



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and nine months ended 30 September 2020

	Note	3 months ended 30 September			9 months ended 30 September		
		2020 RM'000	2019 RM'000	Changes (%)	2020 RM'000	2019 RM'000	Changes (%)
Revenue	8	287,564	284,541	1.06	747,494	844,503	(11.49)
Cost of sales		(218,470)	(211,864)	(3.12)	(577,711)	(634,101)	8.89
Gross profit		69,094	72,677	(4.93)	169,783	210,402	(19.31)
Distribution costs		(30,419)	(40,697)	25.25	(92,415)	(119,767)	22.84
Administrative expenses		(25,734)	(28,570)	9.93	(79,581)	(91,369)	12.90
Other income		2,637	1,270	107.64	7,078	4,229	67.37
Operating profit excluding exceptional items		15,578	4,680	232.86	4,865	3,495	39.20
Exceptional (expenses)/income	4	-	-	-	(9,323)	4,541	(305.31)
Share of loss of equity accounted associates, net of tax		(288)	(27)	(966.67)	(1,179)	(37)	(3,086.49)
Profit/(loss) before interest and tax		15,290	4,653	228.61	(5,637)	7,999	(170.47)
Finance costs	19	(2,469)	(3,248)	23.98	(8,436)	(9,764)	13.60
Profit/(loss) before tax		12,821	1,405	812.53	(14,073)	(1,765)	(697.34)
Tax expense	18	(3,816)	(1,069)	(256.97)	(3,295)	(4,662)	29.32
Profit/(loss) for the period	19	9,005	336	2,580.06	(17,368)	(6,427)	(170.23)
Profit/(loss) attributable to:							
Owners of the Company		7,280	(203)	3,686.21	(12,119)	(6,011)	(101.61)
Non-controlling interests		1,725	539	220.04	(5,249)	(416)	(1,161.78)
Profit/(loss) for the period		9,005	336	2,580.06	(17,368)	(6,427)	(170.23)
Basic profit/(loss) per share attributable to owners of the Company (sen)	27	6.04	(0.17)	3,652.94	(10.05)	(4.96)	(102.62)

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 nine months ended 30 September 2020 (Cont'd)

	Note	3 months ended 30 September			9 months ended 30 September		
		2020 RM'000	2019 RM'000	Changes (%)	2020 RM'000	2019 RM'000	Changes (%)
Profit/(loss) for the period		9,005	336	2,580.06	(17,368)	(6,427)	(170.23)
Other comprehensive (expense)/income, net of tax							
Foreign currency translation differences for foreign operations		(2,282)	916	(349.13)	857	2,942	(70.87)
Total comprehensive income/(expense) for the period		6,723	1,252	436.98	(16,511)	(3,485)	(373.77)
Total comprehensive income/(expense) attributable to:							
Owners of the Company		4,741	727	552.13	(11,880)	(3,018)	(293.64)
Non-controlling interests		1,982	525	277.52	(4,631)	(467)	(891.65)
Total comprehensive income/(expense) for the period		6,723	1,252	436.98	(16,511)	(3,485)	(373.77)

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 September 2020

	Note	30 September 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
ASSETS			
Property, plant and equipment		157,835	176,427
Right-of-use assets		59,241	66,999
Investment in associates		6,452	6,063
Intangible assets			
- Goodwill		33,148	34,382
- Trademarks		21,500	21,500
Deferred tax assets		8,789	6,199
Other receivables		7,863	7,676
Total non-current assets		294,828	319,246
Trade receivables		136,479	122,022
Other receivables		34,209	33,090
Contract assets		215	426
Inventories		74,816	94,942
Current tax assets		7,324	4,112
Cash and cash equivalents		86,777	88,009
Derivative assets	22	1	-
Total current assets		339,821	342,601
TOTAL ASSETS		634,649	661,847
EQUITY			
Share capital		149,667	149,667
Reserves		77,608	85,495
Total equity attributable to owners of the Company		227,275	235,162
Non-controlling interests		29,698	34,659
TOTAL EQUITY		256,973	269,821
LIABILITIES			
Loans and borrowings	21	13,752	17,383
Lease liabilities		36,061	37,290
Deferred tax liabilities		5,518	5,039
Deferred liabilities		2,264	2,457
Provision		6,014	6,582
Total non-current liabilities		63,609	68,751

