



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2021**

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

	Note	3 months ended 30 September			9 months ended 30 September		
		2021 RM'000	2020 RM'000	Changes (%)	2021 RM'000	2020 RM'000	Changes (%)
Revenue	8	235,595	287,564	(18.07)	763,521	747,494	2.14
Cost of sales		<u>(191,215)</u>	<u>(218,470)</u>	12.48	<u>(610,924)</u>	<u>(577,711)</u>	(5.75)
Gross profit		44,380	69,094	(35.77)	152,597	169,783	(10.12)
Distribution costs		(20,398)	(30,419)	32.94	(70,528)	(92,415)	23.68
Administrative expenses		(24,007)	(25,734)	6.71	(73,238)	(80,815)	9.38
Other income		<u>4,163</u>	<u>2,637</u>	57.87	<u>9,630</u>	<u>7,078</u>	36.06
Operating profit excluding exceptional items		4,138	15,578	(73.44)	18,461	3,631	408.43
Exceptional expenses	4	-	-	100.00	-	(8,089)	100.00
Share of loss of equity accounted associates, net of tax		<u>(120)</u>	<u>(288)</u>	58.33	<u>(650)</u>	<u>(1,179)</u>	44.87
Profit/ (loss) before interest and tax		4,018	15,290	(73.72)	17,811	(5,637)	415.97
Finance costs	19	<u>(2,533)</u>	<u>(2,469)</u>	(2.59)	<u>(7,653)</u>	<u>(8,436)</u>	9.28
Profit/ (loss) before tax		1,485	12,821	(88.42)	10,158	(14,073)	172.18
Tax expense	18	<u>(1,313)</u>	<u>(3,816)</u>	65.59	<u>(4,353)</u>	<u>(3,295)</u>	(32.11)
Profit/ (loss) for the period	19	172	9,005	(98.09)	5,805	(17,368)	133.42
Profit/ (loss) attributable to:							
Owners of the Company		<u>1,175</u>	<u>7,280</u>	(83.86)	<u>8,234</u>	<u>(12,119)</u>	167.94
Non-controlling interests		<u>(1,003)</u>	<u>1,725</u>	(158.14)	<u>(2,429)</u>	<u>(5,249)</u>	53.72
Profit/ (loss) for the period		172	9,005	(98.09)	5,805	(17,368)	133.42
Basic profit/ (loss) per share attributable to owners of the Company (sen)	27	0.97	6.04	(83.94)	6.83	(10.05)	167.96

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 nine months ended 30 September 2021 (Cont'd)

	3 months ended 30 September			9 months ended 30 September			
	Note	2021 RM'000	2020 RM'000	Changes (%)	2021 RM'000	2020 RM'000	Changes (%)
Profit/ (loss) for the period		172	9,005	(98.09)	5,805	(17,368)	133.42
Other comprehensive (expense)/ income net of tax							
Foreign currency translation differences for foreign operations		(1,698)	(2,282)	25.59	(3,092)	857	(460.79)
Total comprehensive (expense)/ income for the period		(1,526)	6,723	(122.70)	2,713	(16,511)	116.43
Total comprehensive (expense)/ income attributable to:							
Owners of the Company		(237)	4,741	105.00	6,162	(11,880)	151.87
Non-controlling interests		(1,289)	1,982	(165.04)	(3,449)	(4,631)	25.52
Total comprehensive (expense)/ income for the period		(1,526)	6,723	(122.70)	2,713	(16,511)	116.43

