



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2022**

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and three months ended 31 March 2022

	Note	3 months ended 31 March			3 months ended 31 March		
		2022	2021	Changes	2022	2021	Changes
		RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	8	307,492	266,737	15.28	307,492	266,737	15.28
Cost of sales		<u>(233,490)</u>	<u>(206,475)</u>	(13.08)	<u>(233,490)</u>	<u>(206,475)</u>	(13.08)
Gross profit		74,002	60,262	22.80	74,002	60,262	22.80
Distribution costs		(30,395)	(25,066)	(21.26)	(30,395)	(25,066)	(21.26)
Administrative expenses		(26,320)	(25,633)	(2.68)	(26,320)	(25,633)	(2.68)
Other income		<u>4,922</u>	<u>3,418</u>	44.00	<u>4,922</u>	<u>3,418</u>	44.00
Operating profit		22,209	12,981	71.09	22,209	12,981	71.09
Share of loss of equity accounted associates, net of tax		<u>(194)</u>	<u>(223)</u>	13.00	<u>(194)</u>	<u>(223)</u>	13.00
Profit before interest and tax		22,015	12,758	72.56	22,015	12,758	72.56
Finance costs	19	<u>(3,165)</u>	<u>(2,634)</u>	(20.16)	<u>(3,165)</u>	<u>(2,634)</u>	(20.16)
Profit before tax		18,850	10,124	86.19	18,850	10,124	86.19
Tax expense	18	<u>(4,125)</u>	<u>(2,671)</u>	(54.44)	<u>(4,125)</u>	<u>(2,671)</u>	(54.44)
Profit for the period	19	14,725	7,453	97.57	14,725	7,453	97.57
Profit attributable to:							
Owners of the Company		13,083	6,635	97.18	13,083	6,635	97.18
Non-controlling interests		<u>1,642</u>	<u>818</u>	100.73	<u>1,642</u>	<u>818</u>	100.73
Profit for the period		14,725	7,453	97.57	14,725	7,453	97.57
Basic profit per share attributable to owners of the Company (sen)	27	11.01	5.50	100.18	11.01	5.50	100.18

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the quarter and three months ended 31 March 2022 (Cont'd)

	3 months ended 31 March			3 months ended 31 March			
	Note	2022 RM'000	2021 RM'000	Changes (%)	2022 RM'000	2021 RM'000	Changes (%)
Profit for the period		14,725	7,453	97.57	14,725	7,453	97.57
Other comprehensive income, net of tax							
Foreign currency translation differences for foreign operations		580	1,020	(43.14)	580	1,020	(43.14)
Total comprehensive income for the period		15,305	8,473	80.63	15,305	8,473	80.63
Total comprehensive income attributable to:							
Owners of the Company		13,636	7,755	75.83	13,636	7,755	75.83
Non-controlling interests		1,669	718	132.45	1,669	718	132.45
Total comprehensive income for the period		15,305	8,473	80.63	15,305	8,473	80.63

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2022

	Note	31 March 2022 (Unaudited) RM'000	31 December 2021 (Audited) RM'000
ASSETS			
Property, plant and equipment		144,236	143,699
Right-of-use assets		159,898	88,041
Investment in associates		5,649	5,843
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		13,162	13,801
Other receivables		9,501	9,418
Total non-current assets		388,328	316,684
Trade receivables		157,822	145,951
Other receivables		31,462	33,683
Contract assets		787	742
Inventories		99,438	112,920
Current tax assets		8,773	8,644
Cash and cash equivalents		99,781	108,167
Derivative financial assets	22	130	50
Total current assets		398,193	410,157
TOTAL ASSETS		786,521	726,841
EQUITY			
Share capital		149,667	149,667
Reserves		129,693	121,156
Total equity attributable to owners of the Company		279,360	270,823
Non-controlling interests		30,625	28,956
TOTAL EQUITY		309,985	299,779
LIABILITIES			
Loans and borrowings	21	8,648	9,657
Lease liabilities		131,591	62,848
Deferred tax liabilities		6,090	5,990
Deferred liabilities		2,963	2,766
Provision		5,911	6,002
Total non-current liabilities		155,203	87,263
LIABILITIES			
Trade payables		65,570	85,584
Other payables		57,763	68,157
Contract liabilities		437	372
Provision		203	46
Loans and borrowings	21	163,171	156,528
Lease liabilities		28,853	25,184
Current tax liabilities		5,096	3,688
Deferred liabilities		240	240
Total current liabilities		321,333	339,799
TOTAL LIABILITIES		476,536	427,062
TOTAL EQUITY AND LIABILITIES		786,521	726,841

