months ended 30 June		Changes (%)
		2020 RM'000	2019 RM'000		2020 RM'000	2019 RM'000	
<b>Revenue</b>	8	<b>208,233</b>	<b>274,122</b>	<b>(24.04)</b>	<b>459,930</b>	<b>559,962</b>	<b>(17.86)</b>
Cost of sales		(168,749)	(210,662)	19.90	(359,241)	(422,237)	14.92
<b>Gross profit</b>		<b>39,484</b>	<b>63,460</b>	<b>(37.78)</b>	<b>100,689</b>	<b>137,725</b>	<b>(26.89)</b>
Distribution costs		(26,219)	(37,884)	30.79	(61,996)	(79,070)	21.59
Administrative expenses		(24,555)	(32,651)	24.80	(53,847)	(62,799)	14.26
Other income		2,764	1,617	70.93	4,441	2,959	50.08
<b>Operating loss excluding exceptional items</b>		<b>(8,526)</b>	<b>(5,458)</b>	<b>(56.21)</b>	<b>(10,713)</b>	<b>(1,185)</b>	<b>(804.05)</b>
Exceptional (expenses)/income	4	(6,857)	-	(100.00)	(9,323)	4,541	(305.31)
Share of loss of equity accounted associates, net of tax		(655)	(102)	(542.16)	(891)	(10)	(8,810.00)
<b>(Loss)/profit before interest and tax</b>		<b>(16,038)</b>	<b>(5,560)</b>	<b>(188.45)</b>	<b>(20,927)</b>	<b>3,346</b>	<b>(725.43)</b>
Finance costs	19	(2,807)	(3,322)	15.50	(5,967)	(6,516)	8.43
<b>Loss before tax</b>		<b>(18,845)</b>	<b>(8,882)</b>	<b>(112.17)</b>	<b>(26,894)</b>	<b>(3,170)</b>	<b>(748.39)</b>
Tax income/(expense)	18	912	(1,165)	178.28	521	(3,593)	114.50
<b>Loss for the period</b>	19	<b>(17,933)</b>	<b>(10,047)</b>	<b>(78.49)</b>	<b>(26,373)</b>	<b>(6,763)</b>	<b>(289.96)</b>
<b>Loss attributable to:</b>							
Owners of the Company		(12,469)	(8,232)	(51.47)	(19,399)	(5,808)	(234.00)
Non-controlling interests		(5,464)	(1,815)	(201.05)	(6,974)	(955)	(630.26)
<b>Loss for the period</b>		<b>(17,933)</b>	<b>(10,047)</b>	<b>(78.49)</b>	<b>(26,373)</b>	<b>(6,763)</b>	<b>(289.96)</b>
<b>Basic loss per share attributable to owners of the Company (sen)</b>	27	<b>(10.34)</b>	<b>(6.79)</b>	<b>(52.28)</b>	<b>(16.09)</b>	<b>(4.79)</b>	<b>(235.91)</b>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 six months ended 30 June 2020 (Cont'd)

	3 months ended 30 June			6 months ended 30 June			
	Note	2020 RM'000	2019 RM'000	Changes (%)	2020 RM'000	2019 RM'000	Changes (%)
<b>Loss for the period</b>		<b>(17,933)</b>	<b>(10,047)</b>	<b>(78.49)</b>	<b>(26,373)</b>	<b>(6,763)</b>	<b>(289.96)</b>
<b>Other comprehensive income, net of tax</b>							
Foreign currency translation differences for foreign operations		1,867	2,173	(14.08)	3,139	2,026	54.94
<b>Total comprehensive expense for the period</b>		<b>(16,066)</b>	<b>(7,874)</b>	<b>(104.04)</b>	<b>(23,234)</b>	<b>(4,737)</b>	<b>(390.48)</b>
<b>Total comprehensive expense attributable to:</b>							
Owners of the Company		<b>(10,620)</b>	<b>(6,053)</b>	<b>(75.45)</b>	<b>(16,621)</b>	<b>(3,745)</b>	<b>(343.82)</b>
Non-controlling interests		(5,446)	(1,821)	(199.07)	(6,613)	(992)	(566.63)
<b>Total comprehensive expense for the period</b>		<b>(16,066)</b>	<b>(7,874)</b>	<b>(104.04)</b>	<b>(23,234)</b>	<b>(4,737)</b>	<b>(390.48)</b>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
 At 30 June 2020

