



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021**

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and six months ended 30 June 2021

	Note	3 months ended 30 June			6 months ended 30 June		
		2021	2020	Changes	2021	2020	Changes
		RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	8	261,189	208,233	25.43	527,926	459,930	14.78
Cost of sales		(213,234)	(168,749)	(26.36)	(419,709)	(359,241)	(16.83)
Gross profit		47,955	39,484	21.45	108,217	100,689	7.48
Distribution costs		(25,064)	(26,219)	4.41	(50,130)	(61,996)	19.14
Administrative expenses		(23,598)	(24,555)	3.90	(49,231)	(55,081)	10.62
Other income		2,049	2,764	(25.87)	5,467	4,441	23.10
Operating profit/ (loss) excluding exceptional items		1,342	(8,526)	115.74	14,323	(11,947)	219.89
Exceptional expenses	4	-	(6,857)	100.00	-	(8,089)	100.00
Share of loss of equity accounted associates, net of tax		(307)	(655)	53.13	(530)	(891)	40.52
Profit/ (loss) before interest and tax		1,035	(16,038)	106.45	13,793	(20,927)	165.91
Finance costs	19	(2,486)	(2,807)	11.44	(5,120)	(5,967)	14.19
(Loss)/ profit before tax		(1,451)	(18,845)	92.30	8,673	(26,894)	132.25
Tax (expense)/ income	18	(369)	912	(140.46)	(3,040)	521	(683.49)
(Loss)/ profit for the period	19	(1,820)	(17,933)	89.85	5,633	(26,373)	121.36
Profit/ (loss) attributable to:							
Owners of the Company		424	(12,469)	103.40	7,059	(19,399)	136.39
Non-controlling interests		(2,244)	(5,464)	58.93	(1,426)	(6,974)	79.55
(Loss)/ profit for the period		(1,820)	(17,933)	89.85	5,633	(26,373)	121.36
Basic profit/ (loss) per share attributable to owners of the Company (sen)	27	0.35	(10.34)	103.38	5.85	(16.09)	136.36

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the quarter and six months ended 30 June 2021 (Cont'd)

	3 months ended			6 months ended		
	30 June			30 June		
	2021	2020	Changes	2021	2020	Changes
Note	RM'000	RM'000	(%)	RM'000	RM'000	(%)
(Loss)/ profit for the period	(1,820)	(17,933)	89.85	5,633	(26,373)	121.36
Other comprehensive (expense)/ income net of tax						
Foreign currency translation differences for foreign operations	(2,414)	1,867	(229.30)	(1,394)	3,139	(144.41)
Total comprehensive (expense)/ income for the period	(4,234)	(16,066)	73.65	4,239	(23,234)	118.24
Total comprehensive (expense)/ income attributable to:						
Owners of the Company	(1,356)	(10,620)	87.23	6,399	(16,621)	138.50
Non-controlling interests	(2,878)	(5,446)	47.15	(2,160)	(6,613)	67.34
Total comprehensive (expense)/ income for the period	(4,234)	(16,066)	73.65	4,239	(23,234)	118.24

