



TEXCHEM RESOURCES BHD
(Registration No. 197301002868 (16318-K))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2022

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
for the quarter and twelve months ended 31 December 2022



	Note	3 months ended		Changes (%)	12 months ended		Changes (%)
		31 December			31 December		
		2022 RM'000	2021 RM'000		2022 RM'000	2021 RM'000	
Revenue	8	251,764	323,750	(22.24)	1,143,306	1,087,271	5.15
Cost of sales		(188,482)	(248,959)	24.29	(860,460)	(859,883)	(0.07)
Gross profit		63,282	74,791	(15.39)	282,846	227,388	24.39
Distribution costs		(32,953)	(27,433)	(20.12)	(129,988)	(97,961)	(32.69)
Administrative expenses		(33,516)	(28,162)	(19.01)	(121,094)	(101,400)	(19.42)
Other income		9,421	3,864	143.81	22,370	13,494	65.78
Operating profit excluding exceptional items		6,234	23,060	(72.97)	54,134	41,521	30.38
Exceptional income	4	-	-	-	1,579	-	-
Share of loss of equity accounted associates, net of tax		(389)	(48)	(710.42)	(874)	(698)	(25.21)
Profit before interest and tax		5,845	23,012	(74.60)	54,839	40,823	34.33
Finance costs		(4,167)	(2,490)	(67.35)	(15,826)	(10,143)	(56.03)
Profit before tax		1,678	20,522	(91.82)	39,013	30,680	27.16
Tax expense	18	(2,319)	(371)	(525.07)	(14,656)	(4,724)	(210.25)
(Loss)/ Profit for the period/ year	19	(641)	20,151	(103.18)	24,357	25,956	(6.16)
(Loss)/ Profit attributable to:							
Owners of the Company		(264)	17,181	(101.54)	21,901	25,415	(13.83)
Non-controlling interests		(377)	2,970	(112.69)	2,456	541	353.97
(Loss)/ Profit for the period/ year		(641)	20,151	(103.18)	24,357	25,956	(6.16)
(Loss)/ Earnings per share attributable to owners of the Company (sen)							
- Basic	27	(0.22)	14.25	(101.56)	18.48	21.08	(12.33)
- Diluted	27	(0.22)	14.25	(101.56)	18.28	21.08	(13.27)

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 twelve months ended 31 December 2022

	Note	3 months ended			12 months ended		
		31 December		Changes	31 December		Changes
		2022	2021		2022	2021	
		RM'000	RM'000	(%)	RM'000	RM'000	(%)
(Loss)/Profit for the period/ year		(641)	20,151	(103.18)	24,357	25,956	(6.16)
Other comprehensive (expense)/ income, net of tax							
Foreign currency translation differences for foreign operations		(2,249)	20	(11,345.00)	1,262	(3,072)	141.08
Foreign currency translation differences realised on deconsolidation of a subsidiary		-	-	-	(918)	-	-
Total other comprehensive (expense)/ income for the period/ year		(2,890)	20,171	(114.33)	24,701	22,884	7.94
Total comprehensive (expense)/ income attributable to:							
Owners of the Company		(2,245)	17,252	(113.01)	22,865	23,414	(2.34)
Non-controlling interests		(645)	2,919	(122.10)	1,836	(530)	446.42
Total comprehensive (expense)/ income for the period/ year		(2,890)	20,171	(114.33)	24,701	22,884	7.94

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.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 31 December 2022