	Note	30 June 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
<b>ASSETS</b>			
Property, plant and equipment		163,198	176,427
Right-of-use assets		63,655	66,999
Investment in associates		5,907	6,063
Intangible assets			
- Goodwill		33,148	34,382
- Trademarks		21,500	21,500
Deferred tax assets		9,986	6,199
Other receivables		6,677	7,676
<b>Total non-current assets</b>		<b>304,071</b>	<b>319,246</b>
Trade receivables		108,652	122,022
Other receivables		35,714	33,090
Contract assets		274	426
Inventories		93,736	94,942
Current tax assets		7,362	4,112
Cash and cash equivalents		62,952	88,009
<b>Total current assets</b>		<b>308,690</b>	<b>342,601</b>
<b>TOTAL ASSETS</b>		<b>612,761</b>	<b>661,847</b>
<b>EQUITY</b>			
Share capital		149,667	149,667
Reserves		69,601	85,495
<b>Total equity attributable to owners of the Company</b>		<b>219,268</b>	<b>235,162</b>
Non-controlling interests		27,792	34,659
<b>TOTAL EQUITY</b>		<b>247,060</b>	<b>269,821</b>
<b>LIABILITIES</b>			
Loans and borrowings	21	14,224	17,383
Lease liabilities		40,426	37,290
Deferred tax liabilities		5,298	5,039
Deferred liabilities		2,158	2,457
Provision		6,045	6,582
<b>Total non-current liabilities</b>		<b>68,151</b>	<b>68,751</b>

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
 At 30 June 2020 (Cont'd)

	Note	30 June 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
<b>LIABILITIES</b>			
Trade payables		49,261	68,265
Other payables		56,052	61,725
Contract liabilities		588	453
Provision		636	534
Loans and borrowings	21	160,830	163,299
Lease liabilities		25,887	25,456
Current tax liabilities		3,716	2,963
Deferred liabilities		580	580
<b>Total current liabilities</b>		<b>297,550</b>	<b>323,275</b>
<b>TOTAL LIABILITIES</b>		<b>365,701</b>	<b>392,026</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>612,761</b>	<b>661,847</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

for the six months ended 30 June 2020

	<-----Attributable to owners of the Company----->						
	Non-distributable			Distributable			
	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	Total equity RM'000
<b>At 1 January 2020</b>	<b>149,667</b>	<b>(4,900)</b>	<b>4,561</b>	<b>85,834</b>	<b>235,162</b>	<b>34,659</b>	<b>269,821</b>
Other comprehensive income	-	-	2,778	-	2,778	361	3,139
Loss for the period	-	-	-	(19,399)	(19,399)	(6,974)	(26,373)
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>2,778</b>	<b>(19,399)</b>	<b>(16,621)</b>	<b>(6,613)</b>	<b>(23,234)</b>
Disposal of Company's shares held by a subsidiary	-	-	1,449	(722)	727	(254)	473
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>1,449</b>	<b>(722)</b>	<b>727</b>	<b>(254)</b>	<b>473</b>
<b>At 30 June 2020</b>	<b>149,667</b>	<b>(4,900)</b>	<b>8,788</b>	<b>65,713</b>	<b>219,268</b>	<b>27,792</b>	<b>247,060</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ended 30 June 2019

	<-----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		
<b>At 1 January 2019</b>	<b>149,667</b>	<b>(4,400)</b>	<b>1,561</b>	<b>93,110</b>	<b>239,938</b>	<b>36,263</b>	<b>276,201</b>
Other comprehensive income/(expense)	-	-	2,063	-	2,063	(37)	2,026
Loss for the period	-	-	-	(5,808)	(5,808)	(955)	(6,763)
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>2,063</b>	<b>(5,808)</b>	<b>(3,745)</b>	<b>(992)</b>	<b>(4,737)</b>
Accretion of interest in an existing subsidiary	-	-	-	10	10	(660)	(650)
Purchase of own shares	-	(318)	-	-	(318)	-	(318)
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>(318)</b>	<b>-</b>	<b>10</b>	<b>(308)</b>	<b>(660)</b>	<b>(968)</b>
<b>At 30 June 2019</b>	<b>149,667</b>	<b>(4,718)</b>	<b>3,624</b>	<b>87,312</b>	<b>235,885</b>	<b>34,611</b>	<b>270,496</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ended 30 June 2020