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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

for the three months ended 31 March 2022

	<-----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 2022	149,667	(4,900)	17,573	108,483	270,823	28,956	299,779
Other comprehensive income	-	-	553	-	553	27	580
Profit for the period	-	-	-	13,083	13,083	1,642	14,725
Total comprehensive income for the period	-	-	553	13,083	13,636	1,669	15,305
Purchase of own shares	-	(5,099)	-	-	(5,099)	-	(5,099)
Total transactions with owners of the Company	-	(5,099)	-	-	(5,099)	-	(5,099)
At 31 March 2022	149,667	(9,999)	18,126	121,566	279,360	30,625	309,985

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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

for the three months ended 31 March 2021

	<-----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 2021	149,667	(4,900)	16,239	82,893	243,899	28,672	272,571
Other comprehensive income/(expense)	-	-	1,120	-	1,120	(100)	1,020
Profit for the period	-	-	-	6,635	6,635	818	7,453
Total comprehensive income for the period	-	-	1,120	6,635	7,755	718	8,473
Disposal of Company's shares held by a subsidiary	-	-	3,250	260	3,510	92	3,602
Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	(1,063)	(1,063)
Total transaction with owners of the Company	-	-	3,250	260	3,510	(971)	2,539
At 31 March 2021	149,667	(4,900)	20,609	89,788	255,164	28,419	283,583

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the three months ended 31 March 2022

	Note	3 months ended 31	
		March	
		2022	2021
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,850	10,124
Adjustments for:			
Depreciation of property, plant and equipment		5,450	5,799
Depreciation of right-of-use assets		7,079	6,185
Provision for Directors' retirement/ resignation benefits		228	245
Property, plant and equipment written off		72	84
Reversal of impairment loss on property, plant and equipment		-	(97)
Gain on disposal of property, plant and equipment		(101)	(324)
Gain on termination of lease		(14)	-
Interest income		(164)	(61)
Interest expense		3,165	2,634
Share of loss of equity accounted associates		194	223
		<u>15,909</u>	<u>14,688</u>
Operating profit before changes in working capital		34,759	24,812
Changes in working capital:			
Inventories		13,482	(6,506)
Trade and other receivables		(9,496)	2,567
Trade and other payables		(30,363)	(8,865)
Contract assets		(45)	(12)
Contract liabilities		65	(4)
		<u>8,402</u>	<u>11,992</u>
Cash generated from operations		8,402	11,992
Income tax paid		(2,105)	(2,359)
Directors' retirement/ resignation benefits paid		(34)	(221)
		<u>6,263</u>	<u>9,412</u>
Net cash from operating activities		6,263	9,412
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		297	810
Purchase of property, plant and equipment		(5,610)	(2,288)
Interest received		164	61
Proceeds from disposal of Company's shares held by a subsidiary		-	3,602
		<u>(5,149)</u>	<u>2,185</u>
Net cash (used in)/ from investing activities		(5,149)	2,185

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the three months ended 31 March 2022 (Cont'd)

	Note	3 months ended 31 March	
		2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans		(658)	(1,833)
Repayment of hire purchase creditors		(1,501)	(1,374)
Drawdown of borrowings (net)		11,065	2,885
Repayment of lease liabilities		(6,505)	(7,289)
Interest paid		(3,165)	(2,634)
Dividend paid to non-controlling interests		-	(1,063)
Purchase of own shares		(5,099)	-
Net cash used in financing activities		(5,863)	(11,308)
Net (decrease)/ increase in cash and cash equivalents		(4,749)	289
Cash and cash equivalents at 1 January		95,387	79,028
Effects of exchange differences on cash and cash equivalents		183	729
Cash and cash equivalents at 31 March	A	90,821	80,046