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

	Note	30 September 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
LIABILITIES			
Trade payables		73,667	68,265
Other payables		59,090	61,725
Contract liabilities		531	453
Provision		157	534
Loans and borrowings	21	149,614	163,299
Lease liabilities		25,181	25,456
Current tax liabilities		5,247	2,963
Deferred liabilities		580	580
Total current liabilities		314,067	323,275
TOTAL LIABILITIES		377,676	392,026
TOTAL EQUITY AND LIABILITIES		634,649	661,847

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 nine months ended 30 September 2020

	<-----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 2020	149,667	(4,900)	4,561	85,834	235,162	34,659	269,821
Other comprehensive income	-	-	239	-	239	618	857
Loss for the period	-	-	-	(12,119)	(12,119)	(5,249)	(17,368)
Total comprehensive income/(expense) for the period	-	-	239	(12,119)	(11,880)	(4,631)	(16,511)
Disposal of Company's shares held by a subsidiary	-	-	4,929	(936)	3,993	(330)	3,663
Transfer to legal reserve	-	-	159	(159)	-	-	-
Total transaction with owners of the Company	-	-	5,088	(1,095)	3,993	(330)	3,663
At 30 September 2020	149,667	(4,900)	9,888	72,620	227,275	29,698	256,973

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 nine months ended 30 September 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		
At 1 January 2019	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 own shares	-	(327)	-	-	(327)	-	(327)
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 2019 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 2020

	Note	9 months ended 30 September	
		2020	2019
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(14,073)	(1,765)
Adjustments for:			
Depreciation of property, plant and equipment		21,312	23,766
Depreciation of right-of-use assets		20,078	21,204
Provision for Directors' retirement/resignation benefits		437	550
Property, plant and equipment written off		1,689	592
Impairment loss on property, plant and equipment		4,403	-
Impairment loss on goodwill		1,234	-
Impairment loss on right-of-use assets		1,814	-
Gain on disposal of property, plant and equipment		(372)	(313)
Loss/(gain) on termination of lease		278	(7)
Interest income		(245)	(418)
Interest expense		8,436	9,764
Share of loss of equity accounted associates		1,179	37
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)
		60,243	50,633
Operating profit before changes in working capital		46,170	48,868
Changes in working capital:			
Inventories		20,126	20,403
Trade and other receivables		(16,009)	(4,953)
Trade and other payables		1,880	(20,251)
Contract assets		211	-
Contract liabilities		78	-
		52,456	44,067
Cash generated from operations			
Income tax paid		(6,353)	(8,154)
Directors' retirement/resignation benefits paid		(625)	(387)
		45,478	35,526
Net cash from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,630	1,820
Purchase of property, plant and equipment		(8,059)	(22,192)
Interest received		245	418
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		(1,568)	-
Proceeds from liquidation of an associate		-	99
Proceeds from disposal of Company's shares held by a subsidiary		3,663	-
		(4,089)	(16,944)
Net cash used in investing activities			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the nine months ended 30 September 2020 (Cont'd)

	Note	9 months ended 30 September	
		2020	2019
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		-	5,501
Repayment of term loans		(3,892)	(7,973)
Repayment of hire purchase creditors		(4,008)	(3,803)
(Repayment)/drawdown of borrowings (net)		(7,636)	5,707
Repayment of lease liabilities		(15,671)	(21,433)
Proceeds from issuance of shares to non-controlling interests		-	630
Purchase of own shares		-	(327)
Interest paid		(8,436)	(9,764)
Net cash used in financing activities		(39,643)	(31,462)
Net increase/(decrease) in cash and cash equivalents		1,746	(12,880)
Cash and cash equivalents at 1 January		73,556	63,609
Effects of exchange differences on cash and cash equivalents		110	511
Cash and cash equivalents at 30 September	A	75,412	51,240

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
	2020	2019
	RM'000	RM'000
Short term deposits	300	-
Cash and bank balances	86,477	68,539
Bank overdrafts	(11,365)	(17,299)
	75,412	51,240

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the nine months ended 30 September 2020 (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)

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.

	30 September 2019 RM'000
Identifiable assets and liabilities disposed of	
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

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 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 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)

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

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

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 2023 as it is not applicable to the Group.