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 September 2021

	Note	30 September 2021 (Unaudited) RM'000	31 December 2020 (Audited) RM'000
ASSETS			
Property, plant and equipment		147,395	160,699
Right-of-use assets		94,163	107,590
Investment in associates		5,891	6,541
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		10,816	7,919
Other receivables		4,956	4,016
Total non-current assets		319,103	342,647
Trade receivables		130,654	138,474
Other receivables		31,768	38,748
Contract assets		696	115
Inventories		107,637	81,811
Current tax assets		8,467	7,560
Cash and cash equivalents		73,472	87,503
Derivative financial assets	22	168	-
Total current assets		352,862	354,211
TOTAL ASSETS		671,965	696,858
EQUITY			
Share capital		149,667	149,667
Reserves		103,904	94,232
Total equity attributable to owners of the Company		253,571	243,899
Non-controlling interests		26,037	28,672
TOTAL EQUITY		279,608	272,571
LIABILITIES			
Loans and borrowings	21	10,855	12,068
Lease liabilities		68,575	84,115
Deferred tax liabilities		5,980	5,987
Deferred liabilities		2,642	2,475
Provision		5,787	5,906
Total non-current liabilities		93,839	110,551
LIABILITIES			
Trade payables		52,831	75,239
Other payables		54,209	63,937
Contract liabilities		418	432
Provision		187	89
Loans and borrowings	21	158,783	144,654
Lease liabilities		27,631	25,190
Current tax liabilities		4,175	3,858
Deferred liabilities		284	284
Derivative financial liabilities		-	53
Total current liabilities		298,518	313,736
TOTAL LIABILITIES		392,357	424,287
TOTAL EQUITY AND LIABILITIES		671,965	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 nine months ended 30 September 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	-	-	(2,072)	-	(2,072)	(1,020)	(3,092)
Profit/ (loss) for the period	-	-	-	8,234	8,234	(2,429)	5,805
Total comprehensive (expense)/ income for the period	-	-	(2,072)	8,234	6,162	(3,449)	2,713
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	-	-	184	(184)	-	-	-
At 30 September 2021	149,667	(4,900)	17,601	91,203	253,571	26,037	279,608

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 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 2020 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 2021

	Note	9 months ended 30 September	
		2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		10,158	(14,073)
Adjustments for:			
Depreciation of property, plant and equipment		16,734	21,312
Depreciation of right-of-use assets		18,513	20,078
Provision for Directors' retirement/ resignation benefits		581	437
Property, plant and equipment written off		856	1,689
Impairment loss on property, plant and equipment		2	4,403
Impairment loss on right-of-use assets		-	1,814
Gain on disposal of property, plant and equipment		(526)	(372)
Loss on termination of lease		-	278
Interest income		(137)	(245)
Interest expense		7,653	8,436
Share of loss of equity accounted associates		650	1,179
		<u>44,326</u>	<u>59,009</u>
Operating profit before changes in working capital		54,484	44,936
Changes in working capital:			
Inventories		(25,827)	20,126
Trade and other receivables		13,056	(14,775)
Trade and other payables		(28,711)	1,880
Contract assets		(581)	211
Contract liabilities		(14)	78
		<u>12,407</u>	<u>52,456</u>
Cash generated from operations			
Income tax paid		(7,896)	(6,353)
Directors' retirement/ resignation benefits paid		(414)	(625)
		<u>4,097</u>	<u>45,478</u>
Net cash from operating activities		4,097	45,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,168	1,630
Purchase of property, plant and equipment		(6,728)	(8,059)
Interest received		137	245
Subscription of shares in an associate		-	(1,568)
Proceeds from disposal of Company's shares held by a subsidiary		3,602	3,663
		<u>(1,821)</u>	<u>(4,089)</u>
Net cash used in investing activities		(1,821)	(4,089)

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

	Note	9 months ended 30 September	
		2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		1,180	-
Repayment of term loans		(4,090)	(3,892)
Repayment of hire purchase creditors		(4,351)	(4,008)
Drawdown/ (repayment) of borrowings (net)		10,110	(7,636)
Repayment of lease liabilities		(18,498)	(15,671)
Interest paid		(7,653)	(8,436)
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		(22,580)	(39,643)
Net (decrease)/ increase in cash and cash equivalents		(20,304)	1,746
Cash and cash equivalents at 1 January		79,028	73,556
Effects of exchange differences on cash and cash equivalents		237	110
Cash and cash equivalents at 30 September	A	58,961	75,412

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 2021 RM'000	30 September 2020 RM'000
Short term deposits	2,000	300
Cash and bank balances	71,472	86,477
Bank overdrafts	(14,511)	(11,365)
	58,961	75,412

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 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

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

1. Basis of preparation (Cont'd)

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.