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2021

	Note	30 June 2021 (Unaudited) RM'000	31 December 2020 (Audited) RM'000
ASSETS			
Property, plant and equipment		152,103	160,699
Right-of-use assets		95,164	107,590
Investment in associates		6,011	6,541
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		9,900	7,919
Other receivables		3,606	4,016
Total non-current assets		322,666	342,647
Trade receivables		146,352	138,474
Other receivables		35,176	38,748
Contract assets		696	115
Inventories		97,675	81,811
Current tax assets		8,081	7,560
Cash and cash equivalents		67,122	87,503
Derivative financial assets	22	135	-
Total current assets		355,237	354,211
TOTAL ASSETS		677,903	696,858
EQUITY			
Share capital		149,667	149,667
Reserves		104,141	94,232
Total equity attributable to owners of the Company		253,808	243,899
Non-controlling interests		27,326	28,672
TOTAL EQUITY		281,134	272,571
LIABILITIES			
Loans and borrowings	21	12,758	12,068
Lease liabilities		70,453	84,115
Deferred tax liabilities		6,027	5,987
Deferred liabilities		2,483	2,475
Provision		5,686	5,906
Total non-current liabilities		97,407	110,551
LIABILITIES			
Trade payables		73,692	75,239
Other payables		50,580	63,937
Contract liabilities		469	432
Provision		256	89
Loans and borrowings	21	143,649	144,654
Lease liabilities		25,783	25,190
Current tax liabilities		4,649	3,858
Deferred liabilities		284	284
Derivative financial liabilities		-	53
Total current liabilities		299,362	313,736
TOTAL LIABILITIES		396,769	424,287
TOTAL EQUITY AND LIABILITIES		677,903	696,858

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021

	<-----Attributable to owners of the Company----->						Total equity RM'000
	<----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	
At 1 January 2021	149,667	(4,900)	16,239	82,893	243,899	28,672	272,571
Other comprehensive expense	-	-	(660)	-	(660)	(734)	(1,394)
Profit/ (loss) for the period	-	-	-	7,059	7,059	(1,426)	5,633
Total comprehensive (expense)/ income for the period	-	-	(660)	7,059	6,399	(2,160)	4,239
Disposal of Company's shares held by a subsidiary	-	-	3,250	260	3,510	92	3,602
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	(1,063)	(1,063)
Issuance of shares to non-controlling interests	-	-	-	-	-	1,785	1,785
Total transactions with owners of the Company	-	-	3,250	260	3,510	814	4,324
Transfer of legal reserve	-	-	187	(187)	-	-	-
At 30 June 2021	149,667	(4,900)	19,016	90,025	253,808	27,326	281,134

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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----->						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	-	-	2,778	-	2,778	361	3,139
Loss for the period	-	-	-	(19,399)	(19,399)	(6,974)	(26,373)
Total comprehensive income/ (expense) for the period	-	-	2,778	(19,399)	(16,621)	(6,613)	(23,234)
Disposal of Company's shares held by a subsidiary	-	-	1,449	(722)	727	(254)	473
Total transaction with owners of the Company	-	-	1,449	(722)	727	(254)	473
At 30 June 2020	149,667	(4,900)	8,788	65,713	219,268	27,792	247,060

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021

	Note	6 months ended 30 June	
		2021	2020
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		8,673	(26,894)
Adjustments for:			
Depreciation of property, plant and equipment		11,301	14,634
Depreciation of right-of-use assets		12,359	13,611
Provision for Directors' retirement/ resignation benefits		420	334
Property, plant and equipment written off		759	1,587
(Reversal of)/ impairment loss on property, plant and equipment		(33)	4,586
Impairment loss on right-of-use assets		-	1,814
Gain on disposal of property, plant and equipment		(415)	(156)
Loss on termination of lease		-	323
Interest income		(106)	(136)
Interest expense		5,120	5,967
Share of loss of equity accounted associates		530	891
		29,935	43,455
Operating profit before changes in working capital		38,608	16,561
Changes in working capital:			
Inventories		(15,864)	1,206
Trade and other receivables		(3,857)	14,123
Trade and other payables		(11,451)	(25,145)
Contract assets		(581)	152
Contract liabilities		37	135
		6,892	7,032
Cash generated from operations			
Income tax paid		(4,582)	(5,554)
Directors' retirement/ resignation benefits paid		(418)	(652)
		1,892	826
Net cash from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		952	895
Purchase of property, plant and equipment		(4,744)	(6,240)
Interest received		106	136
Subscription of shares in an associate		-	(735)
Proceeds from disposal of Company's shares held by a subsidiary		3,602	473
		(84)	(5,471)
Net cash used in investing activities			

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2021 (Cont'd)