The adoption of the above MFRSs and Amendments to MFRSs is not expected to have any material financial impact to the Group upon their first adoption.

Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions

Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions which is effective for financial periods beginning on or after 1 June 2020 was early adopted by the Group for the financial year ending 31 December 2020. As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the below mentioned conditions is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

The Group has early adopted the Amendment to MFRS 16 with election to apply the practical expedient as mentioned above to all rent concessions received that meet the conditions. The Group is in the process of assessing the full impact on the application of the practical expedient due to ongoing negotiations with lessors.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial 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.

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 2020, other than following exceptional (expenses)/income:-

	3 months ended 30 September		9 months ended 30 September	
	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	-	-	(4,713)	-
Property, plant and equipment written off arising from closure of outlets	-	-	(1,562)	-
Impairment loss on right-of-use assets	-	-	(1,814)	-
Gain on disposal of a subsidiary	-	-	-	2,316
Gain on re-measurement of retained interest in an associate	-	-	-	2,225
Total	-	-	(9,323)	4,541

5. Changes in estimates

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

7. Dividend paid

The Company did not pay any dividend in the financial period ended 30 September 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
3 months ended 30																
September																
Revenue from external customers	130,782	113,427	54,585	56,038	29,753	32,641	71,930	76,360	245	5,675	269	400	-	-	287,564	284,541
Inter-segment revenue	1,110	784	5,475	358	536	4,908	1	92	1,483	7,693	3,132	2,897	(11,737)	(16,732)	-	-
Total revenue	131,892	114,211	60,060	56,396	30,289	37,549	71,931	76,452	1,728	13,368	3,401	3,297	(11,737)	(16,732)	287,564	284,541
Profit/(loss) before share of profit/(loss) of equity accounted associates, net of tax	3,756	1,302	4,537	1,319	(1,084)	(1,141)	6,911	1,967	(581)	(943)	(430)	(1,072)			13,109	1,432
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	-	-	-	39	7	-	-	(327)	(34)			(288)	(27)
Profit/(loss) before tax	3,756	1,302	4,537	1,319	(1,084)	(1,141)	6,950	1,974	(581)	(943)	(757)	(1,106)			12,821	1,405

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
9 months ended 30 September																
Revenue from external customers	321,277	329,276	146,572	145,902	110,868	132,949	166,777	220,762	827	14,434	1,173	1,180	-	-	747,494	844,503
Inter-segment revenue	3,085	3,297	6,117	787	1,388	6,263	46	262	4,240	25,958	8,695	8,549	(23,571)	(45,116)	-	-
Total revenue	324,362	332,573	152,689	146,689	112,256	139,212	166,823	221,024	5,067	40,392	9,868	9,729	(23,571)	(45,116)	747,494	844,503
Profit/(loss) before share of (loss)/profit of equity accounted associates, net of tax	5,261	3,386	5,837	(1,813)	2,850	269	(21,150)	3,041	(3,361)	(3,919)	(2,331)	(2,692)			(12,894)	(1,728)
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	-	(134)	76	-	-	(1,045)	(113)			(1,179)	(37)
Profit/(loss) before tax	5,261	3,386	5,837	(1,813)	2,850	269	(21,284)	3,117	(3,361)	(3,919)	(3,376)	(2,805)			(14,073)	(1,765)
Segment assets	152,326	154,943	183,150	179,334	66,239	70,048	177,965	170,351	5,579	23,667	49,390	44,098			634,649	642,441

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 financial 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 nine months ended 30 September 2020

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the nine months ended 30 September 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

	30 September 2020 RM'000	31 December 2019 RM'000
Property, plant and equipment	<u>7,839</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 September			9 months ended 30 September		
	2020 RM'000	2019 RM'000	Changes (%)	2020 RM'000	2019 RM'000	Changes (%)
Revenue	287,564	284,541	1.06	747,494	844,503	(11.49)
Operating profit excluding exceptional items	15,578	4,680	232.86	4,865	3,495	39.20
Profit/(loss) before interest and tax	15,290	4,653	228.61	(5,637)	7,999	(170.47)
Profit/(loss) before tax	12,821	1,405	812.53	(14,073)	(1,765)	(697.34)
Profit/(loss) after tax	9,005	336	2,580.06	(17,368)	(6,427)	(170.23)
Profit/(loss) attributable to owners of the Company	7,280	(203)	3,686.21	(12,119)	(6,011)	(101.61)

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

The Group recorded revenue of RM747.5 million and pre-tax loss of RM14.1 million in YTD Q3 2020 as compared to revenue of RM844.5 million and pre-tax loss of RM1.8 million in YTD Q3 2019. The results of the Group were adversely impacted by the resultant movement controls imposed by the respective countries which we operate in 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 pre-tax profit or loss will be explained in the respective operating business segments in Note 14(b).

