



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
for the quarter and six months ended 30 JUNE 2023

	Note	3 months ended			6 months ended		
		30 June		Changes	30 June		Changes
		2023	2022		2023	2022	
		RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	8	240,456	301,461	(20.24)	508,952	608,953	(16.42)
Cost of sales		<u>(182,427)</u>	<u>(230,372)</u>	20.81	<u>(385,080)</u>	<u>(463,862)</u>	16.98
Gross profit		58,029	71,089	(18.37)	123,872	145,091	(14.62)
Distribution costs		(31,891)	(31,888)	(0.01)	(64,315)	(62,283)	(3.26)
Administrative expenses		(27,820)	(29,726)	6.41	(58,531)	(56,046)	(4.43)
Other income		<u>2,410</u>	<u>2,954</u>	(18.42)	<u>6,563</u>	<u>7,876</u>	(16.67)
Operating profit		728	12,429	(94.14)	7,589	34,638	(78.09)
Exceptional income		-	1,579	100.00	-	1,579	-
Share of profit/(loss) of equity accounted associates, net of tax		<u>309</u>	<u>(103)</u>	400.00	<u>(108)</u>	<u>(297)</u>	63.64
Profit before interest and tax		1,037	13,905	(92.54)	7,481	35,920	(79.17)
Finance costs		<u>(4,574)</u>	<u>(4,426)</u>	(3.34)	<u>(8,825)</u>	<u>(7,591)</u>	(16.26)
(Loss)/ Profit before tax		(3,537)	9,479	(137.31)	(1,344)	28,329	(104.74)
Tax expense	18	<u>(3,064)</u>	<u>(2,747)</u>	(11.54)	<u>(5,330)</u>	<u>(6,872)</u>	22.44
(Loss)/ Profit for the period	19	(6,601)	6,732	(198.05)	(6,674)	21,457	(131.10)
(Loss)/ Profit attributable to:							
Owners of the Company		<u>(6,262)</u>	<u>6,732</u>	<u>(193.02)</u>	<u>(6,504)</u>	<u>19,815</u>	<u>(132.82)</u>
Non-controlling interests		<u>(339)</u>	<u>-</u>	-	<u>(170)</u>	<u>1,642</u>	(110.35)
(Loss)/ Profit for the period		(6,601)	6,732	(198.05)	(6,674)	21,457	(131.10)
(Loss)/ Earnings per share attributable to owners of the Company (sen)							
- Basic	27	<u>(5.32)</u>	<u>5.70</u>	<u>(193.35)</u>	<u>(5.53)</u>	<u>16.78</u>	<u>(132.94)</u>
- Diluted	27	<u>(5.32)</u>	<u>5.62</u>	<u>(194.67)</u>	<u>(5.53)</u>	<u>16.55</u>	<u>(133.42)</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)



for the quarter and six months ended 30 JUNE 2023

	Note	3 months ended			6 months ended		
		30 June		Changes	30 June		Changes
		2023	2022		2023	2022	
		RM'000	RM'000	(%)	RM'000	RM'000	(%)
(Loss)/Profit for the period		(6,601)	6,732	(198.05)	(6,674)	21,457	(131.10)
Other comprehensive income/							
(expense), net of tax							
Foreign currency translation differences for foreign operations		4,572	1,981	130.79	5,564	2,561	(117.26)
Foreign currency translation differences realised on deconsolidation of a subsidiary		-	(918)	100%	-	(918)	100%
Total other comprehensive income/(expenses) for the period		4,572	1,063		5,564	1,643	
Total other comprehensive (expense)/ income for the period		(2,029)	7,795	(126.03)	(1,110)	23,100	(104.81)
Total comprehensive (expense)/ income attributable to:							
Owners of the Company		(2,018)	7,789	(125.91)	(1,290)	21,425	(106.02)
Non-controlling interests		(11)	6	(283.33)	180	1,675	(89.25)
Total comprehensive (expense)/ income for the period		(2,029)	7,795	(126.03)	(1,110)	23,100	(104.81)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
At 30 JUNE 2023