	31 December 2022 (Unaudited) RM'000	31 December 2021 (Audited) RM'000
ASSETS		
Property, plant and equipment	149,455	143,699
Right-of-use assets	145,298	88,041
Investment in associates	4,969	5,843
Intangible assets		
- Goodwill	34,382	34,382
- Trademarks	21,500	21,500
Deferred tax assets	12,180	13,801
Other receivables	11,095	9,418
Total non-current assets	378,879	316,684
Trade receivables	114,007	145,951
Other receivables	32,325	33,683
Contract assets	653	742
Inventories	111,211	112,920
Current tax assets	10,675	8,644
Cash and cash equivalents	96,048	108,167
Derivative financial assets	-	50
Total current assets	364,919	410,157
TOTAL ASSETS	743,798	726,841
EQUITY		
Share capital	157,853	149,667
Reserves	33,529	121,156
Total equity attributable to owners of the Company	191,382	270,823
Non-controlling interests	22,383	28,956
TOTAL EQUITY	213,765	299,779
LIABILITIES		
Loans and borrowings	22,029	9,657
Lease liabilities	117,134	62,848
Deferred tax liabilities	5,987	5,990
Deferred liabilities	3,318	2,766
Provision	6,328	6,002
Other payable	50,000	-
Total non-current liabilities	204,796	87,263
LIABILITIES		
Trade payables	50,933	85,584
Other payables	100,806	68,157
Contract liabilities	444	372
Provision	46	46
Loans and borrowings	138,071	156,528
Lease liabilities	29,462	25,184
Current tax liabilities	5,147	3,688
Deferred liabilities	240	240
Derivative financial liabilities	88	-
Total current liabilities	325,237	339,799
TOTAL LIABILITIES	530,033	427,062
TOTAL EQUITY AND LIABILITIES	743,798	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 twelve months ended 31 December 2022

	-----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	Share option reserve RM'000	Other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000		
At 1 January 2022	149,667	(4,900)	-	17,573	108,483	270,823	28,956	299,779
Other comprehensive income/(expense) for the year	-	-	-	964	-	964	(620)	344
Profit for the year	-	-	-	-	21,901	21,901	2,456	24,357
Total comprehensive income for the year	-	-	-	964	21,901	22,865	1,836	24,701
Dilution of interest in existing subsidiaries	-	-	-	-	(1,155)	(1,155)	7,174	6,019
Purchase of own shares	-	(5,099)	-	-	-	(5,099)	-	(5,099)
Share-based payments	-	-	9,446	-	-	9,446	-	9,446
Share option exercised	2,616	-	(2,616)	-	-	-	-	-
Issue of shares pursuant to Employees' Share Option Scheme	5,570	-	-	-	-	5,570	-	5,570
Issue of shares to non-controlling interests	-	-	-	-	-	-	3,514	3,514
Dividends paid to owners of the Company	-	-	-	-	(21,211)	(21,211)	-	(21,211)
Dividend payable to non-controlling interests	-	-	-	-	-	-	(735)	(735)
	8,186	(5,099)	6,830	-	(22,366)	(12,449)	9,953	(2,496)
Acquisition of non-controlling interests* without a change in control	-	-	-	-	(89,857)	(89,857)	(18,362)	(108,219)
Total transaction with owners of the Company	8,186	(5,099)	6,830	-	(112,223)	(102,306)	(8,409)	(110,715)
At 31 December 2022	157,853	(9,999)	6,830	18,537	18,161	191,382	22,383	213,765

* Please refer to Note C to the Condensed Consolidated Statement of Cash Flows.

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 twelve months ended 31 December 2021 (cont'd)

	<-----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 (expense)/income for the year	-	-	(2,001)	-	2,001	(1,071)	3,072
Profit for the year	-	-	-	25,415	25,415	541	25,956
Total comprehensive (expense)/income for the year	-	-	(2,001)	25,415	23,414	(530)	22,884
Disposal of Company's shares held by subsidiary	-	-	3,252	258	3,510	92	3,602
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	(1,063)	1,063
Issue of shares to non-controlling interests	-	-	-	-	-	1,785	1,785
Total transaction with owners of the Company	-	-	3,252	258	3,510	814	4,324
Transfer of legal reserve	-	-	83	(83)	-	-	-
At 31 December 2021	149,667	(4,900)	17,573	108,483	270,823	28,956	299,779

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 twelve months ended 31 December 2022