Amendment to MFRS 16 Leases – Covid-19-Related Rent Concession beyond 30 June 2021

The above Amendment which is effective for financial periods beginning on or after 1 April 2021 was early adopted by the Group for the financial year ending 31 December 2021. The Amendment extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022.

The Group is in the process of assessing the full impact on the adoption of the Amendment due to ongoing negotiations with lessors.

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 nine months ended 30 September 2021.

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

	3 months ended 30 September 2020 RM'000	9 months ended 30 September 2020 RM'000
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)
Total	-	(8,089)

5. Changes in estimates

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

7. Dividend paid

The Company did not pay any dividend during the financial period ended 30 September 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																
September																
Revenue from external customers	123,451	130,782	54,409	54,585	19,620	29,753	37,380	71,930	277	245	458	269	-	-	235,595	287,564
Inter-segment revenue	1,536	1,110	565	5,475	321	536	-	1	1,341	1,483	2,929	3,132	(6,692)	(11,737)	-	-
Total revenue	124,987	131,892	54,974	60,060	19,941	30,289	37,380	71,931	1,618	1,728	3,387	3,401	(6,692)	(11,737)	235,595	287,564
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	2,774	3,756	3,715	4,537	2,412	(1,084)	(5,808)	6,911	(564)	(581)	(924)	(430)			1,605	13,109
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	34	39	-	-	(154)	(327)			(120)	(288)
Profit/ (loss) before tax	2,774	3,756	3,715	4,537	2,412	(1,084)	(5,774)	6,950	(564)	(581)	(1,078)	(757)			1,485	12,821

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
9 months ended 30																
September																
Revenue from external customers	401,479	321,277	164,046	146,572	59,893	110,868	135,686	166,777	812	827	1,605	1,173	-	-	763,521	747,494
Inter-segment revenue	4,022	3,085	1,474	6,117	746	1,388	-	46	4,973	4,240	9,094	8,695	(20,309)	(23,571)	-	-
Total revenue	405,501	324,362	165,520	152,689	60,639	112,256	135,686	166,823	5,785	5,067	10,699	9,868	(20,309)	(23,571)	763,521	747,494
Profit/ (loss) before share of loss of equity accounted associates, net of tax	10,242	5,261	13,378	5,837	2,423	2,850	(11,964)	(21,150)	(1,384)	(3,361)	(1,887)	(2,331)			10,808	(12,894)
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	10	(134)	-	-	(660)	(1,045)			(650)	(1,179)
Profit/ (loss) before tax	10,242	5,261	13,378	5,837	2,423	2,850	(11,954)	(21,284)	(1,384)	(3,361)	(2,547)	(3,376)			10,158	(14,073)
Segment assets	155,355	152,326	195,710	183,150	53,138	66,239	218,558	177,965	7,371	5,579	41,833	49,390			671,965	634,649

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 nine months ended 30 September 2021

Other than as disclosed in Note 20 (where relevant) in these condensed consolidated financial statements for the nine months ended 30 September 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 September 2021 RM'000	31 December 2020 RM'000
Property, plant and equipment	<u>6,270</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 September			9 months ended 30 September		
	2021 RM'000	2020 RM'000	Changes (%)	2021 RM'000	2020 RM'000	Changes (%)
Revenue	235,595	287,564	(18.07)	763,521	747,494	2.14
Operating profit excluding exceptional items	4,138	15,578	(73.44)	18,461	3,631	408.43
Profit/ (loss) before interest and tax	4,018	15,290	(73.72)	17,811	(5,637)	415.97
Profit/ (loss) before tax	1,485	12,821	(88.42)	10,158	(14,073)	172.18
Profit/ (loss) after tax	172	9,005	(98.09)	5,805	(17,368)	133.42
Profit/ (loss) attributable to owners of the Company	1,175	7,280	(83.86)	8,234	(12,119)	167.94

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

The Group recorded revenue of RM763.5 million and pre-tax profit of RM10.2 million in YTD Q3 2021 against revenue of RM747.5 million and pre-tax loss of RM14.1 million in YTD Q3 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 September 2021, total equity attributable to owners of the Company increased to RM253.6 million from RM243.9 million as at 31 December 2020 contributed mainly from profit after tax and the disposal of Company's shares held by a subsidiary during the period ended 30 September 2021.