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:

	31 March 2022 RM'000	31 March 2021 RM'000
Short term deposits	7,750	4,000
Cash and bank balances	92,031	87,264
Bank overdrafts	(8,960)	(11,218)
	90,821	80,046

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

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

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts – Initial Application of MFRS 17
Amendments to MFRS 9	Comparative Information
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
Amendments to MFRS 128

Consolidated Financial Statements
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 2021 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 three months ended 31 March 2022.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and three months ended 31 March 2022.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the three months ended 31 March 2022 other than 3,700,000 of the issued ordinary shares that were repurchased from the open market at an average price of RM1.378 per share for the three months ended 31 March 2022.

7. Dividend paid

The Company did not pay any dividend in the financial period ended 31 March 2022.

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

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
3 months ended 31 March																
Revenue from external customers	131,699	135,839	66,282	53,614	36,836	17,940	71,549	58,193	292	292	834	859	-	-	307,492	266,737
Inter-segment revenue	2,327	1,134	529	511	472	378	3	-	1,817	1,901	3,022	3,213	(8,170)	(7,137)	-	-
Total revenue	134,026	136,973	66,811	54,125	37,308	18,318	71,552	58,193	2,109	2,193	3,856	4,072	(8,170)	(7,137)	307,492	266,737
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	4,349	3,553	4,324	5,172	5,150	(954)	6,166	3,174	(537)	(314)	(408)	(284)			19,044	10,347
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	142	(48)	-	-	(336)	(175)			(194)	(223)
Profit/ (loss) before tax	4,349	3,553	4,324	5,172	5,150	(954)	6,308	3,126	(537)	(314)	(744)	(459)			18,850	10,124
Segment assets	166,243	159,864	207,765	190,384	62,499	61,949	300,640	231,755	6,737	7,485	42,637	44,649			786,521	696,086

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 2021.

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 three months ended 31 March 2022

Other than as disclosed in Note 20 (where relevant) in these condensed consolidated financial statements for the three months ended 31 March 2022, 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 2021.

13. Commitments

	31 March 2022 RM'000	31 December 2021 RM'000
Property, plant and equipment	8,174	9,565

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 31 March			3 months ended 31 March		
	2022 RM’000	2021 RM’000	Changes (%)	2022 RM’000	2021 RM’000	Changes (%)
Revenue	307,492	266,737	15.28	307,492	266,737	15.28
Operating profit	22,209	12,981	71.09	22,209	12,981	71.09
Profit before interest and tax	22,015	12,758	72.56	22,015	12,758	72.56
Profit before tax	18,850	10,124	86.19	18,850	10,124	86.19
Profit after tax	14,725	7,453	97.57	14,725	7,453	97.57
Profit attributable to owners of the Company	13,083	6,635	97.18	13,083	6,635	97.18

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

The Group recorded revenue of RM307.5 million and pre-tax profit of RM18.9 million in Q1 2022 against revenue of RM266.7 million and pre-tax profit of RM10.1 million in Q1 2021. 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 31 March 2022, total equity attributable to owners of the Company increased to RM279.4 million from RM270.8 million as at 31 December 2021 contributed mainly from profit after tax during the financial period ended 31 March 2022.

Total borrowings of the Group increased to RM171.8 million as at 31 March 2022 against RM166.2 million as at 31 December 2021.

(iii) Statement of Cash Flows

The Group recorded net cash generated from operating activities of RM6.3 million for Q1 2022 as compared to RM9.4 million for Q1 2021.

The Group recorded net cash used in investing activities of RM5.1 million for Q1 2022 compared to the same period for Q1 2021 of net cash generated from investing activities of RM2.2 million mainly due to higher purchase of property, plant and equipment for the Q1 2022 as compared to Q1 2021.

The net cash used in financing activities was lower at RM5.9 million for Q1 2022 against RM11.3 million for Q1 2021 due to higher drawdown of loan financing.

The cash and cash equivalents of the Group was RM90.8 million as at 31 March 2022 representing a decrease of RM4.6 million against RM95.4 million as at 1 January 2022.