	Note	6 months ended 30 June	
		2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Loss before tax</b>		(26,894)	(3,170)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		14,634	15,790
Depreciation of right-of-use assets		13,611	13,922
Provision for Directors' retirement/resignation benefits		334	369
Property, plant and equipment written off		1,587	544
Impairment loss on property, plant and equipment		4,586	-
Impairment loss on goodwill		1,234	-
Impairment loss on right-of-use assets		1,814	-
Gain on disposal of property, plant and equipment		(156)	(302)
Loss/(gain) on termination of lease		323	(6)
Interest income		(136)	(328)
Interest expense		5,967	6,516
Share of loss of equity accounted associates		891	10
Gain on disposal of a subsidiary		-	(2,316)
Gain on re-measurement of retained interest in an associate		-	(2,225)
Loss on liquidation of an associate		-	3
Gain on deconsolidation of a subsidiary	B	-	(4)
		<u>44,689</u>	<u>31,973</u>
Operating profit before changes in working capital		17,795	28,803
Changes in working capital:			
Inventories		1,206	12,146
Trade and other receivables		12,889	(7,349)
Trade and other payables		(25,145)	(23,076)
Contract assets		152	-
Contract liabilities		135	-
		<u>7,032</u>	<u>10,524</u>
Cash generated from operations		7,032	10,524
Income tax paid		(5,554)	(5,447)
Directors' retirement/resignation benefits paid		(652)	(191)
		<u>826</u>	<u>4,886</u>
<b>Net cash from operating activities</b>		<b>826</b>	<b>4,886</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		895	1,231
Purchase of property, plant and equipment		(6,240)	(22,289)
Interest received		136	328
Disposal of a subsidiary, net of cash and cash equivalents disposed of	C	-	3,561
Accretion of interest in an existing subsidiary		-	(650)
Subscription of shares in an associate		(735)	-
Proceeds from liquidation of an associate		-	99
Proceeds from disposal of Company's shares held by a subsidiary		473	-
		<u>(5,471)</u>	<u>(17,720)</u>
<b>Net cash used in investing activities</b>		<b>(5,471)</b>	<b>(17,720)</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

for the six months ended 30 June 2020 (Cont'd)

	Note	6 months ended 30 June	
		2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of term loans		-	5,496
Repayment of term loans		(4,103)	(4,842)
Repayment of hire purchase creditors		(2,516)	(2,379)
Drawdown of borrowings (net)		2,038	6,441
Repayment of lease liabilities		(8,735)	(13,758)
Purchase of own shares		-	(318)
Interest paid		(5,967)	(6,516)
<b>Net cash used in financing activities</b>		<b>(19,283)</b>	<b>(15,876)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(23,928)</b>	<b>(28,710)</b>
Cash and cash equivalents at 1 January		73,556	63,609
Effects of exchange differences on cash and cash equivalents		1,167	181
<b>Cash and cash equivalents at 30 June</b>	A	<b>50,795</b>	<b>35,080</b>

**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 June 2020 RM'000	30 June 2019 RM'000
Short term deposits	700	-
Cash and bank balances	62,252	53,372
Bank overdrafts	(12,157)	(18,292)
	<b>50,795</b>	<b>35,080</b>

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ended 30 June 2020 (Cont'd)

**Note B: Deconsolidation of a subsidiary**

During the financial period ended 30 June 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.

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

**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 Scientific 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 of the Company.

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

	<b>30 June 2019 RM'000</b>
<b>Identifiable assets and liabilities disposed of</b>	
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 of	3,856
Transfer of the remaining 49% interests to investment in an associate	(1,890)
Gain on disposal of a subsidiary	2,316
Consideration received, satisfied in cash	4,282
Cash and cash equivalents disposed of	(721)
Net cash inflow	3,561

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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

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**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 2019. 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 2019.

The following revised Malaysian Financial Reporting Standards (“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 June 2020**

Amendment to MFRS 16	Leases – Covid-19-Related Rent Concessions
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**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 annual periods beginning on or after 1 January 2022**

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to Illustrative Examples accompanying MFRS 16	Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)

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


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**1. Basis of preparation (Cont'd)**
**MFRSs, Interpretations and Amendments effective for a date yet to be confirmed**

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group does 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 MFRSs and Amendments to MFRSs are not expected to have any material financial impact to the Group upon their first adoption except for Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions which the Group is currently assessing the financial impact.