	Note	6 months ended 30 June	
		2021	2020
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		1,197	-
Repayment of term loans		(3,167)	(4,103)
Repayment of hire purchase creditors		(3,076)	(2,516)
(Repayment)/ drawdown of borrowings (net)		(4,001)	2,038
Repayment of lease liabilities		(13,229)	(8,735)
Interest paid		(5,120)	(5,967)
Dividend paid to non-controlling interests		(1,063)	-
Proceeds from issuance of shares to non-controlling interests		1,785	-
Net cash used in financing activities		(26,674)	(19,283)
Net decrease in cash and cash equivalents		(24,866)	(23,928)
Cash and cash equivalents at 1 January		79,028	73,556
Effects of exchange differences on cash and cash equivalents		441	1,167
Cash and cash equivalents at 30 June	A	54,603	50,795

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 2021 RM'000	30 June 2020 RM'000
Short term deposits	2,500	700
Cash and bank balances	64,622	62,252
Bank overdrafts	(12,519)	(12,157)
	54,603	50,795

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.

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 2020. 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 2020.

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 and Amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform – Phase 2
Amendments to MFRS 16	Leases – Interest Rate Benchmark Reform – Phase 2

MFRSs and Amendments effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16	Leases – Covid-19-Related Rent Concession beyond 30 June 2021
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MFRSs 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
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments
Amendments to Illustrative Examples accompanying MFRS 16	Leases
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

MFRSs 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 and Disclosures of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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 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 2020 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 2021.

During the quarter and six months ended 30 June 2020, the exceptional expenses were shown below: -

	3 months ended 30 June 2020	6 months ended 30 June 2020
	RM'000	RM'000
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)
Total	(6,857)	(8,089)

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2021.

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 2021.

7. Dividend paid

The Company did not pay any dividend in the financial period ended 30 June 2021.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134
8. Operating segments

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
3 months ended 30 June																
Revenue from external customers	142,189	88,522	56,023	44,743	22,333	41,622	40,113	32,869	243	276	288	201	-	-	261,189	208,233
Inter-segment revenue	1,352	766	398	452	47	192	-	5	1,731	1,502	2,952	2,615	(6,480)	(5,532)	-	-
Total revenue	143,541	89,288	56,421	45,195	22,380	41,814	40,113	32,874	1,974	1,778	3,240	2,816	(6,480)	(5,532)	261,189	208,233
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	3,915	1,469	4,491	1,510	965	2,163	(9,330)	(22,007)	(506)	(602)	(679)	(723)			(1,144)	(18,190)
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	24	(191)	-	-	(331)	(464)			(307)	(655)
Profit/ (loss) before tax	3,915	1,469	4,491	1,510	965	2,163	(9,306)	(22,198)	(506)	(602)	(1,010)	(1,187)			(1,451)	(18,845)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
6 months ended 30 June																
Revenue from external customers	278,028	190,495	109,637	91,987	40,273	81,115	98,306	94,847	535	582	1,147	904	-	-	527,926	459,930
Inter-segment revenue	2,486	1,975	909	642	425	852	-	45	3,632	2,757	6,165	5,563	(13,617)	(11,834)	-	-
Total revenue	280,514	192,470	110,546	92,629	40,698	81,967	98,306	94,892	4,167	3,339	7,312	6,467	(13,617)	(11,834)	527,926	459,930
Profit/ (loss) before share of loss of equity accounted associates, net of tax	7,468	1,505	9,663	1,300	11	3,934	(6,156)	(28,061)	(820)	(2,780)	(963)	(1,901)			9,203	(26,003)
Share of loss of equity accounted associates, net of tax	-	-	-	-	-	-	(24)	(173)	-	-	(506)	(718)			(530)	(891)
Profit/ (loss) before tax	7,468	1,505	9,663	1,300	11	3,934	(6,180)	(28,234)	(820)	(2,780)	(1,469)	(2,619)			8,673	(26,894)
Segment assets	161,122	135,239	188,908	178,970	58,588	71,007	220,046	179,005	7,159	5,504	42,080	43,036			677,903	612,761

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 2020.