Total borrowings of the Group increased to RM169.6 million as at 30 September 2021 against RM156.7 million as at 31 December 2020.

(iii) Statement of Cash Flows

The Group recorded net cash generated from operating activities of RM4.1 million for YTD Q3 2021 as compared to RM45.5 million for YTD Q3 2020.

The net cash used in investing activities for YTD Q3 2021 was lower at RM1.8 million compared to the same period for YTD Q3 2020 of RM4.1 million mainly due to lower purchases of property, plant and equipment and there was no subscription of shares in an associate for the YTD Q3 2021 as compared to YTD Q3 2020.

The net cash used in financing activities was lower at RM22.6 million for YTD Q3 2021 against RM39.6 million for YTD Q3 2020 due to higher drawdown of loan financing.

The cash and cash equivalents of the Group was RM59.0 million as at 30 September 2021 representing a decrease of RM20.3 million against RM79.0 million as at 1 January 2021.

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

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

In Q3 2021, Malaysia imposed stricter restrictions or lockdowns due to rising Covid-19 cases that caused more business segments to be temporarily shuttered and suspended for widespread mandatory Covid-19 testing and vaccination programs. The food and beverage industry was further hindered by prolonged restrictions imposed on dine-ins. While the performance of our Restaurant Division continue to be adversely impacted, the Industrial and Polymer Engineering Divisions achieved improved results for YTD Q3 2021.

(1) Current quarter compared with previous corresponding quarter

In Q3 2021, the Group achieved lower revenue of RM235.6 million (Q3 2020: RM287.6 million) and pre-tax profit of RM1.5 million (Q3 2020: pre-tax profit of RM12.8 million) due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The Industrial Division achieved a lower revenue of RM125.0 million in Q3 2021 (Q3 2020: RM131.9 million) and a lower pre-tax profit of RM2.8 million in Q3 2021 (Q3 2020: pre-tax profit of RM3.8 million) mainly due to the stricter restrictions and lockdowns imposed in Malaysia as well as in Vietnam whereby customers' factories were temporarily shuttered or operated at lower capacities.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved lower revenue of RM55.0 million in Q3 2021 (Q3 2020: RM60.1 million) and lower pre-tax profit of RM3.7 million in Q3 2021 (Q3 2020: pre-tax profit of RM4.5 million) attributable to the stricter lockdowns and capacity restrictions in Malaysia and Vietnam to curb the spread of Covid-19.

(iii) Food Division

The Food Division recorded a lower revenue of RM19.9 million in Q3 2021 (Q3 2020: RM30.3 million) exacerbated by lower raw materials landing due to bad weather conditions and the Covid-19 pandemic affecting the fishermen in Myanmar.

Despite the lower revenue recorded, the Food Division managed to register a pre-tax profit of RM2.4 million in Q3 2021 (Q3 2020: pre-tax loss of RM1.1 million) due to lower operating costs resulted from the weakening of Myanmar Kyats and higher gross profit margins contributed by certain products.

(iv) Restaurant Division

The Restaurant Division recorded a lower revenue of RM37.4 million in Q3 2021 (Q3 2020: RM71.9 million). In tandem with the lower revenue, the Restaurant Division registered pre-tax loss of RM5.8 million in Q3 2021 (Q3 2020: pre-tax profit of RM7.0 million) impacted by the dine-in restrictions from the various movement control orders imposed in Malaysia to curb the spread of Covid-19.

(v) Venture Business Division

The Venture Business Division achieved revenue of RM1.6 million (Q3 2020: RM1.7 million) and incurred lower pre-tax loss of RM0.6 million (Q3 2020: pre-tax loss of RM0.6 million) in Q3 2021. The slight reduction in revenue was attributed to its conductive sheet business while it registered similar pre-tax loss.