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2019 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.

**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 six months ended 30 June 2020, other than following exceptional (expenses)/income: -

	3 months ended 30 June		6 months ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Impairment loss on goodwill	-	-	(1,234)	-
Impairment loss on property, plant and equipment	(3,481)	-	(4,713)	-
Property, plant and equipment written off arising from closure of outlets	(1,562)	-	(1,562)	-
Impairment loss on right-of-use assets	(1,814)	-	(1,814)	-
Gain on disposal of a subsidiary	-	-	-	2,316
Gain on re-measurement of retained interest in an associate	-	-	-	2,225
<b>Total</b>	<b>(6,857)</b>	<b>-</b>	<b>(9,323)</b>	<b>4,541</b>

**5. Changes in estimates**

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2020.

**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 six months ended 30 June 2020.

**7. Dividend paid**

The Company did not pay any dividend in the financial period ended 30 June 2020.

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

**8. Operating segments**

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>3 months ended 30 June</b>																
Revenue from external customers	88,522	111,757	44,743	44,078	41,622	46,655	32,869	66,457	276	5,063	201	112	-	-	208,233	274,122
Inter-segment revenue	766	307	452	143	192	1,185	5	79	1,502	7,978	2,615	2,757	(5,532)	(12,449)	-	-
<b>Total revenue</b>	<b>89,288</b>	<b>112,064</b>	<b>45,195</b>	<b>44,221</b>	<b>41,814</b>	<b>47,840</b>	<b>32,874</b>	<b>66,536</b>	<b>1,778</b>	<b>13,041</b>	<b>2,816</b>	<b>2,869</b>	<b>(5,532)</b>	<b>(12,449)</b>	<b>208,233</b>	<b>274,122</b>
Profit/(loss) before share of profit/(loss) of equity accounted associates, net of tax	1,469	1,283	1,510	(1,163)	2,163	305	(22,007)	(2,241)	(602)	(1,661)	(723)	(5,303)			(18,190)	(8,780)
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	-	(191)	26	-	-	(464)	(128)			(655)	(102)
<b>Profit/(loss) before tax</b>	<b>1,469</b>	<b>1,283</b>	<b>1,510</b>	<b>(1,163)</b>	<b>2,163</b>	<b>305</b>	<b>(22,198)</b>	<b>(2,215)</b>	<b>(602)</b>	<b>(1,661)</b>	<b>(1,187)</b>	<b>(5,431)</b>			<b>(18,845)</b>	<b>(8,882)</b>

**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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>6 months ended 30 June</b>																
Revenue from external customers	190,495	215,849	91,987	89,864	81,115	100,308	94,847	144,402	582	8,759	904	780	-	-	459,930	559,962
Inter-segment revenue	1,975	2,513	642	429	852	1,355	45	170	2,757	18,265	5,563	5,652	(11,834)	(28,384)	-	-
<b>Total revenue</b>	<b>192,470</b>	<b>218,362</b>	<b>92,629</b>	<b>90,293</b>	<b>81,967</b>	<b>101,663</b>	<b>94,892</b>	<b>144,572</b>	<b>3,339</b>	<b>27,024</b>	<b>6,467</b>	<b>6,432</b>	<b>(11,834)</b>	<b>(28,384)</b>	<b>459,930</b>	<b>559,962</b>
Profit/(loss) before share of profit/(loss) of equity accounted associates, net of tax	1,505	2,084	1,300	(3,132)	3,934	1,410	(28,061)	1,074	(2,780)	(2,976)	(1,901)	(1,620)			(26,003)	(3,160)
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	-	(173)	69	-	-	(718)	(79)			(891)	(10)
Profit/(loss) before tax	1,505	2,084	1,300	(3,132)	3,934	1,410	(28,234)	1,143	(2,780)	(2,976)	(2,619)	(1,699)			(26,894)	(3,170)
<b>Segment assets</b>	<b>135,239</b>	<b>158,115</b>	<b>178,970</b>	<b>171,469</b>	<b>71,007</b>	<b>80,214</b>	<b>179,005</b>	<b>169,585</b>	<b>5,504</b>	<b>23,059</b>	<b>43,036</b>	<b>37,798</b>			<b>612,761</b>	<b>640,240</b>

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**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 2019.

**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 six months ended 30 June 2020**

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2020, 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 last financial year ended 31 December 2019.