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 2021

Other than as disclosed in Note 20 (where relevant) in these condensed consolidated financial statements for the six months ended 30 June 2021, 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 2020.

13. Commitments

	30 June 2021 RM'000	31 December 2020 RM'000
Property, plant and equipment	<u>7,047</u>	<u>2,558</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		
	2021 RM'000	2020 RM'000	Changes (%)	2021 RM'000	2020 RM'000	Changes (%)
Revenue	261,189	208,233	25.43	527,926	459,930	14.78
Operating profit/ (loss) excluding exceptional items	1,342	(8,526)	115.74	14,323	(11,947)	219.89
Profit/ (loss) before interest and tax	1,035	(16,038)	106.45	13,793	(20,927)	165.91
(Loss)/ profit before tax	(1,451)	(18,845)	92.30	8,673	(26,894)	132.25
(Loss)/ profit after tax	(1,820)	(17,933)	89.85	5,633	(26,373)	121.36
Profit/ (loss) attributable to owners of the Company	424	(12,469)	103.40	7,059	(19,399)	136.39

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

The Group recorded revenue of RM527.9 million and pre-tax profit of RM8.7 million in YTD Q2 2021 against revenue of RM459.9 million and pre-tax loss of RM26.9 million in YTD Q2 2020. 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 June 2021, total equity attributable to owners of the Company increased to RM253.8 million from RM243.9 million as at 31 December 2020 mainly due to profit after tax and the disposal of Company's shares held by a subsidiary during the period ended 30 June 2021.

Total borrowings of the Group decreased slightly to RM156.4 million as at 30 June 2021 against RM156.7 million as at 31 December 2020.

(iii) Statement of Cash Flows

The operating profit resulted in net cash generated from operating activities of RM1.9 million for the six months ended 30 June 2021 as compared to RM0.8 million for YTD Q2 2020.

The net cash used in investing activities for YTD Q2 2021 was lower at RM0.08 million compared to the same period for YTD Q2 2020 of RM5.5 million mainly due to lower purchases of property, plant and equipment as well as proceeds received from the disposal of the Company's shares held by a subsidiary.

The net cash used in financing activities was higher at RM26.7 million in YTD Q2 2021 against RM19.3 million in YTD Q2 2020 due to higher repayments of lease liabilities and borrowings. The cash and cash equivalents of the Group was RM54.6 million as at 30 June 2021 representing a decrease of RM24.9 million against RM79.0 million as at 1 January 2021.

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

The Covid-19 pandemic impacted the performance of the Group in varying degrees. The restrictions imposed on dine-ins and the rising Covid-19 cases adversely impacted the performance of our Restaurant Division while our Industrial and Polymer Engineering Divisions achieved improved results.

(1) Current quarter compared with previous corresponding quarter

In Q2 2021, the Group achieved revenue of RM261.2 million (Q2 2020: RM208.2 million) and pre-tax loss of RM1.5 million (Q2 2020: pre-tax loss of RM18.8 million) due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The Industrial Division achieved a higher revenue of RM143.5 million (Q2 2020: RM89.3 million) in Q2 2021. The higher pre-tax profit of RM3.9 million (Q2 2020: pre-tax profit of RM1.5 million) in Q2 2021 is mainly due to the increase in revenue and product mix.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved revenue of RM56.4 million (Q2 2020: RM45.2 million) and a pre-tax profit of RM4.5 million (Q2 2020: pre-tax profit of RM1.5 million) in Q2 2021 mainly due to the improved performances from the operations in Penang, Vietnam and Thailand. Hard Disk Drive ("HDD") and Medical Life Sciences ("MLS") remain the leading business segments for the Polymer Engineering Division.