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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**

The Group achieved higher revenue of RM763.5 million in YTD Q3 2021 (YTD Q3 2020: RM747.5 million) and pre-tax profit of RM10.2 million in YTD Q3 2021 (YTD Q3 2020: pre-tax loss of RM14.1 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 RM405.5 million in YTD Q3 2021 (YTD Q3 2020: RM324.4 million). In tandem with the revenue, the Industrial Division achieved higher pre-tax profit of RM10.2 million (YTD Q3 2020: pre-tax profit of RM5.3 million) in YTD Q3 2021 is mainly due to higher revenue and product mix.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved higher revenue of RM165.5 million (YTD Q3 2020: RM152.7 million) and a pre-tax profit of RM13.4 million (YTD Q3 2020: pre-tax profit of RM5.8 million) in YTD Q3 2021 mainly due to the improved performances from most of its operations in Malaysia and its overseas operations in Thailand.

(iii) Food Division

The Food Division recorded a lower revenue of RM60.6 million (YTD Q3 2020: RM112.3 million) and a pre-tax profit of RM2.4 million (YTD Q3 2020: pre-tax profit of RM2.9 million) in YTD Q3 2021 due to the impacts of the disruptions in commercial shipping logistics and the Covid-19 pandemic situation in Myanmar.

(iv) Restaurant Division

The Restaurant Division recorded revenue of RM135.7 million (YTD Q3 2020: RM166.8 million) and a pre-tax loss of RM12.0 million (YTD Q3 2020: pre-tax loss of RM21.3 million) in YTD Q3 2021 impacted by the longer period of dine-in restrictions from the various movement control orders imposed in Malaysia to curb the spread of Covid-19 while improved cost management has contained the pre-tax loss.

(v) Venture Business Division

The Venture Business Division achieved higher revenue of RM5.8 million (YTD Q3 2020: RM5.1 million) and incurred lower pre-tax loss of RM1.4 million (YTD Q3 2020: pre-tax loss of RM3.4 million) in YTD Q3 2021. The higher revenue was attributed to its conductive sheet business while the lower pre-tax loss was due to improved 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 3	Quarter 2	Changes %
	2021	2021	
	RM'000	RM'000	
Revenue	235,595	261,189	(9.80)
Operating profit excluding exceptional items	4,138	1,342	208.35
Profit before interest and tax	4,018	1,035	288.21
Profit/ (loss) before tax	1,485	(1,451)	202.34
Profit/ (loss) after tax	172	(1,820)	109.45
Profit attributable to owners of the Company	1,175	424	177.12

The Group achieved revenue of RM235.6 million in the current quarter (Q2 2021:RM261.2 million) representing a decrease of 9.80%. The Group recorded a pre-tax profit of RM1.5 million (Q2 2021: pre-tax loss of RM1.5 million) as the Group made continuous efforts to improve its performance based on improved cost management despite the Covid-19 pandemic challenges during the current quarter faced by the Group's operations in Malaysia and overseas as well as due to the various factors as explained in Note 14.

16. Prospects for 2021

The rapid progress of the domestic vaccination program and other public health measures had enabled the Malaysian economy to reopen while the external sector will continue to provide support by a gradual normalisation of economic activities. Covid-19 will be an endemic, necessitating both the government and society, in general, to find ways of continuing economic activities and social endeavours while minimising the impact of the virus.

With the ASEAN Governments effort in managing the Covid-19 pandemic, the Group expects the general outlook on the business environments to recover. The Group will continue its effort to drive its performance improvements along the recovery of the economy environments.

Industrial Division

In spite of difficult and challenging business environment such as China's energy crisis and global logistics challenges, the Industrial Division will stay focused in executing its business development and key strategies to sustain its business growth.

Polymer Engineering Division

The Polymer Engineering Division will continue to grow its hard disk drive and medical life sciences business segments as the demand for these segments are encouraging. In addition, it has and will continue to explore and commercialise new products in its other business segments.

Food Division

Despite the challenges of the political situation and logistics disruptions in Myanmar, the Food Division remains vigilant in managing its operational costs and at the same time improving its sourcing and procurement of raw materials for its production requirements.