(ii) Statement of Financial Position

As at 30 September 2020, total equity attributable to owners of the Company decreased to RM227.3 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 September 2020.

Total borrowings of the Group as at 30 September 2020 were lower at RM163.4 million against RM180.7 million as at 31 December 2019.

(iii) Statement of Cash Flows

The Group generated higher net cash from operating activities of RM45.5 million for the nine months ended 30 September 2020 against RM35.5 million in the corresponding period of 2019 due to better working capital management.

Compared to the same period YTD Q3 2019, the net cash used in investing activities was lower at RM4.1 million mainly due to lower purchase of property, plant and equipment while the net cash used in financing activities was higher at RM39.6 million as there was no drawdown of loan financing for the period YTD Q3 2020. The cash and cash equivalents of the Group was RM75.4 million as at 30 September 2020, recording an increase of RM1.8 million against RM73.6 million as at 1 January 2020.

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14. Group's Financial Performance Review and Segmental Analysis (Cont'd)**(b) Segmental analysis (Note 8)**

In Q3 2020, the Group continued with the various business and marketing strategies, austerity measures, cost efficiencies as well as conserving cash flow which was initiated in Q2 2020. Our disciplined focus on these strategic priorities helped us drive a recovery momentum for the Group. Our Q3 2020 results was a testament to our commitment to deliver long-term value to our stakeholders.

(1) Current quarter compared with previous corresponding quarter

The Group recorded revenue of RM287.6 million as compared to RM284.5 million in Q3 2019. The Group achieved pre-tax profit of RM12.8 million in Q3 2020 against RM1.4 million in Q3 2019 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in Q3 2020 was higher at RM131.9 million as compared to RM114.2 million in Q3 2019. The Division achieved higher pre-tax profit of RM3.8 million in Q3 2020 as compared to RM1.3 million in Q3 2019 mainly due to product mix, better margins and cost controls.

(ii) Polymer Engineering Division

The Division achieved higher revenue of RM60.1 million in Q3 2020 against RM56.4 million in Q3 2019. A higher pre-tax profit of RM4.5 million was achieved in Q3 2020 against RM1.3 million in Q3 2019 mainly due to the contribution from our Tex-Shield sales, the better performance from our Vietnam operations as well as the Division's efforts in cost savings.

(iii) Food Division

As anticipated, the performance of Food Division was impacted by the fishing ban in Myeik, Myanmar. Although revenue for Q3 2020 was lower at RM30.3 million, against RM37.5 million in Q3 2019, pre-tax loss of RM1.1 million was recorded in both Q3 2020 and Q3 2019 mainly due to better margins and cost efficiencies.

(iv) Restaurant Division

The Division's dine-in sales continue to be impacted by the implementation of preventive Standard Operating Procedures ("SOPs") which limits our seating capacity. However, leveraging on our brand equity, Sushi King membership apps, the efficiencies built with our food delivery service providers as well as continuing with our cost rationalisation efforts, we achieved revenue of RM71.9 million (Revenue Q3 2019: RM76.5 million) and a pre-tax profit of RM7.0 million (Pre-tax profit Q3 2019: RM2.0 million) in Q3 2020.

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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 Q3 2019, the revenue and pre-tax profit attributed to the food processing services was RM11.9 million and RM0.2 million respectively.

The fluctuation in the revenue and pre-tax loss in Q3 2020 against Q3 2019 for this Division is mainly due to the reclassification mentioned above. In 2020, this Division reflects our biopolymer business which achieved revenue of RM1.7 million in Q3 2020 against RM1.5 million in Q3 2019. A lower pre-tax loss of RM0.6 million was recorded in Q3 2020 against the pre-tax loss of RM1.1 million in Q3 2019 mainly due to cost rationalisation measures.