(iii) Food Division

The Food Division recorded revenue of RM22.4 million (Q2 2020: RM41.8 million) and a pre-tax profit of RM1.0 million (Q2 2020: pre-tax profit of RM2.2 million) in Q2 2021 as sales were substantially shipped through Yangon port via commercial shipping arrangements. As anticipated, the Food Division's Q2 2021 results were impacted by the annual 3-month fishing ban in Myeik, Myanmar, which started one month earlier in May 2021, compared to June in prior years.

(iv) Restaurant Division

The Restaurant Division recorded revenue of RM40.1 million (Q2 2020: RM32.9 million) and a pre-tax loss of RM9.3 million (Q2 2020: pre-tax loss of RM22.2 million) in Q2 2021 impacted by dine-in restrictions from the various movement control orders to curb the spread of Covid-19.

(v) Venture Business Division

The Venture Business Division achieved revenue of RM2.0 million (Q2 2020: RM1.8 million) and incurred lower pre-tax loss of RM0.5 million (Q2 2020: pre-tax loss of RM0.6 million) in Q2 2021. The higher revenue was attributed to its extruded sheet business while the lower pre-tax loss was due to efficient cost management.

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

The Group achieved revenue of RM527.9 million (YTD Q2 2020: RM459.9 million) and pre-tax profit of RM8.7 million (YTD Q2 2020: pre-tax loss of RM26.9 million) in YTD Q2 2021 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The Industrial Division achieved a higher revenue of RM280.5 million (YTD Q2 2020: RM192.5 million) in YTD Q2 2021. The higher pre-tax profit of RM7.5 million (YTD Q2 2020: pre-tax profit of RM1.5 million) in YTD Q2 2021 is mainly due to higher revenue and product mix.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved revenue of RM110.5 million (YTD Q2 2020: RM92.6 million) and a pre-tax profit of RM9.7 million (YTD Q2 2020: pre-tax profit of RM1.3 million) in YTD Q2 2021 mainly due to the improved performances from the operations in Penang and Thailand.

(iii) Food Division

The performance of the Food Division, impacted by slower commercial shipping from Myanmar as well as the 3-month fishing ban which started earlier in May 2021, recorded a revenue of RM40.7 million (YTD Q2 2020: RM82.0 million) and a pre-tax profit of RM0.01 million (YTD Q2 2020: pre-tax profit of RM3.9 million) in YTD Q2 2021.

(iv) Restaurant Division

The Restaurant Division recorded revenue of RM98.3 million (YTD Q2 2020: RM94.9 million) and a pre-tax loss of RM6.2 million (YTD Q2 2020: pre-tax loss of RM28.2 million) in YTD Q2 2021. Although restrictive measures from the Covid-19 pandemic continue to impact dine-in sales, efficient cost management as well as customer engagement through our Sushi King membership apps mitigated its adversity.

(v) Venture Business Division

The Venture Business Division achieved revenue of RM4.2 million (YTD Q2 2020: RM3.3 million) and incurred lower pre-tax loss of RM0.8 million (YTD Q2 2020: pre-tax loss of RM2.8 million) in YTD Q2 2021. The higher revenue was attributed to its extruded sheet business while the lower pre-tax loss was due to efficient cost management.

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 2	Quarter 1	Changes
	2021	2021	
	RM'000	RM'000	%
Revenue	261,189	266,737	(2.08)
Operating profit excluding exceptional items	1,342	12,981	(89.66)
Profit before interest and tax	1,035	12,758	(91.89)
(Loss)/ profit before tax	(1,451)	10,124	(114.33)
(Loss)/ profit after tax	(1,820)	7,453	(124.42)
Profit attributable to owners of the Company	424	6,635	(93.61)

The Group achieved revenue of RM261.2 million in the current quarter, representing a slight decrease of 2.08% against the preceding quarter. The Group recorded a pre-tax loss of RM1.5 million in the current quarter mainly due to the adverse impact to our restaurant business arising from dine-in restrictions due to the imposition of various movement control orders to curb the spread of Covid-19 as well as the various factors as explained in Note 14.