	Note	30 June 2023 (Unaudited) RM'000	31 December 2022 (Audited) RM'000
ASSETS			
Property, plant and equipment		149,428	149,455
Right-of-use assets		164,328	147,207
Investment in associates		5,008	4,969
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		13,367	13,196
Other receivables		9,043	8,957
Total non-current assets		397,056	379,666
Trade receivables		111,180	114,007
Other receivables		39,144	32,870
Contract assets		1,713	1,054
Inventories		85,916	112,819
Current tax assets		11,299	10,675
Cash and cash equivalents		82,019	96,048
Derivative financial assets	22	120	-
Total current assets		331,391	367,473
TOTAL ASSETS		728,447	747,139
EQUITY			
Share capital		157,853	157,853
Reserves		23,999	33,451
Total equity attributable to owners of the Company		181,852	191,304
Non-controlling interests		22,655	23,210
TOTAL EQUITY		204,507	214,514
LIABILITIES			
Loans and borrowings	21	39,766	22,026
Lease liabilities		135,064	117,144
Deferred tax liabilities		6,486	6,989
Deferred liabilities		2,851	3,012
Provision		6,371	6,328
Other payable		30,000	50,000
Total non-current liabilities		220,538	205,499
LIABILITIES			
Trade payables		51,773	52,318
Other payables		76,524	99,960
Contract liabilities		1,503	1,495
Provision		36	46
Loans and borrowings	21	138,478	138,074
Lease liabilities		28,965	29,452
Current tax liabilities		5,577	5,147
Deferred liabilities		546	546
Derivative financial liabilities	22	-	88
Total current liabilities		303,402	327,126
TOTAL LIABILITIES		523,940	532,625
TOTAL EQUITY AND LIABILITIES		728,447	747,139

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.



TEXCHEM RESOURCES BHD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 JUNE 2023

	<-----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 2023	157,853	(9,999)	6,830	18,536	18,084	191,304	23,210	214,514
Other comprehensive income for the period	-	-	-	5,214	-	5,214	350	5,564
Loss for the period	-	-	-	-	(6,504)	(6,504)	(170)	(6,674)
Total comprehensive income for the period	-	-	-	5,214	(6,504)	(1,290)	180	(1,110)
Purchase of own shares	-	(3,796)	-	-	-	(3,796)	-	(3,796)
Share-based payments	-	-	1,489	-	-	1,489	-	1,489
Dividends paid to owners of the Company	-	-	-	-	(5,855)	(5,855)	-	(5,855)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(735)	(735)
Total transactions with owners of the Company	-	(3,796)	1,489	-	(5,855)	(8,162)	(735)	(8,897)
At 30 June 2023	157,853	(13,795)	8,319	23,750	5,725	181,852	22,655	204,507

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.



TEXCHEM RESOURCES BHD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 JUNE 2023 (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	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 for the period	-	-	-	1,610	-	1,610	33	1,643
Profit for the period	-	-	-	-	19,815	19,815	1,642	21,457
Total comprehensive income for the period	-	-	-	1,610	19,815	21,425	1,675	23,100
Purchase of own shares	-	(5,099)	-	-	-	(5,099)	-	(5,099)
Share-based payments	-	-	2,361	-	-	2,361	-	2,361
Share option exercised	1,662	-	(1,662)	-	-	-	-	-
Issue of shares pursuant to Employees' Share Option Scheme ("ESOS")	3,541	-	-	-	-	3,541	-	3,541
Issue of shares to non-controlling interests	-	-	-	-	-	-	1,260	1,260
Dividends paid to owners of the Company	-	-	-	-	(11,687)	(11,687)	-	(11,687)
	5,203	(5,099)	699	-	(11,687)	(10,884)	1,260	(9,624)
Acquisition of non-controlling interests* without a change in control	-	-	-	-	(84,906)	(84,906)	(17,294)	(102,200)
Total transactions with owners of the Company	5,203	(5,099)	699	-	(96,593)	(95,790)	(16,034)	(111,824)
At 30 June 2022	154,870	(9,999)	699	19,183	31,705	196,458	14,597	211,055