**13. Commitments**

	<b>30 June 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Property, plant and equipment	<u>8,042</u>	<u>7,271</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 June			6 months ended 30 June		
	2020 RM'000	2019 RM'000	Changes (%)	2020 RM'000	2019 RM'000	Changes (%)
Revenue	208,233	274,122	(24.04)	459,930	559,962	(17.86)
Operating loss excluding exceptional items	(8,526)	(5,458)	(56.21)	(10,713)	(1,185)	(804.05)
Loss before interest and tax	(16,038)	(5,560)	(188.45)	(20,927)	3,346	(725.43)
Loss before tax	(18,845)	(8,882)	(112.17)	(26,894)	(3,170)	(748.39)
Loss after tax	(17,933)	(10,047)	(78.49)	(26,373)	(6,763)	(289.96)
Loss attributable to owners of the Company	(12,469)	(8,232)	(51.47)	(19,399)	(5,808)	(234.00)

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

The Group recorded revenue of RM459.9 million and operating loss of RM10.7 million in YTD Q2 2020 as compared to revenue of RM560.0 million and operating loss of RM1.2 million in YTD Q2 2019. The results of the Group were adversely impacted by the resultant movement controls imposed by the Malaysia Government from the Covid-19 pandemic which led to exceptional expenses amounting to RM9.3 million as shown in Note 4.

The variance in revenue and operating loss will be explained in the respective operating business segments in Note 14(b).

**(ii) Statement of Financial Position**

As at 30 June 2020, total equity attributable to owners of the Company decreased to RM219.3 million from RM235.2 million as at 31 December 2019 mainly due to the loss after tax and non-controlling interest for the period ended 30 June 2020.

Total borrowings of the Group as at 30 June 2020 were lower at RM175.1 million against RM180.7 million as at 31 December 2019.

**(iii) Statement of Cash Flows**

The Group generated lower net cash from operating activities of RM0.8 million for the six months ended 30 June 2020 against RM4.9 million in the corresponding period of 2019 due to higher operating loss incurred.

Compared to the same period YTD Q2 2019, the net cash used in investing activities was lower at RM5.5 million mainly due to lower purchases of property, plant and equipment while the net cash used in financing activities was higher at RM19.3 million due to lower drawdown of loan financing for the period YTD Q2 2020. The cash and cash equivalents of the Group was RM50.8 million as at 30 June 2020, recording a decrease of RM23.9 million against RM73.6 million as at 1 January 2020.



**TEXCHEM RESOURCES BHD****PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF  
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**14. Group's Financial Performance Review and Segmental Analysis (Cont'd)****(b) Segmental analysis (Note 8)**

The Covid-19 pandemic has resulted in unprecedented preventive global lockdown measures of varying degrees and these undoubtedly have adversely impacted the global economy. In Malaysia, the Government had imposed the Movement Control Order ("MCO") which began on 18 March 2020, which eased into a Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020. On 7 June 2020, the Malaysian Government announced that the CMCO will end on 9 June 2020 and Malaysia will ease into a Recovery MCO from 10 June 2020 to 31 August 2020.

The resultant MCOs had adversely impacted the Group's revenue and results in the current quarter under review.

**(1) Current quarter compared with previous corresponding quarter**

The Group recorded revenue of RM208.2 million as compared to RM274.1 million in Q2 2019. The Group reported pre-tax loss of RM18.8 million in Q2 2020 against RM8.9 million in Q2 2019 due to the various factors as explained in the respective operating business segments as follows:

**(i) Industrial Division**

The revenue recorded in Q2 2020 was lower at RM89.3 million as compared to RM112.1 million in Q2 2019. However, the Division achieved higher pre-tax profit of RM1.5 million in Q2 2020 as compared to RM1.3 million in Q2 2019 mainly due to product mix.

**(ii) Polymer Engineering Division**

The Division achieved higher revenue of RM45.2 million in Q2 2020 against RM44.2 million in Q2 2019. A pre-tax profit of RM1.5 million was achieved in Q2 2020 against pre-tax loss of RM1.2 million in Q2 2019 mainly due to better performance of our operations in Thailand and Vietnam as well as from the Division's efforts in cost savings.

**(iii) Food Division**

Although revenue for Q2 2020 was lower at RM41.8 million, against RM47.8 million in Q2 2019, a higher pre-tax profit of RM2.2 million was achieved in Q2 2020 against a pre-tax profit of RM0.3 million in Q2 2019 mainly due to better margins and cost efficiencies.