16. Prospects for 2021

The global economy is gradually recovering, aided by higher rates of vaccination in developed economies. However, fast spreading mutations such as the Delta variant may slow the pace of economic reopening and recovery. Malaysia has re-imposed various movement control orders and sped up nationwide vaccination programme to control the Covid-19 pandemic and move towards economic reopening and recovery.

With the continuous evolvement of the Covid-19 pandemic, the Group will continue to strategise, adapt and navigate through the challenging business environment and endeavour to take timely and appropriate actions to minimise operating risks and optimise its resources so as to ensure that its core businesses remain resilient in these uncertain times and at the same time prepare a good foundation for strong and sustainable recovery post pandemic.

Industrial Division

The Industrial Division will continue to drive its research and development activities to intensify diversification into latex glove chemicals as well as to grow its selective product segments.

Polymer Engineering Division

The Polymer Engineering Division will continue to grow its HDD as well as its MLS business segments. The MLS businesses have expanded to products that support consumer wellbeing, hygiene and health as well as developing more competitive supply sources. Further, demand remains encouraging for data storage devices.

Food Division

The Food Division operations in Myanmar continues despite the political situation. While the weaker Myanmar Kyats currency translates to lower raw material and operational costs, we remain vigilant and will continue to assess the situation in Myanmar.

16. Prospects for 2021 (Cont'd)
Restaurant Division

The Food and Beverage industry remain most susceptible to the impact of various impositions of movement control orders and the rise in Covid-19 cases. The Restaurant Division will continue to engage with its customers through its Sushi King membership apps to drive delivery sales as well as to further build customer loyalty when dine-in restrictions are relaxed or lifted.

Venture Business Division

The Venture Business Division collaboration with its customers is in progress in respect of our biopolymer resin, i.e TEXa®, to move towards achieving the reduction in carbon emissions.

17. Profit forecast

Not applicable as no profit forecast was published.

18. Tax expense/ (income)

The tax expense/ (income) comprises:

	3 months ended		6 months ended	
	30 June		30 June	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current period	2,227	1,823	4,838	2,998
- prior period	128	1	133	1
	2,355	1,824	4,971	2,999
Deferred tax income				
- current period	(1,986)	(2,710)	(1,631)	(3,512)
- prior period	-	(26)	(300)	(8)
Tax expense/ (income)	369	(912)	3,040	(521)

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.

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
19. (Loss)/ profit for the period

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

	3 months ended		6 months ended	
	30 June		30 June	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(45)	(14)	(106)	(136)
Interest expense on loans and borrowings	1,457	1,914	2,973	4,226
Interest expense on lease liabilities	1,029	893	2,147	1,741
Depreciation of property, plant and equipment	5,502	7,146	11,301	14,634
Depreciation of right-of-use assets	6,174	6,812	12,359	13,611
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	64	3,471	(33)	4,586
Impairment loss on right-of-use assets	-	1,814	-	1,814
Impairment loss/ (reversal of impairment loss) on trade receivables	23	83	(16)	146
Inventories written (back)/ down	(369)	208	(528)	135
Gain on disposal of property, plant and equipment	(91)	(74)	(415)	(156)
Loss on termination of leases	-	111	-	323
Property, plant and equipment written off	675	1,570	759	1,587
Loss/ (gain) on foreign exchange	166	(1,101)	(28)	(507)
Provision for Directors' retirement/ resignation benefits	175	277	420	334

20. Status of corporate proposals

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

(A) Liquidation of PT. Sushi King Group Indonesia

On 13 November 2020, the Company announced that PT. Sushi King Group Indonesia, a limited liability company established under the laws of the Republic of Indonesia and owned by the following companies, had on 13 November 2020 obtained its shareholders' approval to commence the liquidation process in accordance with the laws of the Republic of Indonesia ("Liquidation"):

- Sushi King Sdn. Bhd. ("SKSB"), a 70.35% owned subsidiary of Sushi King Holdings Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company; and
- Sushi King (East Malaysia) Sdn. Bhd., a wholly-owned subsidiary of SKSB which in turn is a 70.35% owned subsidiary of Sushi King Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company.