* 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 2022 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 JUNE 2023

	Note	6 months ended 30 June	
		2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before tax		(1,344)	28,329
Adjustments for:			
Depreciation of property, plant and equipment		10,499	10,936
Depreciation of right-of-use assets		15,243	14,365
Provision for Directors' retirement/ resignation benefits		53	423
Property, plant and equipment written off		306	78
Reversal of impairment loss on property, plant and equipment		(4)	(1)
Loss/(Gain) on disposal of property, plant and equipment		34	(790)
Gain on termination of lease		(138)	(14)
Gain on deconsolidation of a subsidiary	B	-	(1,579)
Interest income		(481)	(411)
Interest expense		8,825	7,591
Share-based payments		1,489	2,361
Share of loss of equity accounted associates		108	297
		<u>35,934</u>	<u>33,256</u>
Operating profit before changes in working capital		34,590	61,585
Changes in working capital:			
Inventories		26,903	10,274
Trade and other receivables		(963)	(10,788)
Trade and other payables		(16,067)	(22,337)
Contract assets		(659)	18
Contract liabilities		8	9
		<u>43,812</u>	<u>38,761</u>
Cash generated from operations		43,812	38,761
Income tax paid		(6,306)	(4,091)
Directors' retirement/ resignation benefits paid		(248)	(134)
Restoration costs paid		(235)	(36)
		<u>37,023</u>	<u>34,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		816	1,168
Purchase of property, plant and equipment		(8,890)	(10,867)
Interest received		481	411
Subscription of shares in an associate		(147)	-
Deconsolidation of a subsidiary, net of cash and cash equivalents	B	-	(293)
		<u>(7,740)</u>	<u>(9,581)</u>
Net cash used in investing activities		(7,740)	(9,581)

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 JUNE 2023 (Cont'd)

	Note	6 months ended 30 June	
		2023 RM'000	2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		14,660	10,000
Repayment of term loans		(2,316)	(1,120)
Repayment of hire purchase creditors		(2,330)	(2,943)
Drawdown of other borrowings (net)		2,216	28,843
Repayment of lease liabilities		(14,770)	(13,370)
Interest paid		(8,825)	(7,591)
Dividends paid to owners of the Company	7	(5,855)	(11,687)
Dividends paid to non-controlling interests		(735)	-
Proceeds from issuance of shares to non-controlling interests		-	1,260
Purchase of own shares		(3,796)	(5,099)
Proceeds from issuance of shares pursuant to Employees' Share Option Scheme		-	3,541
Acquisition of non-controlling interests	C	(25,000)	(27,200)
Net cash used in financing activities		(46,751)	(25,366)
Net decrease in cash and cash equivalents		(17,468)	(447)
Cash and cash equivalents at 1 January		84,928	95,388
Effects of exchange differences on cash and cash equivalents		2,234	1,263
Cash and cash equivalents at 30 June	A	69,694	96,204

Note A: Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following condensed consolidated statement of financial position amounts:

	30 JUNE 2023 RM'000	30 JUNE 2022 RM'000
Short term deposits	5,550	10,450
Cash and bank balances	76,469	97,242
Bank overdrafts	(12,325)	(11,488)
	<u>69,694</u>	<u>96,204</u>

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 JUNE 2023 (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. which in turn is a 98.35% owned subsidiary of Sushi King Holdings Sdn. Bhd., 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.