	Note	12 months ended 31 December	
		2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,013	30,680
Adjustments for:			
Depreciation of property, plant and equipment		21,002	21,881
Depreciation of right-of-use assets		30,211	25,813
Provision for Directors' retirement/ resignation benefits		636	635
Property, plant and equipment written off		366	1,050
Impairment loss on property, plant and equipment		291	880
Impairment loss on right-of-use assets		17	71
Gain on disposal of property, plant and equipment		(834)	(666)
Gain on termination of lease		(486)	(94)
Gain on deconsolidation of a subsidiary	B	(1,579)	-
Interest income		(1,089)	(189)
Interest expense		15,826	10,143
Share-based payments		9,446	-
Share of loss of equity accounted associates		874	698
		<u>74,681</u>	<u>60,222</u>
Operating profit before changes in working capital		113,694	90,902
Changes in working capital:			
Inventories		2,564	(31,735)
Trade and other receivables		32,966	(10,280)
Trade and other payables		(30,628)	21,125
Contract assets		89	(627)
Contract liabilities		72	(60)
		<u>118,757</u>	<u>69,325</u>
Cash generated from operations		118,757	69,325
Income tax paid		(13,651)	(11,901)
Directors' retirement/ resignation benefits paid		(100)	(387)
Restoration costs paid		(96)	(119)
		<u>104,910</u>	<u>56,918</u>
Net cash from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		2,568	1,558
Purchase of property, plant and equipment		(22,844)	(9,658)
Interest received		1,089	189
Deconsolidation of a subsidiary, net of cash and cash equivalents	B	(293)	-
Proceeds from disposal of Company's shares held by a subsidiary		-	3,602
		<u>(19,480)</u>	<u>(4,309)</u>
Net cash used in investing activities			

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

	Note	12 months ended 31 December	
		2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		10,000	1,167
Repayment of term loans		(2,946)	(4,868)
Repayment of hire purchase creditors		(5,567)	(5,632)
(Repayment)/ Drawdown of other borrowings (net)		(9,751)	10,073
Repayment of lease liabilities		(28,579)	(27,842)
Interest paid		(15,826)	(10,143)
Dividends paid to owners of the Company	7	(21,211)	-
Dividends paid to non-controlling interests		-	(1,063)
Proceeds from issuance of shares to non-controlling interests		3,514	1,785
Purchase of own shares		(5,099)	-
Proceeds from issuance of shares pursuant to Employees' Share Option Scheme		5,570	-
Acquisition of non-controlling interests	C	(27,200)	-
Net cash used in financing activities		(97,095)	(36,523)
Net (decrease)/increase in cash and cash equivalents		(11,665)	16,086
Cash and cash equivalents at 1 January		95,387	79,028
Effects of exchange differences on cash and cash equivalents		1,206	273
Cash and cash equivalents at 31 December	A	84,928	95,387

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 December 2022 RM'000	31 December 2021 RM'000
Short term deposits	4,000	12,350
Cash and bank balances	92,048	95,817
Bank overdrafts	(11,120)	(12,780)
	84,928	95,387

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the twelve months ended 31 December 2022 (cont'd)

Note B: Deconsolidation of a subsidiary

On 9 May 2022, the Group completed the dissolution of Sushi King Company Limited, a wholly-owned subsidiary of Sushi King Sdn. Bhd.^(a), which in turn was then a 98.35% owned subsidiary of Sushi King Holdings Sdn. Bhd.^(b), which was then a wholly-owned subsidiary of the Company. Accordingly, the Group deconsolidated this subsidiary and derecognised its assets and liabilities.

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

	31 December 2022 RM'000
Identifiable assets and liabilities deconsolidated	
Cash and cash equivalents	293
Trade and other receivables	82
Trade and other payables	(3,387)
Net identifiable liabilities	(3,012)
Net off with amount due from a subsidiary	2,351
Transfer from foreign currency translation reserve	(918)
Gain on deconsolidation of a subsidiary	(1,579)
Net cash outflow arising from deconsolidation of a subsidiary	(293)

Note C: Acquisition of non-controlling interests without a change in control

- (i) On 18 April 2022, the Group completed the proposed acquisition of 1.40 million ordinary shares in Sushi King Sdn. Bhd. ("SKSB")^(a), representing 28% of the issued share capital of SKSB by Sushi King Holdings Sdn. Bhd.^(b), which was then a wholly-owned subsidiary of the Company, from Asia Yoshinoya International Sdn. Bhd. ("AYI") for a total cash consideration of RM102.20 million to be paid over a period of five (5) years. The carrying amount of SKSB Group's net assets in the Group's consolidated financial statements on the date of the acquisition was RM61.80 million.
- (ii) On 6 July 2022, Sushi King Holdings Sdn. Bhd.^(b), which was then a wholly-owned subsidiary of the Company, has entered into Share Sale Agreements ("SSA") with Inspire Investment Corporation and Inspire Corporation to acquire the remaining equity interest comprising of a total of 82,452 ordinary shares in Sushi King Sdn. Bhd. ("SKSB")^(a) on the terms and subject to the conditions as stipulated in the SSA for a total consideration of RM6.0 million. The carrying amount of SKSB Group's net assets in the Group's consolidated financial statements on the date of the acquisition was RM64.80 million.