(2) Current nine (9) months financial period compared with previous corresponding financial period

The Group achieved lower revenue of RM747.5 million in YTD Q3 2020 against RM844.5 million in YTD Q3 2019. A higher pre-tax loss of RM14.1 million was recorded in YTD Q3 2020 against a pre-tax loss of RM1.8 million in YTD Q3 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

Albeit a lower revenue of RM324.4 million in YTD Q3 2020 against RM332.6 million in YTD Q3 2019, the Division achieved a higher pre-tax profit of RM5.3 million in YTD Q3 2020, against RM3.4 million in YTD Q3 2019. This was mainly due to product mix, better margins and cost rationalisation.

(ii) Polymer Engineering Division

The Division achieved a higher revenue of RM152.7 million in YTD Q3 2020 against RM146.7 million in YTD Q3 2019 from the better performances of its operations in Thailand and Vietnam. This enabled the Division to achieve pre-tax profit of RM5.8 million in YTD Q3 2020 against pre-tax loss of RM1.8 million in YTD Q3 2019.

(iii) Food Division

Although the Division recorded lower revenue of RM112.3 million in YTD Q3 2020 against RM139.2 million in YTD Q3 2019, a higher pre-tax profit of RM2.9 million was achieved in YTD Q3 2020 against pre-tax profit of RM0.3 million in YTD Q3 2019 mainly due to better margins and cost efficiencies.

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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 (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 Q3 2020 was lower at RM166.8 million against RM221.0 million in YTD Q3 2019. The lower revenue resulted in a pre-tax loss of RM21.3 million in YTD Q3 2020 as compared to pre-tax profit of RM3.1 million in YTD Q3 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.

(v) Venture Business Division

Our biopolymer business achieved higher revenue of RM5.1 million in YTD Q3 2020 against RM4.0 million in YTD Q3 2019 and a lower pre-tax loss of RM3.4 million in YTD Q3 2020 against pre-tax loss of RM3.6 million in YTD Q3 2019. Included in the YTD Q3 2020 pre-tax loss is the impairment loss on property, plant and equipment of RM1.2 million.

Included in YTD Q3 2019 was revenue and pre-tax profit of RM34.6 million and RM0.2 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 profit or loss for the current and the preceding quarters are as follows:

	Quarter 3	Quarter 2	Changes
	2020	2020	
	RM'000	RM'000	
Revenue	287,564	208,233	38.10
Operating profit/(loss) excluding exceptional items	15,578	(8,526)	282.71
Profit/(loss) before interest and tax	15,290	(16,038)	195.34
Profit/(loss) before tax	12,821	(18,845)	168.03
Profit/(loss) after tax	9,005	(17,933)	150.21
Profit/(loss) attributable to owners of the Company	7,280	(12,469)	158.38

The Group achieved revenue of RM287.6 million in the current quarter, representing an increase of 38.1% against the preceding quarter. This resulted in a pre-tax profit of RM12.8 million, compared to the pre-tax loss of RM18.8 million in the preceding quarter, as the Group continued to drive a recovery momentum with various business and marketing strategies, austerity measures, cost efficiencies, conserving cash flow as well as the various factors as explained in Note 14.

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16. Prospects for 2020

Whilst we managed to deliver our recovery momentum, the global economy continues to face unmatched headwinds due to Covid-19 and its uncertain effects on the economy. As such, we are adjusting and making the necessary changes to reflect this uncertain period considering the ongoing enhanced or conditional Movement Control Order in certain states and districts in Malaysia and other parts of the world, and its physical impact to our restaurant outlets and factory operations.

The Group will continue its efforts to improve its performance through the various business and marketing strategies to drive sales in addition to austerity measures, cost efficiencies to optimise cost structure and cash management to secure resilient cash flow. We remain grounded in the pursuit of our goals with the right mindset, resources and strategy to strengthen and grow our businesses to remain relevant and competitive in the various industries that we are involved in.

17. Profit forecast

Not applicable as no profit forecast was published.

18. Tax expense

The tax expense comprises:

	3 months ended 30 September		9 months ended 30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense/(income)				
- current period	2,530	1,517	5,528	5,182
- prior period	(124)	(390)	(123)	(390)
	<u>2,406</u>	<u>1,127</u>	<u>5,405</u>	<u>4,792</u>
Deferred tax expense/(income)				
- current period	1,411	(58)	(2,101)	(130)
- prior period	(1)	-	(9)	-
Tax expense	<u>3,816</u>	<u>1,069</u>	<u>3,295</u>	<u>4,662</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.