	30 June 2022 RM'000
Identifiable assets and liabilities deconsolidated	
Cash and cash equivalents	293
Trade and other receivables	82
Trade and other payables	(1,036)
Net identifiable liabilities	(661)
Transfer from foreign currency translation reserve	(918)
Gain on deconsolidation of a subsidiary	<u>(1,579)</u>
Net cash outflow arising from deconsolidation of a subsidiary	<u><u>(293)</u></u>

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

On 19 January 2022, Sushi King Holdings Sdn. Bhd. ("SKHSB"), a wholly-owned subsidiary of the Company had entered into a Share Transfer Agreement with Asia Yoshinoya International Sdn. Bhd. ("AYI") to acquire an additional 28% equity interest in Sushi King Sdn. Bhd. ("SKSB") for a total purchase consideration of RM102.20 million. Prior to the acquisition, SKSB was a 70.35% owned subsidiary of SKHSB, which in turn is a subsidiary of the Company. Consequent to the acquisition, SKSB became a 98.35% owned subsidiary of SKHSB, which in turn is a subsidiary of the Company. The acquisition was completed on 18 April 2022.

	30 June 2022 RM'000
Carrying amount of non-controlling interests acquired	17,294
Total purchase consideration	(102,200)
A decrease in equity reserve attributable to owners of the Group	<u>(84,906)</u>

Amount owing to AYI

	30 JUNE 2023 RM'000	30 JUNE 2022 RM'000
As at 1 January	75,000	-
Total purchase consideration	-	102,200
Payment	(25,000)	(27,200)
As at 30 June	<u>50,000</u>	<u>75,000</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2022. 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 2022.

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 2022 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 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts – Initial Application of MFRS 17 and 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

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 2024

Amendments to MFRS 16	Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
Amendments to MFRS 107	Statement of Cash Flows – Supplier Finance Arrangements
Amendments to MFRS 7	Finance Instruments: Disclosures – Supplier Finance Arrangements

MFRSs and amendments effective for annual periods 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 of Assets between an Investor and its Associate or Joint Venture

1. Basis of preparation (Cont'd)

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 2022 was not qualified.

3. Seasonality and cyclicity of interim operations

The Group's operations were not significantly affected by any unusual seasonal or cyclical factors.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and six months ended 30 June 2023.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2023.

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 30 June 2023.

7. Dividend paid

On 24 March 2023, the Company paid a second interim single tier dividend of RM0.05 per share amounting to RM5,855,000 for the financial year ended 31 December 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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 30 June																
Revenue from external customers	107,291	140,411	42,102	62,929	27,681	29,674	62,935	67,416	13	714	434	317	-	-	240,456	301,461
Inter-segment revenue	633	3,175	-	516	8,871	16,140	220	365	633	1,848	2,900	3,064	(13,257)	(25,108)	-	-
Total revenue	107,924	143,586	42,102	63,445	36,552	45,814	63,155	67,781	646	2,562	3,334	3,381	(13,257)	(25,108)	240,456	301,461
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	1,262	3,579	(753)	4,073	435	2,591	(1,535)	1,816	(925)	(451)	(2,330)	(2,026)	-	-	(3,846)	9,582
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	491	-	25	166	-	-	(207)	(269)	-	-	309	(103)
Profit/ (loss) before tax	1,262	3,579	(753)	4,073	926	2,591	(1,510)	1,982	(925)	(451)	(2,537)	(2,295)	-	-	(3,537)	9,479

* With effect from 1 January 2023, the results of Wilpack Food Services Sdn. Bhd. ("WFS") and Sea Master Food Sdn. Bhd. ("SMF") were reported under the Food Division segment to reflect similar operational and marketing strategies in that strategic business unit.