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 Q1 2022, the Group continued to report satisfactory performance as vaccinations rates reaches a wider population towards herd immunity and the Malaysian Government announced that Malaysia will enter into the "transition to endemic" phase of Covid-19 on 1 April 2022. The improvement in the performance of the Group was majorly contributed by the Food Division and the Restaurant Division.

(1) Current quarter compared with previous corresponding quarter

In Q1 2022, the Group achieved higher revenue of RM307.5 million (Q1 2021: RM266.7 million) and pre-tax profit of RM18.9 million (Q1 2021: pre-tax profit of RM10.1 million) due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The Industrial Division achieved a lower revenue of RM134.0 million in Q1 2022 (Q1 2021: RM137.0 million) as sales were concentrated more on product mix with better margins resulting in a higher pre-tax profit of RM4.3 million recorded in Q1 2022 (Q1 2021: pre-tax profit of RM3.6 million).

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved higher revenue of RM66.8 million in Q1 2022 (Q1 2021: RM54.1 million) due to the increase in sales from major customers in the Malaysian and Thailand operations. A lower pre-tax profit of RM4.3 million in Q1 2022 (Q1 2021: pre-tax profit of RM5.2 million) was recorded due to the increase in the raw materials cost attributable to global supply chain disruptions and inflationary pressures.

(iii) Food Division

The Food Division recorded a higher revenue of RM37.3 million in Q1 2022 (Q1 2021: RM18.3 million) due to improved sales mix which yielded better margins and the weakening of the Myanmar Kyats further contributed to the Food Division registering a pre-tax profit of RM5.2 million in Q1 2022 (Q1 2021: pre-tax loss of RM1.0 million).

(iv) Restaurant Division

The Restaurant Division recorded a higher revenue of RM71.6 million in Q1 2022 (Q1 2021: RM58.2 million). In tandem with the higher revenue, the Restaurant Division registered pre-tax profit of RM6.3 million in Q1 2022 (Q1 2021: pre-tax profit of RM3.1 million) due to better cost structure with the continuous momentum on the resumption of economic and social activities.

(v) Venture Business Division

The Venture Business Division achieved a slight decrease in revenue of RM2.1 million (Q1 2021: RM2.2 million) attributed to its conductive sheet business and consequently, incurred a marginal increase in pre-tax loss of RM0.5 million (Q1 2021: pre-tax loss of RM0.3 million) in Q1 2022.

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

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

	Quarter 1	Quarter 4	Changes
	2022	2021	
	RM'000	RM'000	%
Revenue	307,492	323,750	(5.02)
Operating profit	22,209	23,060	(3.69)
Profit before interest and tax	22,015	23,012	(4.33)
Profit before tax	18,850	20,522	(8.15)
Profit after tax	14,725	20,151	(26.93)
Profit attributable to owners of the Company	13,083	17,181	(23.85)

The Group achieved revenue of RM307.5 million in the current quarter (Q4 2021: RM323.8 million) representing a decrease of 5.02%. In tandem with lower revenue, the Group recorded a pre-tax profit of RM18.9 million (Q4 2021: pre-tax profit of RM20.5 million) representing a decrease of 8.15% attributable mainly by the lower revenue and pre-tax profit for the Restaurant Division compared to Q4 2021 impacted by the sudden surge in Omicron cases during the current Q1 2022 as well as due to the various factors as explained in Note 14 for the Group's operations in Malaysia and overseas.

16. Prospects for 2022

From 1 April 2022 onwards, the Malaysian Government has announced that Malaysia will enter into endemic phase with traveling and business operating hours restrictions lifted. It is anticipated that businesses will gradually recover to the pre Covid-19 pandemic level with more relaxed Covid-19 rules and standard operating procedures. However, while the global economies is in the midst of recovering from the impact of Covid-19, the Ukraine-Russia conflict and the continual supply chain disruptions due to the recent lockdowns in China dampens the global economic recovery with more uncertainties. The Board expects the outlook of the Group for the forthcoming quarter to remain cautiously optimistic.