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

While the food and beverage industry remains challenging due to the rising costs of raw materials, the gradual reopening of the Malaysian economy with the dine-in allowed since August is an encouraging development for the Restaurant Division. The Restaurant Division will continue to undertake key strategies such as refreshing its brand, cost management and leveraging on the adaptation to the new norm such as sales through deliveries, kiosks and satellites to drive its sales.

Venture Business Division

The Venture Business Division will place more emphasis on raw materials management and in identification of strategic partners with its competitive pricing offerings to expedite the launching of its product by these partners.

The Board is cautiously optimistic that the overall performance of the Group for the financial year ending 31 December 2021 will be satisfactory.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense/ (income)				
- current period	2,189	2,530	7,027	5,528
- prior period	85	(124)	218	(123)
	<u>2,274</u>	<u>2,406</u>	<u>7,245</u>	<u>5,405</u>
Deferred tax (income)/ expense				
- current period	(1,257)	1,411	(2,888)	(2,101)
- prior period	296	(1)	(4)	(9)
Tax expense	<u>1,313</u>	<u>3,816</u>	<u>4,353</u>	<u>3,295</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.

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(31)	(109)	(137)	(245)
Interest expense on loans and borrowings	1,535	1,654	4,508	5,880
Interest expense on lease liabilities	998	815	3,145	2,556
Depreciation of property, plant and equipment	5,433	6,678	16,734	21,312
Depreciation of right-of-use assets	6,154	6,467	18,513	20,078
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	35	(183)	2	4,403
Impairment loss on right-of-use assets	-	-	-	1,814
(Reversal of impairment loss)/ impairment loss on trade receivables	(9)	48	(25)	194
Inventories written down/ (back)	102	75	(426)	210
Gain on disposal of property, plant and equipment	(111)	(216)	(526)	(372)
(Gain)/ loss on termination of leases	-	(45)	-	278
Property, plant and equipment written off	97	102	856	1,689
(Gain)/ loss on foreign exchange	(94)	859	(122)	352
Provision for Directors' retirement/ resignation benefits	161	103	581	437

20. Status of corporate proposals

As at 15 October 2021, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, there were no corporate proposals announced and pending completion, save for the following:

(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 September 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	-	-	750	3,143	750	3,143
Trade financing	-	-	1,745	7,312	1,745	7,312
Term loans	55	230	41	172	96	402
<u>Denominated in THB</u>						
Trade financing	-	-	126,455	15,630	126,455	15,630
Hire purchase creditors	1,290	159	748	92	2,038	251
Term loans	3,001	371	6,002	742	9,003	1,113
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	121	373	121	373
<u>Denominated in VND</u>						
Trade financing	-	-	31,237,113	5,748	31,237,113	5,748
Term loans	243,355	45	182,516	34	425,871	79
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	14,138	-	14,138
Revolving credits	-	-	-	52,000	-	52,000
Trade financing	-	-	-	52,549	-	52,549
Term loans	-	2,711	-	1,347	-	4,058
Hire purchase creditors	-	7,339	-	5,503	-	12,842
Total	-	10,855	-	158,783	-	169,638

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
USD/ RM
At 30 September 2021
4.1900

At 31 December 2020

4.016

THB/ RM

0.1236

0.1341

SGD/ RM

3.0788

3.0383

VND/ RM

0.000184

0.000174

22. Derivative financial instruments

As at 30 September 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	7,103	7,271	168
			168

For nine months ended 30 September 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 15 October 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 September 2021.

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 September		9 months ended 30 September	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/ (loss) for the period attributable to owners of the Company	1,175	7,280	8,234	(12,119)
Weighted average number of ordinary shares in issue*	120,571	120,571	120,571	120,571
Basic profit/ (loss) per share (sen)	0.97	6.04	6.83	(10.05)

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

In thousands of shares	30 September 2021	30 September 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	<u>120,571</u>	<u>120,571</u>

BY ORDER OF THE BOARD

TAN SUAT HOON
GROUP CHIEF FINANCIAL OFFICER
Date: 22 October 2021