The comparative figures for same reporting period in FY 2022 have been reclassified accordingly.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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
6 months ended 30 June																
Revenue from external customers	221,789	272,110	86,375	129,211	70,478	72,244	128,972	133,231	78	1,006	1,260	1,151	-	-	508,952	608,953
Inter-segment revenue	2,357	5,502	732	1,045	22,223	36,662	518	729	1,997	3,665	5,982	6,086	(33,809)	(53,689)	-	-
Total revenue	224,146	277,612	87,107	130,256	92,701	108,906	129,490	133,960	2,075	4,671	7,242	7,237	(33,809)	(53,689)	508,952	608,953
Profit/ (loss) before share of profit/ (loss) of equity accounted associates, net of tax	2,335	7,928	(1,700)	8,397	4,806	9,562	(1,180)	6,161	(1,824)	(988)	(3,673)	(2,434)	-	-	(1,236)	28,626
Share of profit/ (loss) of equity accounted associates, net of tax	-	-	-	-	491	-	153	308	-	-	(752)	(605)	-	-	(108)	(297)
Profit/ (loss) before tax	2,335	7,928	(1,700)	8,397	5,297	9,562	(1,027)	6,469	(1,824)	(988)	(4,425)	(3,039)	-	-	(1,344)	28,329
Segment assets	140,839	179,074	174,663	208,176	93,804	89,990	272,782	270,902	6,830	7,000	39,529	42,520	-	-	728,447	797,662

* With effect from 1 January 2023, the results of Wilpack Food Services Sdn. Bhd. ("WFS") and Sea Master Food Sdn. Bhd. ("SMF") were reported under the Food Division segment to reflect similar operational and marketing strategies in that strategic business unit.

The comparative figures for same reporting period in FY 2022 have been reclassified accordingly.

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 2022.

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 six months ended 30 June 2023

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 2022.

13. Commitments

	30 June 2023 RM'000	31 December 2022 RM'000
Property, plant and equipment	7,603	7,762

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14. Group’s Financial Performance Review and Segmental Analysis

(a) Overall review of Group’s financial performance

	3 months ended 30 June			6 months ended 30 June		
	2023 RM’000	2022 RM’000	Changes (%)	2023 RM’000	2022 RM’000	Changes (%)
Revenue	240,456	301,461	(20.24)	508,952	608,953	(16.42)
Operating profit	728	12,429	(94.14)	7,589	34,638	(78.09)
Profit before interest and tax	1,037	13,905	(92.54)	7,481	35,920	(79.17)
(Loss)/ Profit before tax	(3,537)	9,479	(137.31)	(1,344)	28,329	(104.74)
(Loss)/ Profit after tax	(6,601)	6,732	(198.05)	(6,674)	21,457	(131.10)
(Loss)/ Profit attributable to owners of the Company	(6,262)	6,732	(193.02)	(6,504)	19,815	(132.82)

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

The Group recorded lower revenue of RM509.0 million and pre-tax loss of RM1.3 million in YTD Q2 2023 compared to revenue of RM609.0 million and pre-tax profit of RM28.3 million in YTD Q2 2022. The variance in revenue and pre-tax profit or loss will be explained in the respective operating business segments in Note 14(b).

(ii) Statement of Financial Position

As at 30 June 2023, total equity attributable to owners of the Company reduced to RM181.9 million from RM191.3 million as at 31 December 2022 mainly due to purchase of own shares and dividends paid during the period ended 30 June 2023.

Total borrowings of the Group increased to RM178.2 million as at 30 June 2023 against RM160.1 million as at 31 December 2022 mainly due to drawdown of loans and borrowings to part finance the second consideration for the acquisition of 28% of the issued share capital of Sushi King Sdn. Bhd..

(iii) Statement of Cash Flows

There was a net cash generated from operating activities of RM37.0 million for YTD Q2 2023 against RM34.5 million for YTD Q2 2022 mainly due to improvement in working capital.

The net cash used in investing activities was lower at RM7.7 million for YTD Q2 2023 compared to RM9.6 million for YTD Q2 2022 mainly due to lower purchase of property, plant and equipment.

The net cash used in financing activities was higher at RM46.8 million for YTD Q2 2023 compared to RM25.4 million for YTD Q2 2022 mainly attributed to the lower utilization of trade financing due to lower purchases.

The cash and cash equivalents of the Group was RM69.7 million as at 30 June 2023, representing a decrease of RM15.2 million against RM84.9 million as at 31 December 2022 due to increase in financing activities.