**(iv) Restaurant Division**

The revenue for Q2 2020 was significantly lower at RM32.9 million (Revenue Q2 2019 : RM66.5 million) with a pre-tax loss of RM22.2 million (Pre-tax loss Q2 2019: RM2.2 million) as the Division's dine-in sales were adversely impacted by the implementation of preventive Standard Operating Procedures ("SOPs") especially during the months of April and May. Since the Recovery MCO started on 10 June 2020, we have seen an apparent, gradual and cautious increase in restaurant outlet revenue.

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

For 2020, the Division's food processing services is reclassified to Restaurant Division to reflect a comprehensive business segment reporting for Restaurant Division. In Q2 2019, the revenue and pre-tax loss attributed to the food processing services was RM11.6 million and RM0.03 million respectively.

The fluctuation in the revenue and pre-tax loss in Q2 2020 against Q2 2019 for this Division is mainly due to the reclassification mentioned above. In 2020, this Division reflects our biopolymer business which achieved revenue of RM1.8 million in Q2 2020 against RM1.1 million in Q2 2019. A lower pre-tax loss of RM0.6 million was recorded in Q2 2020 against the pre-tax loss of RM1.3 million in Q2 2019 mainly due to cost rationalisation measures.

**(2) Current six (6) months financial period compared with previous corresponding financial period**

The Group achieved lower revenue of RM459.9 million in YTD Q2 2020 against RM560.0 million in YTD Q2 2019. A higher pre-tax loss of RM26.9 million was recorded in YTD Q2 2020 against a pre-tax loss of RM3.2 million in YTD Q2 2019 due to the exceptional expenses amounting to RM9.3 million as shown in Note 4 and the various factors as explained in the respective operating business segments as follows:

**(i) Industrial Division**

The Division recorded lower revenue of RM192.5 million in YTD Q2 2020 against RM218.4 million in YTD Q2 2019. The lower pre-tax profit of RM1.5 million in YTD Q2 2020, against RM2.1 million in YTD Q2 2019, was mainly due to interruptions in the raw material demand and supply situations and impairment loss on goodwill of RM0.6 million.

**(ii) Polymer Engineering Division**

Higher revenue of RM92.6 million was achieved in YTD Q2 2020 against RM90.3 million in YTD Q2 2019. The better performances of its operations in Thailand and Vietnam enabled the Division to achieved pre-tax profit of RM1.3 million in YTD Q2 2020 against pre-tax loss of RM3.1 million in YTD Q2 2019.

**(iii) Food Division**

Although the Division recorded lower revenue of RM82.0 million in YTD Q2 2020 against RM101.7 million in YTD Q2 2019, a higher pre-tax profit of RM3.9 million was achieved in Q2 2020 against pre-tax profit of RM1.4 million in YTD Q2 2019 mainly due to better margins and cost efficiencies.

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**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) (Cont’d)**

(2) Current six (6) months financial period compared with previous corresponding financial period (Cont’d)

(iv) Restaurant Division

With dine-in revenue adversely impacted from the resultant MCOs especially in April and May 2020, the revenue recorded for YTD Q2 2020 was lower at RM94.9 million against RM144.6 million in YTD Q2 2019. The lower revenue resulted in a pre-tax loss of RM28.2 million in YTD Q2 2020 as compared to pre-tax profit of RM1.1 million in YTD Q2 2019. The impairment loss on goodwill of RM0.6 million as well as closure costs of Sushi King outlets in Malaysia and Indonesia amounting to RM6.9 million contributed to the current period loss.

Since the Recovery MCO started on 10 June 2020, we have seen an apparent, gradual and cautious increase in restaurant outlet revenue.

(v) Venture Business Division

Our biopolymer business achieved higher revenue of RM3.3 million in YTD Q2 2020 against RM2.5 million in YTD Q2 2019 and a higher pre-tax loss of RM2.8 million in YTD Q2 2020 against pre-tax loss of RM2.5 million in YTD Q2 2019 due to impairment loss on property, plant and equipment of RM1.2 million.

Included in YTD Q2 2019 was revenue and pre-tax profit of RM22.7 million and RM0.01 million respectively attributed to food processing business which is reclassified to Restaurant Division in 2020 to reflect a comprehensive business segment reporting for Restaurant Division.