The completion of the Liquidation is pending as at to-date.

(B) Dissolution of Sushi King (Thailand) Ltd.

On 30 November 2020, the Company announced that Sushi King (Thailand) Ltd. ("SKTL"), a wholly-owned subsidiary of Texchem Corporation Sdn. Bhd., which in turn is a 73.94% owned subsidiary of the Company, had on 30 November 2020 obtained its shareholders' approval to dissolve SKTL in accordance with the Thailand Civil and Commercial Code ("Dissolution").

The completion of the Dissolution is pending as at to-date.

21. Loans and borrowings

At 30 June 2021	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	-	-	850	3,533	850	3,533
Trade financing	-	-	837	3,479	837	3,479
Term loans	66	274	41	170	107	444
<u>Denominated in THB</u>						
Trade financing	-	-	91,256	11,827	91,256	11,827
Hire purchase creditors	1,548	201	748	97	2,296	298
Term loans	3,001	389	6,002	778	9,003	1,167
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	141	436	141	436
<u>Denominated in VND</u>						
Trade financing	-	-	20,971,478	3,796	20,971,478	3,796
Term loans	288,983	52	182,516	33	471,499	85
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	12,083	-	12,083
Revolving credits	-	-	-	52,000	-	52,000
Trade financing	-	-	-	48,255	-	48,255
Term loans	-	3,231	-	1,693	-	4,924
Hire purchase creditors	-	8,611	-	5,469	-	14,080
Total	-	12,758	-	143,649	-	156,407

21. Loans and borrowings (Cont'd)

At 31 December 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	-	-	1,000	4,016	1,000	4,016
Trade financing	-	-	1,637	6,574	1,637	6,574
Term loans	103	414	49	197	152	611
<u>Denominated in THB</u>						
Trade financing	-	-	89,968	12,065	89,968	12,065
Hire purchase creditors	1,000	134	662	89	1,662	223
<u>Denominated in VND</u>						
Trade financing	-	-	34,310,344	5,970	34,310,344	5,970
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	8,475	-	8,475
Revolving credits	-	-	-	59,000	-	59,000
Trade financing	-	-	-	39,098	-	39,098
Term loans	-	3,524	-	4,463	-	7,987
Hire purchase creditors	-	7,996	-	4,707	-	12,703
Total	-	12,068	-	144,654	-	156,722

Exchange rates applied

	At 30 June 2021	At 31 December 2020
USD/ RM	4.1565	4.016
THB/ RM	0.1296	0.1341
SGD/ RM	3.0919	3.0383
VND/ RM	0.000181	0.000174

22. Derivative financial instruments

As at 30 June 2021, 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	5,992	6,127	135
			135

For six months ended 30 June 2021, 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 20 July 2021, being a date not earlier than 7 days from date of issue of this quarterly report.

26. Dividends

No dividend has been proposed or declared for the quarter ended 30 June 2021.

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**
27. Basic profit/ (loss) per share

Basic profit/ (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 June		6 months ended 30 June	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/ (loss) for the period attributable to owners of the Company	424	(12,469)	7,059	(19,399)
Weighted average number of ordinary shares in issue*	120,571	120,571	120,571	120,571
Basic profit/ (loss) per share (sen)	0.35	(10.34)	5.85	(16.09)

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

In thousands of shares	30 June 2021	30 June 2020
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(3,528)	(3,528)
Weighted average number of ordinary shares	120,571	120,571

BY ORDER OF THE BOARD

TAN SUAT HOON
CHIEF FINANCIAL OFFICER
Date: 27 July 2021