Remarks:

- ^(a) As at the reporting date, Sushi King Sdn. Bhd. is a wholly-owned subsidiary of Sushi King Holdings Sdn. Bhd., which in turn is a 97.80% owned subsidiary of the Company.
- ^(b) As at the reporting date, Sushi King Holdings Sdn. Bhd. is a 97.80% owned subsidiary of the Company.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the twelve months ended 31 December 2022 (cont'd)

Note C: Acquisition of non-controlling interests without a change in control (cont'd)

	31 December 2022 RM'000
<u>Acquisition of non-controlling interests from AYI</u>	
Carrying amount of non-controlling interests acquired	17,294
Consideration paid to AYI	(27,200)
Unpaid balance	(75,000)
A decrease in equity attributable to owners of the Company	(i) <u>(84,906)</u>
<u>Acquisition of non-controlling interests from Inspire Investment Corporation and Inspire Corporation</u>	
Carrying amount of non-controlling interests acquired	1,068
Issuance of 3,009,498 new ordinary shares at the issue price of RM1.00 per share in the capital SKHSB to Inspire Investment Corporation	(3,009)
Issuance of 3,009,498 new ordinary shares at the issue price of RM1.00 per share in the capital SKHSB to Inspire Corporation	(3,010)
	<u>(6,019)</u>
A decrease in equity attributable to owners of the Company	(ii) <u>(4,951)</u>
	Total (i) + (ii) <u>(89,857)</u>

The decrease in equity attributable to owners of the Company comprised a decrease in retained earnings of RM89.90 million.

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 same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the financial year ended 31 December 2021 except for the adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) issued by the MASB:

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)

The above amendments to MFRSs are either not relevant or do not have material impacts on the Group’s financial statements for the current financial period.

The following are MFRSs and amendment to MFRSs that have been issued by the Malaysia Accounting Standard Board but are not yet effective to the Group’s current financial period:

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 annual period beginning on or after 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 plans to apply the abovementioned amendments to MFRSs, where applicable in the respective financial year, when the abovementioned amendments to MFRSs become effective.

The initial application of the amendments to MFRSs is not expected to have any material financial impacts to the Group's financial statements.

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 twelve months ended 31 December 2022 except for the gain on deconsolidation of a subsidiary of RM1.58 million.

5. Changes in estimates

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

7. Dividend paid

The Company had declared and paid the following dividend:

	Sen per share (Single tier)	Amount RM'000	Date of entitlement	Date of payment
Final dividend 2021	10.0	11,687	12 May 2022	27 May 2022
First interim dividend 2022	8.0	9,524	24 August 2022	19 September 2022
		<u>21,211</u>		

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	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31																
December																
Revenue from external customers	95,828	152,207	49,618	65,466	26,076	29,221	79,563	76,249	279	193	400	414	-	-	251,764	323,750
Inter-segment revenue	2,082	1,398	428	987	192	174	3	(294)	815	1,662	3,213	3,398	(6,733)	(7,325)	-	-
Total revenue	97,910	153,605	50,046	66,453	26,268	29,395	79,566	75,955	1,094	1,855	3,613	3,812	(6,733)	(7,325)	251,764	323,750
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	1,408	3,646	1,558	4,753	(1,709)	2,970	4,406	10,572	(986)	(641)	(2,610)	(730)	-	-	2,067	20,570
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	77	87	-	-	(466)	(135)	-	-	(389)	(48)
Profit/ (loss) before tax	1,408	3,646	1,558	4,753	(1,709)	2,970	4,483	10,659	(986)	(641)	(3,076)	(865)	-	-	1,678	20,522

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	
	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
12 months ended 31																
December																
Revenue from external customers	483,194	553,686	240,101	229,512	110,205	89,114	306,320	211,935	1,450	1,005	2,036	2,019	-	-	1,143,306	1,087,271
Inter-segment revenue	9,756	5,420	1,885	2,461	1,351	920	8	-	6,151	6,635	12,474	12,492	(31,625)	(27,928)	-	-
Total revenue	492,950	559,106	241,986	231,973	111,556	90,034	306,328	211,935	7,601	7,640	14,510	14,511	(31,625)	(27,928)	1,143,306	1,087,271
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	10,773	13,888	13,988	18,131	8,087	5,393	16,633	(1,392)	(2,558)	(2,025)	(7,036)	(2,617)	-	-	39,887	31,378
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	-	-	527	97	-	-	(1,401)	(795)	-	-	(874)	(698)
Profit/ (loss) before tax	10,773	13,888	13,988	18,131	8,087	5,393	17,160	(1,295)	(2,558)	(2,025)	(8,437)	(3,412)	-	-	39,013	30,680
Segment assets	143,292	181,534	190,092	209,507	67,242	57,613	293,852	229,657	7,132	6,236	42,188	42,294	-	-	743,798	726,841

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

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 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 twelve months ended 31 December 2022

On 18 April 2022, Sushi King Holdings Sdn. Bhd. (“SKHSB”)^(a), which was then a wholly-owned subsidiary of the Company, completed the acquisition of 1.4 million ordinary shares in Sushi King Sdn. Bhd. (“SKSB”)^(b), representing 28% of the issued share capital of SKSB, from Asia Yoshinoya International Sdn. Bhd. for a total cash consideration of RM102.20 million to be paid over a period of five (5) years.

Accordingly, on 18 April 2022, SKSB became a 98.35% owned subsidiary of SKHSB.

On 6 July 2022, SKHSB has entered into Share Sale Agreements (“SSA”) with the following companies to acquire the remaining equity interest comprising of a total of 82,452 ordinary shares in SKSB on the terms and subject to the conditions as stipulated in the SSA.

Name of Company	Interest acquired	Consideration	Term of Payment
Inspire Investment Corporation	0.825% equity interest comprising of 41,226 ordinary shares in SKSB.	RM3,009,498	Satisfied in full by issuance of 3,009,498 new ordinary shares at the issue price of RM1.00 per share in the capital of SKHSB to Inspire Investment Corporation.
Inspire Corporation	0.825% equity interest comprising of 41,226 ordinary shares in SKSB.	RM3,009,498	Satisfied in full by issuance of 3,009,498 new ordinary shares at the issue price of RM1.00 per share in the capital of SKHSB to Inspire Corporation.
Total	1.65% comprising of 82,452 ordinary shares in SKSB.	RM6,018,996	Satisfied in full by issuance of 6,018,996 new ordinary shares at the issue price of RM1.00 per share in the capital of SKHSB.

Pursuant to the above acquisition, SKSB became a wholly-owned subsidiary of SKHSB while SKHSB became a 97.80% owned subsidiary of the Company.

Remarks:

^(a) As at the reporting date, SKHSB is a 97.80% owned subsidiary of the Company.

^(b) As at the reporting date, SKSB is a wholly-owned subsidiary of SKHSB, which in turn is a 97.80% owned subsidiary of the Company.

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

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 December 2022 RM'000	31 December 2021 RM'000
Property, plant and equipment	<u>7,762</u>	<u>9,565</u>

14. Group's Financial Performance Review and Segmental Analysis

(a) Overall review of Group's financial performance

	3 months ended 31 December			12 months ended 31 December		
	2022 RM'000	2021 RM'000	Changes (%)	2022 RM'000	2021 RM'000	Changes (%)
Revenue	251,764	323,750	(22.24)	1,143,306	1,087,271	5.15
Operating profit excluding exceptional items	6,234	23,060	(72.97)	54,134	41,521	30.38
Profit before interest and tax	5,845	23,012	(74.60)	54,839	40,823	34.33
Profit before tax	1,678	20,522	(91.82)	39,013	30,680	27.16
(Loss)/ Profit after tax	(641)	20,151	(103.18)	24,357	25,956	(6.16)
Profit attributable to owners of the Company	(264)	17,181	(101.54)	21,901	25,415	(13.83)

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

The Group recorded higher revenue of RM1,143.3 million and pre-tax profit of RM39.0 million in YTD Q4 2022 against revenue of RM1,087.3 million and pre-tax profit of RM30.7 million in YTD Q4 2021. The variance in revenue and pre-tax profit will be explained in the respective operating business segments in Note 14(b).

(ii) Statement of Financial Position

As at 31 December 2022, total equity attributable to owners of the Company reduced to RM191.4 million from RM270.8 million as at 31 December 2021 mainly due to the acquisition of remaining 29.65% of the issued share capital of Sushi King Sdn. Bhd. as indicated in Note C to the Condensed Consolidated Statement of Cash Flows, during the financial year ended 31 December 2022.

Total borrowings of the Group decreased to RM160.1 million as at 31 December 2022 against RM166.2 million as at 31 December 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)

(a) Overall review of Group's financial performance (Cont'd)

(iii) Statement of Cash Flows

The net cash generated from operating activities was higher at RM104.9 million for YTD Q4 2022 compared to RM56.9 million for YTD Q4 2021 mainly due to higher operating profit.

The net cash used in investing activities was higher at RM19.5 million for YTD Q4 2022 compared to RM4.3 million for YTD Q4 2021 mainly due to higher purchase of property, plant and equipment.

The net cash used in financing activities was higher at RM97.1 million for YTD Q4 2022 against RM36.5 million for YTD Q4 2021 mainly due to higher interest paid, dividend paid and partial payment for the acquisition of 28% of the issued share capital of Sushi King Sdn. Bhd. as indicated in Note C to the Condensed Consolidated Statement of Cash Flows.

The cash and cash equivalents of the Group was RM84.9 million as at 31 December 2022, representing a decrease of RM10.5 million against RM95.4 million as at 1 January 2022.

(b) Segmental analysis (Note 8)

The global economic slowdown and high global inflation had affected the Group's performance in Q4'2022.

(1) Current quarter compared with previous corresponding quarter

In Q4 2022, the Group achieved a lower revenue of RM251.8 million (Q4 2021: RM323.8 million). Excluding the share-based payments of RM3.5 million, the Group generated a lower pre-tax profit of RM5.2 million (Q4 2021: RM20.5 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 RM97.9 million (Q4 2021: RM153.6 million) in Q4 2022. Excluding the share-based payments of RM0.7 million, the Industrial Division achieved a pre-tax profit of RM2.1 million (Q4 2021: RM3.6 million) in Q4 2022 mainly due to weaker market demand as a result of customers' inventory adjustment.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved a lower revenue of RM50.0 million (Q4 2021: RM66.5 million) in Q4 2022. Excluding the share-based payments of RM0.9 million, the Polymer Engineering Division recorded a lower pre-tax profit of RM2.4 million (Q4 2021: RM4.8 million) in Q4 2022 mainly due to significant drop in global market demand in the hard disk drive sector.

(iii) Food Division

The Food Division recorded a lower revenue of RM26.3 million (Q4 2021: RM29.4 million) in Q4 2022. Excluding the share-based payments of RM0.3 million, the Food Division recorded a pre-tax loss of RM1.4 million (Q4 2021: pre-tax profit of RM3.0 million) in Q4 2022 mainly due to weaker consumer demand, higher raw materials prices and higher operating costs.

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

The Restaurant Division recorded a higher revenue of RM79.6 million (Q4 2021: RM76.0 million) in Q4 2022. Excluding the share-based payments of RM0.6 million, the Restaurant Division recorded a lower pre-tax profit of RM5.1 million (Q4 2021: RM10.7 million) in Q4 2022 mainly due to higher labour costs and higher raw material costs.

(v) Venture Business Division

The Venture Business Division achieved a lower revenue of RM1.1 million (Q4 2021: RM1.9 million) in Q4 2022 mainly due to weaker market demand for conductive sheets business while the higher pre-tax loss of RM0.99 million (Q4 2021: RM0.64 million) in Q4 2022 was mainly due to higher product development costs.

(2) Current twelve months financial year compared with previous corresponding financial year

The Group achieved a revenue of RM1,143.3 million (YTD Q4 2021: RM1,087.3 million) in YTD Q4 2022. Excluding the share-based payments of RM9.4 million, the Group achieved a higher pre-tax profit of RM48.5 million (YTD Q4 2021: RM30.7 million) in YTD Q4 2022 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 RM493.0 million (YTD Q4 2021: RM559.1 million) in YTD Q4 2022. Excluding the share-based payments of RM1.9 million, the Industrial Division recorded a lower pre-tax profit of RM12.7 million (YTD Q4 2021: RM13.9 million) in YTD Q4 2022 mainly due to weaker market demand as a result of customers' inventory adjustment.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved a higher revenue of RM242.0 million (YTD Q4 2021: RM232.0 million) in YTD Q4 2022. Excluding the share-based payments of RM2.3 million, the Polymer Engineering Division recorded a lower pre-tax profit of RM16.3 million (YTD Q4 2021: RM18.1 million) in YTD Q4 2022 mainly due to softer market demand in the hard disk drive and semiconductor sectors in the second half of 2022.

(iii) Food Division

The Food Division achieved a higher revenue of RM111.6 million (YTD Q4 2021: RM90.0 million) in YTD Q4 2022. Excluding the share-based payments of RM0.9 million, the Food Division recorded a higher pre-tax profit of RM9.0 million (YTD Q4 2021: RM5.4 million) in YTD Q4 2022 mainly due to more favourable sales mix and strengthening of USD.

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) (Cont’d)

(2) Current twelve months financial year compared with previous corresponding financial year (Cont’d)

(iv) Restaurant Division

The Restaurant Division recorded a higher revenue of RM306.3 million (YTD Q4 2021: RM211.9 million) in YTD Q4 2022. Excluding the share-based payments of RM1.5 million, the Restaurant Division recorded a higher pre-tax profit of RM18.7 million (YTD Q4 2021: pre-tax loss of RM1.3 million) in YTD Q4 2022 mainly due to higher revenue achieved through the recovery in food and beverage sector.

(v) Venture Business Division

The Venture Business Division achieved a consistent revenue of RM7.6 million (YTD Q4 2021: RM7.6 million) in YTD Q4 2022 mainly attributed to its conductive sheets business while the slightly higher pre-tax loss of RM2.6 million (YTD Q4 2021: RM2.0 million) in YTD Q4 2022 was mainly due to higher product development costs.

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 immediate preceding quarter are as follows:

	Quarter 4	Quarter 3	Changes
	2022	2022	
	RM’000	RM’000	%
Revenue	251,764	282,589	(10.91)
Operating profit excluding exceptional items	6,234	13,262	(52.99)
Profit before interest and tax	5,845	13,074	(55.29)
Profit before tax	1,678	9,006	(81.37)
(Loss)/ Profit after tax	(641)	3,541	(118.10)
(Loss)/ Profit attributable to owners of the Company	(264)	2,350	(111.23)

The Group achieved a revenue of RM251.8 million in the current quarter, representing a decrease of 10.91% compared to the preceding quarter. The Group’s pre-tax profit was 81.37% lower at RM1.7 million in the current quarter mainly due to loss incurred by the Food Division and lower contribution from the Polymer Engineering Division. The Food Division’s performance was affected by weaker consumer demand, higher raw materials prices and higher operating costs while Polymer Engineering Division’s performance was mainly affected by the slowdown in global market demand in the hard disk drive sector.

16. Prospects for 2023

The global economic growth outlook remains depressed with the negative lingering effects of Russia-Ukraine war and persistently high global inflation.

Despite these headwinds, continuing with its Group strategic transformation plan, the Board is cautiously optimistic that the Group will remain resilient and record a satisfactory performance for 2023.

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		12 months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current period	2,759	3,268	12,641	10,295
- prior period	(288)	81	389	299
	<u>2,471</u>	<u>3,349</u>	<u>13,030</u>	<u>10,594</u>
Deferred tax expense/ (income)				
- current period	358	(2,840)	2,074	(5,728)
- prior period	(510)	(138)	(448)	(142)
Tax expense	<u>2,319</u>	<u>371</u>	<u>14,656</u>	<u>4,724</u>

The effective tax rates were higher than the statutory tax rate mainly due to certain expenses which are not tax deductible and withholding tax on foreign dividend income.

19. (Loss) / Profit for the period/year

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

	3 months ended		12 months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(413)	(52)	(1,089)	(189)
Interest expense on loans and borrowings	2,394	1,483	9,380	5,991
Interest expense on lease liabilities	1,773	1,007	6,446	4,152
Depreciation of property, plant and equipment	5,255	5,147	21,002	21,881
Depreciation of right-of-use assets	8,502	7,300	30,211	25,813
Impairment loss on property, plant and equipment	292	878	291	880
Impairment loss on right-of-use assets	17	71	17	71
(Reversal)/ impairment loss on trade receivables	(7)	341	(101)	316
Inventories written down/ (back)	442	120	1,101	(306)
Loss/ (Gain) on disposal of property, plant and equipment	42	(140)	(834)	(666)
Gain on termination of leases	(472)	(94)	(486)	(94)
Property, plant and equipment written off	107	194	366	1,050
Gain on foreign exchange	(6,700)	(749)	(12,106)	(871)
Provision for Directors' retirement/ resignation benefits	52	54	636	635
Gain on deconsolidation of a subsidiary	-	-	(1,579)	-

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

20. Status of corporate proposals

As at 16 February 2023, 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.

21. Loans and borrowings

At 31 December 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	3,073	700	3,073
Trade financing	-	-	1,276	5,599	1,276	5,599
Term loans	3	15	41	181	44	196
<u>Denominated in THB</u>						
Trade financing	-	-	71,778	9,130	71,778	9,130
Hire purchase creditors	161	19	468	60	629	79
Term loans	-	-	1,500	191	1,500	191
<u>Denominated in VND</u>						
Trade financing	-	-	19,756,316	3,675	19,756,316	3,675
Term loans	15,210	3	182,516	34	197,726	37
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	11,120	-	11,120
Revolving credits	-	8,200	-	48,400	-	56,600
Trade financing	-	-	-	49,793	-	49,793
Term loans	-	8,846	-	2,692	-	11,538
Hire purchase creditors	-	4,946	-	4,123	-	9,069
Total	-	22,029	-	138,071	-	160,100

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

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)
Unsecured						
Denominated in USD						
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
Denominated in THB						
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
Denominated in SGD						
Bank overdrafts	-	-	84	260	84	260
Denominated in VND						
Trade financing	-	-	30,143,802	5,516	30,143,802	5,516
Term loans	197,725	36	182,516	33	380,241	69
Denominated in RM						
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 December 2022	At 31 December 2021
USD/ RM	4.3900	4.178
THB/ RM	0.1272	0.1251
SGD/ RM	3.2740	3.0912
VND/ RM	0.000186	0.000183

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

22. Derivative financial instruments

As at 31 December 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 Loss RM'000
Forward exchange contracts			
- Payables	6,114	6,040	(74)
- Receivables	2,457	2,471	(14)
			<u>(88)</u>

For the twelve months ended 31 December 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 16 February 2023, being a date not earlier than 7 days from date of issue of this quarterly report.

26. Dividends

On 23 February 2023, the Company declared a second interim single tier dividend of 5 sen per share for the financial year ended 31 December 2022 which will be payable on 24 March 2023 to the depositors who are registered in the Record of Depositors at the close of business on 10 March 2023.

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

27. Basic / Diluted (loss)/ earnings per share

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

	3 months ended 31 December		12 months ended 31 December	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit for the period/year attributable to owners of the Company	(264)	17,181	21,901	25,415
Weighted average number of ordinary shares for computing basic (loss)/earnings per share*	118,507	120,571	118,507	120,571
Basic (loss)/earnings per share (sen)	(0.22)	14.25	18.48	21.08
Weighted average number of ordinary shares for computing diluted (loss)/earnings per share*	119,800	120,571	119,800	120,571
Diluted (loss)/earnings per share (sen)	(0.22)	14.25	18.28	21.08

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

In thousands of shares	31 December 2022	31 December 2021
Issued ordinary shares at 1 January	124,099	124,099
Effect of shares issued pursuant to ESOS	1,149	-
Effect of treasury shares repurchased	(6,741)	(3,528)
Weighted average number of ordinary shares for computing basic (loss)/ earnings per share	118,507	120,571
Number of shares under ESOS deemed to have been issued for no consideration	1,293	-
Weighted average number of ordinary shares for computing diluted (loss)/ earnings per share	119,800	120,571

BY ORDER OF THE BOARD

YEOH SAW GAIK
GROUP CHIEF FINANCIAL OFFICER
Date: 23 February 2023