**15. Financial review for current quarter compared with immediate preceding quarter**

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

	Quarter 2	Quarter 1	Changes
	2020	2020	
	RM’000	RM’000	%
Revenue	208,233	251,697	(17.27)
Operating loss excluding exceptional items	(8,526)	(2,187)	(289.85)
Loss before interest and tax	(16,038)	(4,889)	(228.04)
Loss before tax	(18,845)	(8,049)	(134.13)
Loss after tax	(17,933)	(8,440)	(112.48)
Loss attributable to owners of the Company	(12,469)	(6,930)	(79.93)

The revenue of the Group is lower in the current quarter as compared to the preceding quarter and higher operating loss is recorded in the current quarter against preceding quarter mainly due to the resultant MCOs and adverse economic impact arising from the Covid-19 pandemic as well as the various factors as explained in Note 14.

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**16. Prospects for 2020**

Since the Recovery MCO started on 10 June 2020, the Group has seen an apparent, gradual and cautious improvement in the business environment. The economic stimulus packages and lower interest rates will help promote the recovery of economic and business activities in Malaysia.

While our Restaurant Division had been impacted by the various MCOs, we started to see improvement since the implementation of the Recovery MCO. We are also encouraged by the second quarter results of our other Divisions as well as our business in producing and distributing Personal Protective Equipment and sanitation supplies to help curb the Covid-19 outbreak and also our progress in the latex glove chemical business.

The Group will continue its efforts to improve its performance with various austerity measures, cost efficiencies and marketing initiatives through various delivery channels as well as conserving cash flow to stay competitive and resilient.

**17. Profit forecast**

Not applicable as no profit forecast was published.

**18. Tax (income)/expense**

The tax (income)/expense comprises:

	3 months ended		6 months ended	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
- current period	1,823	1,251	2,998	3,665
- prior period	1	-	1	-
	<b>1,824</b>	<b>1,251</b>	<b>2,999</b>	<b>3,665</b>
<b>Deferred tax income</b>				
- current period	(2,710)	(86)	(3,512)	(72)
- prior period	(26)	-	(8)	-
<b>Tax (income)/expense</b>	<b>(912)</b>	<b>1,165</b>	<b>(521)</b>	<b>3,593</b>

For the quarter and six months ended 30 June 2019, the tax expense mainly due to the losses which cannot be set-off against taxable profits made by subsidiaries and certain expenses which are not tax deductible. For the quarter and six months ended 30 June 2020, the tax income was arising from the deferred tax assets recognised following the losses incurred by certain companies in Restaurant Division.

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**19. Loss for the period**

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

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	(14)	(175)	(136)	(328)
Interest expense on loans and borrowings	1,914	2,568	4,226	5,021
Interest expense on lease liabilities	893	754	1,741	1,495
Depreciation of property, plant and equipment	7,146	7,963	14,634	15,790
Depreciation of right-of-use assets	6,812	7,068	13,611	13,922
Impairment loss on goodwill	-	-	1,234	-
Impairment loss on property, plant and equipment	3,471	-	4,586	-
Impairment loss on right-of-use assets	1,814	-	1,814	-
Impairment loss on trade receivables	83	108	146	197
Inventories written down/(back)	208	(36)	135	75
Gain on disposal of property, plant and equipment	(74)	(144)	(156)	(302)
Loss/(gain) on termination of lease	111	(6)	323	(6)
Property, plant and equipment written off	1,570	56	1,587	544
(Gain)/loss on foreign exchange	(1,101)	(560)	(507)	113
Provision for Directors' retirement/ resignation benefits	277	188	334	369
Gain on disposal of a subsidiary	-	-	-	(2,316)
Gain on re-measurement of retained interest in an associate	-	-	-	(2,225)
Loss on liquidation of an associate	-	3	-	3
Gain on deconsolidation of a subsidiary	-	(4)	-	(4)

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**20. Status of corporate proposals**

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

**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 18,144,309 ordinary shares in the Company, representing 15.05% of the total issued and paid-up share capital in the Company [excluding 3,528,400 treasury shares].

Pursuant to Section 22(5)(b) 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 Companies Commission of Malaysia may allow.