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

The global economic challenges and global inflationary pressure had affected the Group's performance in Q2 2023.

(1) Current quarter compared with previous corresponding quarter

In Q2 2023, the Group achieved a lower revenue of RM240.5 million (Q2 2022: RM301.5 million). Excluding the share-based payments of RM0.7 million (Q2 2022: RM2.4 million), the Group recorded a pre-tax loss of RM2.8 million (Q2 2022: pre-tax profit of RM11.9 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 RM107.9 million (Q2 2022: RM143.6 million) in Q2 2023. Excluding the share-based payments of RM0.1 million (Q2 2022: RM0.5 million), the Industrial Division achieved a lower pre-tax profit of RM1.4 million (Q2 2022: RM4.1 million) in Q2 2023 mainly due to weak market demand in electrical & electronics, latex gloves and textile sectors.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved a lower revenue of RM42.1 million (Q2 2022: RM63.4 million) in Q2 2023. Excluding the share-based payments of RM0.2 million (Q2 2022: RM0.6 million), the Polymer Engineering Division recorded a pre-tax loss of RM0.6 million (Q2 2022: pre-tax profit of RM4.7 million) in Q2 2023 mainly due to weak global market demand in the hard disk drive and semiconductor sectors.

(iii) Food Division

The Food Division recorded a lower revenue of RM36.6 million (Q2 2022: RM45.8 million) in Q2 2023. Excluding the share-based payments of RM0.1 million (Q2 2022: RM0.2 million), the Food Division recorded a lower pre-tax profit of RM1.0 million (Q2 2022: RM2.8 million) in Q2 2023 mainly due to weaker consumer demand and higher operating costs.

(iv) Restaurant Division

The Restaurant Division recorded a revenue of RM63.2 million (Q2 2022: RM67.8 million) in Q2 2023. Excluding the share-based payments of RM0.1 million (Q2 2022: RM0.4 million), the Restaurant Division recorded a pre-tax loss of RM1.4 million (Q2 2022 pre-tax profit of RM2.4 million) in Q2 2023 mainly impacted by weaker consumer sentiment and higher operating costs due to inflationary condition.

(v) Venture Business Division

The Venture Business Division achieved a lower revenue of RM0.6 million (Q2 2022: RM2.6 million) and a pre-tax loss of RM0.9 million (Q2 2022: RM0.5 million) in Q2 2023 mainly due to weaker market demand for conductive sheet business.

14. Group's Financial Performance Review and Segmental Analysis (Cont'd)**(b) Segmental analysis (Note 8) (Cont'd)****(2) Current six (6) months financial period compared with previous corresponding financial period**

The Group achieved a revenue of RM509.0 million (YTD Q2 2022: RM609.0 million) in YTD Q2 2023. Excluding the share-based payments of RM1.5 million (Q2 2022: RM2.4 million), the Group recorded a pre-tax profit of RM0.2 million (YTD Q2 2022: RM30.7 million) in YTD Q2 2023 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 RM224.1 million (YTD Q2 2022: RM277.6 million) in YTD Q2 2023. Excluding the share-based payments of RM0.3 million (YTD Q2 2022: RM0.5 million), the Industrial Division recorded a lower pre-tax profit of RM2.6 million (YTD Q2 2022: RM8.4 million) in YTD Q2 2023 mainly due to weak market demand.

(ii) Polymer Engineering Division

The Polymer Engineering Division achieved a lower revenue of RM87.1 million (YTD Q2 2022: RM130.3 million) in YTD Q2 2023. Excluding the share-based payments of RM0.4 million (YTD Q2 2022: RM0.6 million), the Polymer Engineering Division recorded a pre-tax loss of RM1.3 million (YTD Q2 2022 pre-tax profit of RM9.0 million) in YTD Q2 2023 mainly impacted by global market demand and increased operating costs.