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19. Profit/(loss) for the period

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

	3 months ended		9 months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(109)	(90)	(245)	(418)
Interest expense on loans and borrowings	1,654	2,525	5,880	7,546
Interest expense on lease liabilities	815	723	2,556	2,218
Depreciation of property, plant and equipment	6,678	7,976	21,312	23,766
Depreciation of right-of-use assets	6,467	7,282	20,078	21,204
Impairment loss on goodwill	-	-	1,234	-
(Reversal of)/impairment loss on property, plant and equipment	(183)	-	4,403	-
Impairment loss on right-of-use assets	-	-	1,814	-
Impairment loss on trade receivables	48	19	194	216
Inventories written down	75	275	210	350
Gain on disposal of property, plant and equipment	(216)	(11)	(372)	(313)
(Gain)/loss on termination of lease	(45)	(1)	278	(7)
Property, plant and equipment written off	102	48	1,689	592
Loss/(gain) on foreign exchange	859	(103)	352	10
Provision for Directors' retirement/ resignation benefits	103	181	437	550
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	-	-	-	(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 13,101,309 ordinary shares in the Company, representing 10.87% 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 ("CCM"), 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.

During the quarter ended 30 September 2020, Texcorp sold a total of 5,043,000 TRB Shares. Following thereto, Texcorp has on 14 October 2020 submitted an application to CCM for an extension of time to dispose of the TRB Shares. The outcome of the application will be announced in due course.

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

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21. Loans and borrowings

At 30 September 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)
<u>Unsecured</u>						
<u>Denominated in USD</u>						
Revolving credits	-	-	1,200	4,993	1,200	4,993
Trade financing	-	-	2,013	8,376	2,013	8,376
Term loans	115	479	55	229	170	708
<u>Denominated in THB</u>						
Trade financing	-	-	77,699	10,202	77,699	10,202
Hire purchase creditors	903	119	851	112	1,754	231
<u>Denominated in VND</u>						
Trade financing	-	-	34,311,993	6,176	34,311,993	6,176
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	11,365	-	11,365
Revolving credits	-	-	-	60,020	-	60,020
Trade financing	-	-	-	37,930	-	37,930
Term loans	-	4,344	-	5,426	-	9,770
Hire purchase creditors	-	8,810	-	4,785	-	13,595
Total	-	13,752	-	149,614	-	163,366

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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)
<u>Unsecured</u>						
<u>Denominated in USD</u>						
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
<u>Denominated in THB</u>						
Trade financing	-	-	75,000	10,268	75,000	10,268
Hire purchase creditors	1,662	228	730	100	2,392	328
<u>Denominated in SGD</u>						
Hire purchase creditors	-	-	22	67	22	67
<u>Denominated in VND</u>						
Trade financing	-	-	48,233,333	8,682	48,233,333	8,682
<u>Denominated in RM</u>						
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
Total	-	17,383	-	163,299	-	180,682

Exchange rates applied

	At 30 September 2020	At 31 December 2019
USD/RM	4.161	4.094
THB/RM	0.1313	0.1369
SGD/RM	3.0392	3.0402
VND/RM	0.00018	0.00018

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22. Derivative financial instruments

As at 30 September 2020, the Group has the following outstanding derivative financial instrument:

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value-Net Gain RM'000
Forward exchange contracts			
- Payables	426	427	<u>1</u>
			<u>1</u>

For nine months ended 30 September 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 RM4.4 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 September 2020.

26. Dividends

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

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27. Basic profit/(loss) per share

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

	3 months ended 30 September		9 months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(loss) for the period attributable to owners of the Company	7,280	(203)	(12,119)	(6,011)
Weighted average number of ordinary shares in issue*	120,571	121,193	120,571	121,193
Basic profit/(loss) per share (sen)	6.04	(0.17)	(10.05)	(4.96)

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

In thousands of shares	30 September 2020	30 September 2019
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(3,528)	(2,906)
Weighted average number of ordinary shares	120,571	121,193

BY ORDER OF THE BOARD
**CATHERINE SIEW SEEN WA
GROUP FINANCE DIRECTOR
Date: 23 October 2020**