The Company has on 6 May 2014, 12 May 2015, 29 April 2016, 15 May 2017, 9 November 2017, 27 April 2018, 8 November 2018, 10 May 2019, 4 November 2019 and 8 May 2020 announced that Texcorp had received approval from the Penang High Court or the Companies Commission of Malaysia, as the case may be, for extension of time to dispose of the TRB Shares held by Texcorp. The new deadline for Texcorp to dispose of the TRB Shares is 15 November 2020.

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.

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**21. Loans and borrowings**

At 30 June 2020	Long term		Short term		Total borrowings	
	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)	Foreign currency ('000)	RM Equivalent ('000)
<b><u>Unsecured</u></b>						
<b><u>Denominated in USD</u></b>						
Revolving credits	-	-	1,200	5,140	1,200	5,140
Trade financing	-	-	1,333	5,709	1,333	5,709
Term loans	127	544	64	274	191	818
<b><u>Denominated in THB</u></b>						
Trade financing	-	-	85,509	11,860	85,509	11,860
Hire purchase creditors	1,116	155	851	118	1,967	273
<b><u>Denominated in SGD</u></b>						
Bank overdrafts	-	-	182	560	182	560
Hire purchase creditors	-	-	3	9	3	9
<b><u>Denominated in VND</u></b>						
Trade financing	-	-	42,171,196	8,013	42,171,196	8,013
<b><u>Denominated in RM</u></b>						
Bank overdrafts	-	-	-	11,597	-	11,597
Revolving credits	-	-	-	62,500	-	62,500
Trade financing	-	-	-	45,448	-	45,448
Term loans	-	4,558	-	4,912	-	9,470
Hire purchase creditors	-	8,967	-	4,690	-	13,657
<b>Total</b>	-	14,224	-	160,830	-	175,054

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**21. Loans and borrowings (Cont'd)**

At 31 December 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)
<b><u>Unsecured</u></b>						
<b><u>Denominated in USD</u></b>						
Revolving credits	-	-	2,602	10,653	2,602	10,653
Trade financing	-	-	1,180	4,831	1,180	4,831
Term loans	149	610	85	348	234	958
<b><u>Denominated in THB</u></b>						
Trade financing	-	-	75,000	10,268	75,000	10,268
Hire purchase creditors	1,662	228	730	100	2,392	328
<b><u>Denominated in SGD</u></b>						
Hire purchase creditors	-	-	22	67	22	67
<b><u>Denominated in VND</u></b>						
Trade financing	-	-	48,233,333	8,682	48,233,333	8,682
<b><u>Denominated in RM</u></b>						
Bank overdrafts	-	-	-	14,453	-	14,453
Revolving credits	-	-	-	53,000	-	53,000
Trade financing	-	-	-	48,120	-	48,120
Term loans	-	5,540	-	7,855	-	13,395
Hire purchase creditors	-	11,005	-	4,922	-	15,927
<b>Total</b>	-	17,383	-	163,299	-	180,682

**Exchange rates applied**

	<b>At 30 June 2020</b>	<b>At 31 December 2019</b>
<b>USD/RM</b>	4.283	4.094
<b>THB/RM</b>	0.1387	0.1369
<b>SGD/RM</b>	3.0742	3.0402
<b>VND/RM</b>	0.00019	0.00018



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**22. Derivative financial instruments**

As at 30 June 2020, the Group has no outstanding derivative financial instrument.

For six months ended 30 June 2020, 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 period to date, other than impairment loss on goodwill of RM1.2 million, impairment loss on property, plant and equipment of RM4.6 million and impairment loss on right-of-use assets of RM1.8 million.

**25. Changes in material litigation**

There was no material litigation against the Group as at 30 June 2020.

**26. Dividends**

No dividend has been proposed or declared for the quarter ended 30 June 2020.

**TEXCHEM RESOURCES BHD**  
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF**  
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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		6 months ended	
	2020	30 June 2019	2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Loss for the period attributable to owners of the Company	(12,469)	(8,232)	(19,399)	(5,808)
Weighted average number of ordinary shares in issue*	120,571	121,289	120,571	121,289
Basic loss per share (sen)	(10.34)	(6.79)	(16.09)	(4.79)

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

In thousands of shares	30 June 2020	30 June 2019
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(3,528)	(2,810)
Weighted average number of ordinary shares	120,571	121,289

**BY ORDER OF THE BOARD**

**CATHERINE SIEW SEEN WA**  
**GROUP FINANCE DIRECTOR**  
**Date: 30 July 2020**