(iii) Food Division

The Food Division achieved a lower revenue of RM92.7 million (YTD Q2 2022: RM108.9 million) in YTD Q2 2023. Excluding the share-based payments of RM0.2 million (YTD Q2 2022: RM0.2 million), the Food Division recorded a lower pre-tax profit of RM5.5 million (YTD Q2 2022: RM9.8 million) in YTD Q2 2023 mainly due to weaker consumer demand and higher operating costs.

(iv) Restaurant Division

The Restaurant Division recorded a lower revenue of RM129.5 million (YTD Q2 2022: RM134.0 million) in YTD Q2 2023. Excluding the share-based payments of RM0.2 million (YTD Q2 2022: RM0.4 million), the Restaurant Division recorded a pre-tax loss of RM0.8 million (YTD Q2 2022: pre-tax profit of RM6.9 million) in YTD Q2 2023 mainly driven by weak consumer sentiment and increase in operating costs.

(v) Venture Business Division

The Venture Business Division achieved a lower revenue of RM2.1 million (YTD Q2 2022: RM4.7 million) and higher pre-tax loss of RM1.8 million (YTD Q2 2022: RM1.0 million) in YTD Q2 2023 was mainly due to weaker market demand for conductive sheet business.

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

The comparison of the Group's revenue and loss or profit for the current and the immediate preceding quarter are as follows:

	Quarter 2	Quarter 1	Changes
	2023	2023	
	RM'000	RM'000	%
Revenue	240,456	268,496	(10.44)
Operating profit	728	6,861	(89.39)
Profit before interest and tax	1,037	6,444	(83.91)
(Loss)/ Profit before tax	(3,537)	2,193	(261.29)
Loss after tax	(6,601)	(73)	(8,942.47)
Loss attributable to owners of the Company	(6,262)	(242)	(2,487.60)

The Group achieved a revenue of RM240.5 million in the current quarter, representing a decrease of 10.44% compared to the preceding quarter. The Group's recorded pre-tax loss of RM3.5 million in the current quarter against pre-tax profit of RM2.2 million in the preceding quarter mainly due to lower contribution from Food and Restaurant Divisions. The Food Division's results were affected by the fishing ban imposed by the Myanmar Government from April to June 2023 while the Restaurant Division's performance was affected by weak consumer sentiment as a result of high inflationary pressure and Ramadhan period.

16. Prospects for 2023

2023 is expected to be a very challenging year. The global economy remains uncertain with rising inflation, higher interest rate and weakening of local currency against USD. In addition, the geopolitical tension between Russia and Ukraine had aggravated the global inflation problem and caused major disruption of supply chain and price increases.

The management had taken cognisance of the economic challenges and uncertainties and is in the process of implementing various recovery strategies in response to such challenges and management is optimistic of overcoming these challenges in due course.

17. Profit forecast

Not applicable as no profit forecast was published.

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18. Tax expense

The tax expense comprises:

	3 months ended		6 months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current period	2,045	2,567	4,671	5,950
- prior period	1,172	-	1,321	1
	<u>3,217</u>	<u>2,567</u>	<u>5,992</u>	<u>5,951</u>
Deferred tax (income)/ expense				
- current period	281	180	(388)	921
- prior period	(434)	-	(274)	-
Tax expense	<u>3,064</u>	<u>2,747</u>	<u>5,330</u>	<u>6,872</u>

The effective tax rates were higher than the statutory tax rate mainly due to certain expenses or losses being disallowed for tax purposes as well as non-availability of Group tax relief in respect of losses incurred by certain subsidiary companies.