17. Profit forecast

Not applicable as no profit forecast was published.

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

The tax expense comprises:

	3 months ended 31 March		3 months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
- current period	3,383	2,611	3,383	2,611
- prior period	1	5	1	5
	3,384	2,616	3,384	2,616
Deferred tax expense/ (income)				
- current period	741	355	741	355
- prior period	-	(300)	-	(300)
Tax expense	4,125	2,671	4,125	2,671

19. Profit for the period

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

	3 months ended 31 March		3 months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	(164)	(61)	(164)	(61)
Interest expense on loans and borrowings	1,645	1,516	1,645	1,516
Interest expense on lease liabilities	1,520	1,118	1,520	1,118
Depreciation of property, plant and equipment	5,450	5,799	5,450	5,799
Depreciation of right-of-use assets	7,079	6,185	7,079	6,185
Reversal of impairment loss on property, plant and equipment	-	(97)	-	(97)
Reversal of impairment loss on trade receivables	(4)	(39)	(4)	(39)
Inventories written down/ (back)	278	(159)	278	(159)
Gain on disposal of property, plant and equipment	(101)	(324)	(101)	(324)
Gain on termination of leases	(14)	-	(14)	-
Property, plant and equipment written off	72	84	72	84
Gain on foreign exchange	(2,026)	(194)	(2,026)	(194)
Provision for Directors' retirement/ resignation benefits	228	245	228	245

20. Status of corporate proposals

As at 18 April 2022, 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"):

- (a) Sushi King Sdn Bhd ("SKSB"), which was a 70.35% owned subsidiary of Sushi King Holdings Sdn Bhd as at 13 November 2020, which in turn is a wholly-owned subsidiary of the Company; and
- (b) Sushi King (East Malaysia) Sdn Bhd, a wholly-owned subsidiary of SKSB.

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").

On 3 March 2022, the Company announced that SKTL has on 3 March 2022 obtained the confirmation from its consultant in Thailand that SKTL was officially dissolved on 2 March 2022.

Accordingly, the Dissolution of SKTL was completed on 2 March 2022.

(C) Proposed Acquisition of 1.40 million ordinary shares in Sushi King Sdn Bhd

On 19 January 2022, the Company announced the proposed acquisition of 1.40 million ordinary shares in Sushi King Sdn Bhd ("SKSB") (as at 19 January 2022, SKSB was a 70.35% owned subsidiary of Sushi King Holdings Sdn Bhd which in turn is a wholly-owned subsidiary of the Company), representing 28% of the issued share capital of Sushi King by Sushi King Holdings Sdn Bhd, from Asia Yoshinoya International Sdn Bhd for a total cash consideration of RM102.20 million ("Proposed Acquisition").

The Proposed Acquisition was approved by the shareholders of the Company on 30 March 2022.

The Proposed Acquisition was completed on 18 April 2022 and SKSB is presently a 98.35% owned subsidiary of Sushi King Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company.

(D) Dissolution of Sushi King Company Limited

On 17 February 2022, the Company announced that Sushi King Company Ltd ("SKCL"), a wholly-owned subsidiary of Sushi King Sdn Bhd, which in turn was a 70.35% owned subsidiary of Sushi King Holdings Sdn Bhd ("SKHSB") as at 17 February 2022 while SKHSB is a wholly-owned subsidiary of the Company, had on 17 February 2022 obtained its member's approval to dissolve SKCL and submitted the relevant application to the Business Registration Office of the Department of Planning and Investment of Ho Chi Minh City for commencement of dissolution ("Dissolution").

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

20. Status of corporate proposals (Cont'd)**(E) Proposed establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of Texchem Resources Bhd ("TRB") (excluding treasury shares, if any)**

On 15 March 2022, Mercury Securities Sdn Bhd ("Mercury Securities"), on behalf of the Board of Directors of the Company ("Board"), announced that the Company proposed to establish an Employees' Share Option Scheme of up to 15% of the total number of issued shares of TRB (excluding treasury shares, if any) for the eligible directors and employees of TRB and its subsidiaries (excluding subsidiaries which are dormant, if any) ("Proposed ESOS").

On behalf of the Board, Mercury Securities announced that the listing application in relation to the Proposed ESOS has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 March 2022.

On 24 March 2022, Mercury Securities further announced that Bursa Securities has vide its letter dated 23 March 2022 resolved to approve the listing of such number of additional new TRB shares, representing up to 15% of the total number of issued shares of TRB (excluding treasury shares, if any), to be issued pursuant to the exercise of the ESOS options under the Proposed ESOS, subject to the following conditions:

- (i) Mercury Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Main Market Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed ESOS; and
- (ii) TRB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of TRB shares listed pursuant to the issuance of new TRB shares under the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fees payable.

An Extraordinary General Meeting was held on 22 April 2022 where the shareholders approved the resolutions tabled in connection with the Proposed ESOS.

21. Loans and borrowings

At 31 March 2022	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	-	-	700	2,944	700	2,944
Trade financing	-	-	2,406	10,120	2,406	10,120
Term loans	34	143	41	172	75	315
<u>Denominated in THB</u>						
Trade financing	-	-	97,602	12,308	97,602	12,308
Hire purchase creditors	585	74	1,021	129	1,606	203
Term loans	-	-	6,001	757	6,001	757
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	19	59	19	59
<u>Denominated in VND</u>						
Trade financing	-	-	40,575,726	7,466	40,575,726	7,466
Term loans	152,097	28	182,516	34	334,613	62
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	8,901	-	8,901
Revolving credits	-	-	-	52,000	-	52,000
Trade financing	-	-	-	63,069	-	63,069
Term loans	-	2,538	-	571	-	3,109
Hire purchase creditors	-	5,865	-	4,641	-	10,506
Total	-	8,648	-	163,171	-	171,819

21. Loans and borrowings (Cont'd)

At 31 December 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	-	-	700	2,925	700	2,925
Trade financing	-	-	2,965	12,388	2,965	12,388
Term loans	45	188	41	171	86	359
<u>Denominated in THB</u>						
Trade financing	-	-	108,069	13,519	108,069	13,519
Hire purchase creditors	870	109	995	124	1,865	233
Term loans	1,500	188	6,001	751	7,501	939
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	84	260	84	260
<u>Denominated in VND</u>						
Trade financing	-	-	30,143,802	5,516	30,143,802	5,516
Term loans	197,725	36	182,516	33	380,241	69
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	12,520	-	12,520
Revolving credits	-	-	-	52,000	-	52,000
Trade financing	-	-	-	50,350	-	50,350
Term loans	-	2,537	-	989	-	3,526
Hire purchase creditors	-	6,599	-	4,982	-	11,581
Total	-	9,657	-	156,528	-	166,185

Exchange rates applied

	At 31 March 2022	At 31 December 2021
USD/ RM	4.206	4.178
THB/ RM	0.1261	0.1251
SGD/ RM	3.1082	3.0912
VND/ RM	0.000184	0.000183

22. Derivative financial instruments

As at 31 March 2022, the Group has the following outstanding derivative financial instruments:

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value-Net Gain RM'000
Forward exchange contracts - Payables	6,936	7,066	130
			<u>130</u>

For the three months ended 31 March 2022, 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 the 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 18 April 2022, being a date not earlier than 7 days from date of issue of this quarterly report.

26. Dividends

On 22 March 2022, the Company declared a single tier final dividend of 10 sen per share for the financial year ended 31 December 2021 which will be payable on 27 May 2022 to the depositors who are registered in the Record of Depositors at the close of business on 12 May 2022.

27. Basic profit per share

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

	3 months ended 31 March		3 months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the period attributable to owners of the Company	13,083	6,635	13,083	6,635
Weighted average number of ordinary shares in issue*	118,849	120,571	118,849	120,571
Basic profit per share (sen)	11.01	5.50	11.01	5.50

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

In thousands of shares	31 March 2022	31 March 2021
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(5,250)	(3,528)
Weighted average number of ordinary shares	118,849	120,571

BY ORDER OF THE BOARD

TAN SUAT HOON
GROUP CHIEF FINANCIAL OFFICER
Date: 25 April 2022