19. (Loss)/ Profit for the period

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

	3 months ended		6 months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest income	(279)	(247)	(481)	(411)
Interest expense on loans and borrowings	2,886	2,815	5,633	4,460
Interest expense on lease liabilities	1,688	1,611	3,192	3,131
Depreciation of property, plant and equipment	5,285	5,486	10,499	10,936
Depreciation of right-of-use assets	7,743	7,286	15,243	14,365
Reversal of impairment loss on property, plant and equipment	-	(1)	(4)	(1)
Reversal of impairment loss on trade receivables	-	(82)	(2)	(86)
Inventories written (back)/ down	(329)	(128)	64	150
Loss/ (Gain) on disposal of property, plant and equipment	21	(689)	34	(790)
Gain on termination of leases	(135)	-	(138)	(14)
Property, plant and equipment written off	159	6	306	78
Gain on foreign exchange	(1,029)	(628)	(1,460)	(2,654)
(Reversal of)/ Provision for Directors' retirement/ resignation benefits	(9)	195	53	423
Gain on deconsolidation of a subsidiary	-	(1,579)	-	(1,579)

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20. Status of corporate proposals

As at 20 July 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 30 June 2023	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	3,277	700	3,277
Trade financing	-	-	192	899	192	899
Term loans	-	-	29	136	29	136
<u>Denominated in THB</u>						
Trade financing	-	-	6,314	830	6,314	830
Hire purchase creditors	-	-	352	46	352	46
Term loans	-	-	47,689	6,266	47,689	6,266
<u>Denominated in VND</u>						
Trade financing	-	-	17,730,195	3,528	17,730,195	3,528
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	12,325	-	12,325
Revolving credits	-	14,333	-	51,900	-	66,233
Trade financing	-	-	-	49,793	-	49,793
Term loans	-	19,998	-	5,357	-	25,355
Hire purchase creditors	-	5,435	-	4,121	-	9,556
Total		39,766		138,478		178,244

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21. Loans and borrowings (Cont'd)

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)
Unsecured						
Denominated in USD						
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
Denominated in THB						
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
Denominated in VND						
Trade financing	-	-	19,756,316	3,675	19,756,316	3,675
Term loans	15,210	3	182,516	34	197,726	37
Denominated in RM						
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	-	4,943	-	4,126	-	9,069
Total	-	22,026	-	138,074	-	160,100

<u>Exchange rates applied</u>	At 30 June 2023	At 31 December 2022
USD/ RM	4.6820	4.3900
THB/ RM	0.1314	0.1272
VND/ RM	0.000199	0.000186

22. Derivative financial instruments

As at 30 June 2023, 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	3,972	4,092	120
			<u>120</u>

For the six months ended 30 June 2023, 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.

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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 six months ended 30 June 2023.

25. Changes in material litigation

There was no material litigation against the Group as at 20 July 2023, being a date not earlier than 7 days from date of issue of this quarterly report.

26. Dividends

No dividend has been proposed or declared for the quarter ended 30 June 2023.

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

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

	3 months ended		6 months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period attributable to owners of the Company	(6,262)	6,732	(6,504)	19,815
Weighted average number of ordinary shares for computing basic (loss)/earnings per share*	117,653	118,074	117,653	118,074
Basic (loss)/earnings per share (sen)	(5.32)	5.70	(5.53)	16.78
Weighted average number of ordinary shares for computing diluted (loss)/earnings per share*	117,653	119,714	117,653	119,714
Diluted (loss)/ earnings per share (sen)	(5.32)	5.62	(5.53)	16.55

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27. Basic / Diluted (loss)/ earnings per share (Cont'd)

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

In thousands of shares	30 June 2023	30 June 2022
Issued ordinary shares at 1 January	126,373	124,099
Effect of shares issued pursuant to ESOS	-	220
Effect of treasury shares held	(8,720)	(6,245)
Weighted average number of ordinary shares for computing basic earnings per share	117,653	118,074
Number of shares under ESOS deemed to have been issued for no consideration	**	1,640
Weighted average number of ordinary shares for computing diluted earnings per share	117,653	119,714

** The Group's diluted loss per share is assumed to be the same as basic loss per share as the assumed potential new ordinary shares are anti-dilutive since the market share price is lower than the ESOS's exercise price. The Group has no dilution in its earnings per share in the period ended 30 June 2023 as there were no dilutive potential ordinary shares.

BY ORDER OF THE BOARD

LOH SAU MUN
GROUP CHIEF FINANCIAL OFFICER
Date: