



TEXCHEM RESOURCES BHD

Company Registration No. 197301002868 (16318-K)



our
STRENGTHS
our
SYNERGY

Annual Report **2019**

CONTENTS

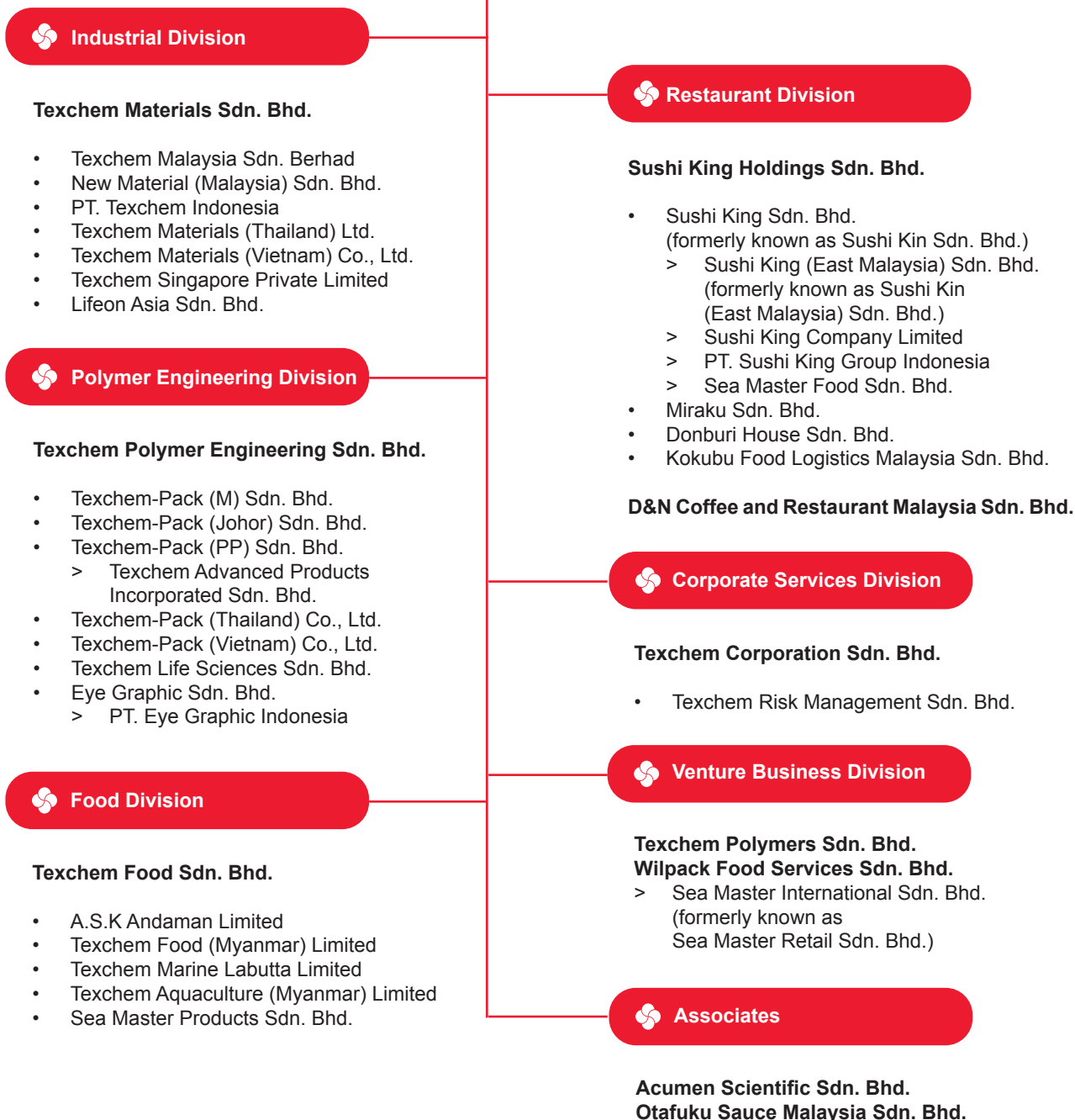


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CORPORATE STRUCTURE



TEXCHEM RESOURCES BHD



Notes:

- 1) The above companies are operating subsidiaries and associates of Texchem Resources Bhd. Group.
- 2) The complete list of Texchem Resources Bhd. Group as at 31 December 2019 is disclosed in Note 5 to the Financial Statements of this Annual Report.

PRESIDENT'S MANAGEMENT DISCUSSION AND ANALYSIS



Overview of the Group's Business and Operations

Texchem Resources Bhd (“TRB”) Group (“the Group”) is a Malaysian multinational conglomerate that comprises five diverse business Divisions (Industrial, Polymer Engineering, Restaurant, Food and Venture Business) with operations that span across the ASEAN region.

PRESIDENT'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Industrial Division provides integrated distribution solutions for polymer, industrial chemicals, food additives, dyestuff and textile chemicals with strong partnerships with world leading producers. Polymer Engineering Division is a leading polymer engineering solutions provider focusing on Hard Disk Drives (HDD), Medical Life Sciences (MLS) and Consumer E&E business segments.

Food Division is a fully integrated seafood operation encompassing upstream and downstream activities with emphasis on food safety standards. Restaurant Division operates Japanese cuisine restaurants focusing on the quality of our ingredients and dining experience at affordable prices and owns Sushi King, the largest Halal Japanese restaurant chain in Malaysia.

Venture Business Division initiates and nurture new businesses which are synergistic with our existing core businesses, thus enabling us to maintain our focus and capitalize on our strengths. The companies under this Division are involved in food processing services, sales and marketing, biopolymer research and development, design and product development.

Financial Review

In FY 2019, the global economy was impacted by uncertainties arising from prolonged trade disputes, a disorderly Brexit, weak consumer spending and economic indicators pointing towards global economic slowdown. TRB has continued to weather through these economic uncertainties as best as possible with mixed outcomes. The Group recorded a revenue of RM1.134 billion in FY 2019 and a pre-tax profit of RM0.815 million. While we maintained our revenue, our profit was lower compared to FY 2018 in the light of the difficult market situations. Nevertheless, our Food Division recorded a turnaround on efforts reaped from change management strategies initiated since FY 2018.

a) Revenue and Pre-Tax Profits

The food and beverage industry in Malaysia has become increasingly competitive on weak consumer spending as well as the mushrooming of online delivery services. Nevertheless, our Restaurant Division continued to grow its restaurants from 139 as at 31 December 2018 to 152 as at 31 December 2019. Included in these numbers are our Sushi King restaurants which grew from 130 as at 31 December 2018 to 144 as at 31 December 2019. In strengthening our market position, the Division took steps to rationalize its non-performing restaurants including the closure of all of its three Doutor Coffee restaurants to maintain business viability. As a result, Restaurant Division recorded a lower revenue of RM297.7 million (FY 2018: RM305.4 million) and a lower pre-tax profit (before associates) of RM3.3 million (FY 2018 RM14.1 million).

Among the various strategies to boost our market presence in a competitive environment, the Restaurant Division has introduced a new grab-and-go concept for Sushi King, providing on-the-go customers with well-balanced delicious meals in a fast and convenient manner. Our Sushi King apps has garnered a membership of 560,453 as at 31 December 2019 which proves the strength of and consumer confidence in our brand.

The US-China trade war has resulted in severe raw material price reduction, unstable supply and demand and keen competition affecting margins. Our Industrial Division cushioned this impact by increasing sales volumes and recorded marginally lower revenue of RM442.0 million (FY 2018: RM445.3 million) and lower pre-tax profits at RM4.6 million (FY 2018: RM5.4 million). The Division ceased its distribution of food additives in Vietnam due to severe competition resulting in pre-tax loss amounting to RM0.4 million. Meanwhile, diversification into the manufacturing of latex glove chemicals is progressing as planned.

Polymer Engineering Division recorded a lower revenue of RM203.8 million (FY 2018: RM209.6 million) as well as a lower pre-tax profit of RM0.2 million (FY 2018: RM4.1 million). As anticipated, the Division was impacted by the slowdown in the HDD industry which saw a 9.6% drop in our revenue from this business segment. Meanwhile, our continual non-HDD base diversification strategy is paying off as our MLS business segment reaped a 14.5% revenue growth.

Food Division was the bright spark in FY 2019 for the Group where we saw strategies in change management yield positive results. Revenue increased from RM165.7 million in FY 2018 to RM187.5 million in FY 2019 and recorded a pre-tax profit of RM0.3 million representing a turnaround from the pre-tax loss of RM6.5 million in FY 2018.



PRESIDENT'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Under Venture Division, our food processing services successfully positioned itself to supply ready-to-serve products to food services customers while our biopolymer business, at its pre-commercialisation stage, made positive progress in industrial trials with customers looking for green solution products. The Division recorded a higher revenue of RM56.1 million in FY 2019 from the RM48.3 million in FY 2018 and a lower pre-tax loss of RM4.0 million in FY 2019, compared to the pre-tax loss of RM5.3 million in FY 2018.

b) Gross Profit Margin

The Group made every effort to maintain our gross profit margin in FY 2019, which at 25.24%, was comparable to the 25.98% achieved in FY 2018, on the back of flat revenues.

Capital Expenditure, Capital Structure and Capital Resources

We exercise prudent capital spending to support our business growth plans and upgrading of existing facilities and plant. Capital expenditures incurred to support business growth, capacity expansion, innovation and cost efficiencies were RM33.9 million in FY 2019 (FY 2018: RM46.0 million).

We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans and the overall cost of capital. Despite an increase in the Group's borrowings to RM180.7 million in FY 2019 (FY 2018: RM177.8 million) our gearing ratio was well managed within 0.33 (FY 2018: 0.33). The Group continues to have strong liquidity as net cash generated from operations increased from RM36.9 million in FY 2018 to RM43.4 million in FY 2019, after adjusting for the effects of the adoption of MFRS 16, through the efficient management of our working capital.

The Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at favorable terms. We have banking facilities with local and international banks and view each of them as our core business partner to ensure that the Group has adequate liquidity to finance its operations and exposure to various financial instruments at competitive rates to finance the Group's operations and investments.

The Way Forward

Moving forward, we foresee the uncertainties in the domestic and global economy to persist in 2020, with the outbreak of the Novel Coronavirus ("COVID-19") expected to further impact consumer and business sentiment, leading to weakened global expansion this year. Nonetheless, the Group is pursuing various measures to manage the uncertainties and the potential impact.

The Restaurant Division will continue on its brand building journey through customer retention marketing, innovative menu development and service excellence to remain competitive as our customers grow increasingly sophisticated in their palates and diversity. The Division will continue to enhance cost and operational efficiencies through supply chain management.

The Industrial Division will continue to organically grow its core businesses and intensify diversification efforts into the latex glove chemicals and food chemicals segment.

While the HDD segment remains one of the core segments for Polymer Engineering Division, we are optimistic in our efforts to diversify our Non-HDD segments. We remain upbeat on the growth of our MLS segment, which has recorded a compounded annual growth rate of 11% for the past 5 years.

The Food Division will continue to focus on operational and cost efficiencies as well as strategic management of its supply chain.

In our Venture Business Division, our food processing services will continue to expand their market share in the ready-to-serve segment whilst our biopolymer business is working together with their customers towards commercialization of green solution products.

We expect the road ahead to be very challenging and we remain grounded in the pursuit of our goals and cost efficiencies with the right mindset, resources and strategy. We will be constructive in delivering long-term value for our stakeholders, acknowledging the only thing that is constant is change and will remain alert to opportunities to strengthen and grow our business to remain relevant and competitive in our various industries.

PRESIDENT'S MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Dividend

The Group's ability to pay dividend is subject to our financial performance and position as well as operational requirements. As such the Board of Directors does not recommend any dividend for the current financial year to conserve cash to strengthen the business.

Appreciation

A special mention to Dato' Danny Goon Siew Cheang, an Independent Non-Executive Director of TRB for a period of nineteen (19) years, who has expressed his intention to resign from the Board upon conclusion of the forthcoming Annual General Meeting. I thank him for bringing insight and experience to the Board and wish him all the best in his future endeavors.

On behalf of the Executive Chairman and the Board, we would like to thank our loyal shareholders, financiers, customers, business partners and regulatory authorities for your continued support and confidence in TRB, alongside the hard work and dedicated efforts of our employees and management.



Yap Kee Keong
President & Group CEO

BOARD OF DIRECTORS



TAN SRI DATO' SERI (DR.) FUMIHIKO KONISHI
Executive Chairman

Gender/Age/Nationality

Male, 76, Japanese

Date of appointment to the Board

20 February 1974

Membership of Board Committees

Chairman of Executive Committee

Working experience/Occupation

- Founder of Texchem Resources Bhd. Group ("TRB Group")
- He is responsible for the overall business strategy for TRB Group from its humble beginnings in 1973 to a diversified manufacturing, services and trading group
- Instrumental in bringing and promoting many other Japanese joint venture groups to Penang and Malaysia
- Executive Chairman of Restaurant Division, Food Division and Industrial Division of TRB Group

Academic/Professional Qualification/Membership(s)

- Bachelor of Pharmacy Degree from Tokyo University of Pharmacy and Life Science
- Bestowed an Honorary Fellowship by the Limkokwing University College of Creative Technology in 2001
- Conferred the Honorary Degree of Doctor Of Science by the Universiti Sains Malaysia in 2013

Directorship in other listed issuers/public companies

- None

Accolades/Recognition

- Granted permanent residency status by the Malaysian Government in 1990
- Bestowed the following honorary titles
 - Darjah Johan Negeri (D.J.N.) by the Governor of Penang in 1991
 - Darjah Setia Pangkuan Negeri (D.S.P.N.) in 1994
 - Darjah Gemilang Pangkuan Negeri (D.G.P.N.) in 2000
 - Darjah Kebesaran Panglima Setia Mahkota (P.S.M.) in 2007
- Conferred the award "The Order Of The Rising Sun, Gold and Silver Rays" by His Majesty, the Emperor of Japan in 2017
- Minister's Award by the Japan Ministry of Agriculture, Forestry and Fisheries (MAFF) in Tokyo in 2019

Any family relationship with any director and/or major shareholder of the listed issuer

- Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is the father of Dr Yuma Konishi, the Executive Director of TRB
- Save as disclosed in the Analysis of Shareholdings section of this Annual Report, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi does not have any family relationship with any major shareholders of TRB
- He has personal interest via Texchem Holdings Sdn. Bhd. and Texchem Corporation Sdn. Bhd. Group of Companies (collectively "Related Companies") in the business arrangements involving the Related Companies with TRB and TRB's subsidiaries

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 6/6

BOARD OF DIRECTORS (CONT'D)



MR YAP KEE KEONG
President and Group Chief Executive Officer

Gender/Age/Nationality

Male, 56, Malaysian

Date of appointment to the Board

1 January 2006

Membership of Board Committees

Member of Executive Committee

Working experience/Occupation

- Joined Texchem Resources Bhd. Group of Companies ("TRB Group") in 1988. Mr Yap Kee Keong has more than 31 years of experience in the sales, marketing and distribution of industrial raw materials as well as manufacturing experience in the polymer manufacturing industry specialising in the electronic and medical devices sectors
- Executive Chairman of Polymer Engineering Division of TRB Group
- President and Chief Executive Officer of Industrial Division of TRB Group
- President and Chief Executive Officer of Corporate Services Division of TRB Group

Academic/Professional Qualification/ Membership(s)

- Bachelor of Science (Honours) Degree in Physics from the University of Malaya
- Masters in Business Administration from the University of Portsmouth, United Kingdom

Directorship in other listed issuers/ public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 6/6



DR YUMA KONISHI
Executive Director

Gender/Age/Nationality

Male, 42, Japanese

Date of appointment to the Board

1 January 2020

Membership of Board Committees

Member of Executive Committee

Working experience/Occupation

- Joined Texchem Resources Bhd. Group of Companies ("TRB Group") in 2005. Dr Yuma Konishi has more than 15 years of experience in the plastics industries and almost a decade spearheading Texchem's venture into medical life sciences industry
- President and Chief Executive Officer of Polymer Engineering Division of TRB Group

Academic/Professional Qualification/ Membership(s)

- Bachelor of Science Degree in Industrial Engineering from Nihon University, Chiba, Japan
- Master of Science in Polymer Engineering from The University of Akron, Ohio, USA
- Doctor of Engineering in Chemistry and Materials Science from Tokyo Institute of Technology, Tokyo, Japan
- Member of Penang Strategic Investment Advisory Council (PSIAC)
- Member of the Board of Directors' and Lead for Talent Development Committee of Association of Malaysian Medical Industries (AMMI)

Directorship in other listed issuers/ public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- Dr Yuma Konishi is the son of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi, the Executive Chairman and deemed major shareholder of TRB. The interest of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is set out in the Analysis of Shareholdings section of this Annual Report

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- Not applicable

BOARD OF DIRECTORS (CONT'D)



MR AKIHIKO HIJIOKA
Non Independent
Non-Executive Director

Gender/Age/Nationality
 Male, 52, Japanese

Date of appointment to the Board
 1 January 2019

Membership of Board Committees
 Member of Executive Committee

Working experience/Occupation

- Joined Texchem Resources Bhd. Group of Companies ("TRB Group") in 2005. Mr Akihiko Hijioka has more than 28 years of experience in sales and marketing related to textile and garment, seafood as well as food and beverages industries
- President and Chief Operating Officer of Restaurant Division of TRB Group

Academic/Professional Qualification/ Membership(s)

- Bachelor of Economics from Waseda University, Tokyo, Japan

Directorship in other listed issuers/ public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 6/6



DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF
Independent
Non-Executive Director

Gender/Age/Nationality
 Male, 74, Malaysian

Date of appointment to the Board
 12 March 2003

Membership of Board Committees
 Nomination Committee (Chairman)
 Audit Committee (Member)
 Remuneration Committee (Member)

Working experience/Occupation

- More than 42 years of business experience in the commodities sector and property development industry
- Holds various directorships, presidentship and committee member of many voluntary organisations in the State of Penang

Academic/Professional Qualification/ Membership(s)

- Fellow of the British Institute of Management
- Attended management development programmes in United Kingdom, United States of America and Manila
- Intensive training at the London Metals Exchange in London

Directorship in other listed issuers/ public companies

- Executive Deputy Chairman of Aspen (Group) Holdings Limited
- Managing Director and Executive Director of Escoy Holdings Berhad
- Non-Executive Chairman of Small Medium Enterprise Development Bank Malaysia Berhad
- Independent Non-Executive Director of PBA Holdings Bhd

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 6/6

BOARD OF DIRECTORS (CONT'D)



**DATO' DANNY GOON
SIEW CHEANG**

*Independent
Non-Executive Director*

Gender/Age/Nationality

Male, 69, Malaysian

Date of appointment to the Board

5 March 2001

Membership of Board Committees

Audit Committee
(Member)

Nomination Committee
(Member)

Remuneration Committee
(Member)

Working experience/Occupation

- Chartered Accountant
- Worked with Coopers & Lybrand's Penang and London offices from 1971 to 1979
- Managing Director of Kennedy Burkill & Company Berhad from 1986 to 2007
- Holds directorships and other leadership positions on several not-for-profit, professional and voluntary organisations in the State of Penang

Academic/Professional Qualification/ Membership(s)

- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Chartered Accountant, Malaysian Institute of Accountants

Directorship in other listed issuers/ public companies

- Director of Sungei Ara Estates Berhad (non-listed public company)

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 6/6



**CIK ZARIZANA @
IZANA BINTI ABDUL AZIZ**

*Independent
Non-Executive Director*

Gender/Age/Nationality

Female, 54, Malaysian

Date of appointment to the Board

18 April 2012

Membership of Board Committees

Remuneration Committee
(Chairman)

Audit Committee
(Member)

Working experience/Occupation

- Partner in Messrs K. Ahmad & Yong from 1996 to 2016, specialising in company incorporation, mergers and acquisition and intellectual property, manufacturing, employment, banking and finance (including Islamic banking and finance), conveyancing, construction and development
- Served as an international consultant on legislative reform in Afghanistan, Indonesia (Aceh), Maldives, Myanmar and Timor Leste and judicial trainer in Pakistan and Afghanistan
- Adjunct professor at George Washington University, Washington DC

Academic/Professional Qualification/ Membership(s)

- Bachelor of Laws Degree from the University of Sydney Law School, Sydney Australia
- Masters of Laws from Columbia University Law School, New York, United States of America

Directorship in other listed issuers/ public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 5/6



BOARD OF DIRECTORS (CONT'D)



MR JONY RAW
*Independent
Non-Executive Director*

Gender/Age/Nationality

Male, 64, Malaysian

Date of appointment to the Board

2 May 2019

Membership of Board Committees

Audit Committee
(Chairman)

Working experience/Occupation

- More than 45 years of experience in the areas of audit, financial management, corporate finance and corporate secretarial
- Worked with KPMG, Kuala Lumpur before moving on to hold senior positions in several public listed companies
- Joined TRB from 1988 to 2011 and rose to the position of Group Chief Financial Officer
- Appointed as Joint Company Secretary of TRB from 1999 to 2013

Academic/Professional Qualification/ Membership(s)

- Member of the Malaysian Institute of Certified Public Accountants (Certified Public Accountant)
- Member of the Malaysian Institute of Accountants (Chartered Accountant)

Directorship in other listed issuers/ public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

Number of board meetings attended in the financial year

- 4/4

KEY SENIOR MANAGEMENT

MR MASAYUKI SUGINO

*President and Chief Operating Officer
Food Division*

Gender/Age/Nationality

Male, 63, Japanese

Date of appointment to the key senior management position

17 July 2018

Membership of Board Committees

Member of Executive Committee

Working experience/Occupation

- More than 38 years of experience in fishery, food manufacturing and seafood processing industry involving production, research & development, quality assurance and management

Academic/Professional Qualification/Membership(s)

- Bachelor of Science Degree in Marine Biology & Oceanology from the University of Kyushu, Japan

Directorship in other listed issuers/public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None

MR TANG YING HOE

Group Finance Director

Gender/Age/Nationality

Male, 47, Malaysian

Date of appointment to the key senior management position

1 January 2020

Membership of Board Committees

None

Working experience/Occupation

- More than 21 years of experience in the areas of audit and financial management
- Worked with Deloitte Touche Tohmatsu before joining Texchem Resources Bhd. Group in 2002

Academic/Professional Qualification/Membership(s)

- Bachelor of Accounting Degree from the Northern University of Malaysia
- Masters in Business Administration from the Northern University of Malaysia
- Chartered Accountant, Malaysian Institute of Accountants

Directorship in other listed issuers/public companies

- None

Any family relationship with any director and/or major shareholder of the listed issuer

- None

Any conflict of interests that the person has with the listed issuer

- None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

- None



GROUP FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	1,055,425	1,035,299	1,135,966	1,131,481	1,134,298
Profit Before Tax	23,409	13,598 ^{<}	6,836 ^{>}	4,698 [^]	815 ^{&}
Net Profit/(Loss) Attributable to Owners of the Company	10,039	3,213	(3,640)	(6,099)	(6,898)
Total Equity Attributable to Owners of the Company/Net Assets [@]	300,163	297,971	272,396	255,420	249,132
Net Tangible Assets [@]	242,842	237,941	213,587	199,538	193,250
No. of Ordinary Shares Issued ('000)	124,099	124,099	124,099	124,099	124,099
No. of Ordinary Shares Issued Less Treasury Shares ('000)	123,134	121,667	121,508	121,508	120,571
Dividends Paid	15,142	10,234	10,055	10,076	–
Dividends (%)	15	10	10	10	–
Earnings/(Loss) Per Share (Sen)	8.09	2.64	(2.99)	(5.02)	(5.70)
Net Assets Per Share (RM/Share) ^{#@}	2.44	2.45	2.24	2.10	2.07
Net Tangible Assets Per Share (RM/Share) ^{#@}	1.97	1.96	1.76	1.64	1.60
Gearing Ratio (Times) ^{^^}	0.28	0.14	0.25	0.33	0.33

[<] Includes gain on disposal of associates of RM18.70 million, closure costs of RM6.49 million arising from cessation of business by a subsidiary and impairment loss on goodwill of RM2.50 million

[>] Includes gain on deconsolidation of subsidiaries of RM4.83 million, gain on disposal of property, plant and equipment of RM2.42 million, impairment loss on property, plant and equipment of RM2.12 million and closure costs of RM6.21 million arising from cessation of business by subsidiaries

[@] Adjusted for the Company's shares held by a subsidiary of RM13.97 million (2018 and 2017: RM14.32 million) (2015 and 2016: RM14.60 million) included in capital reserve

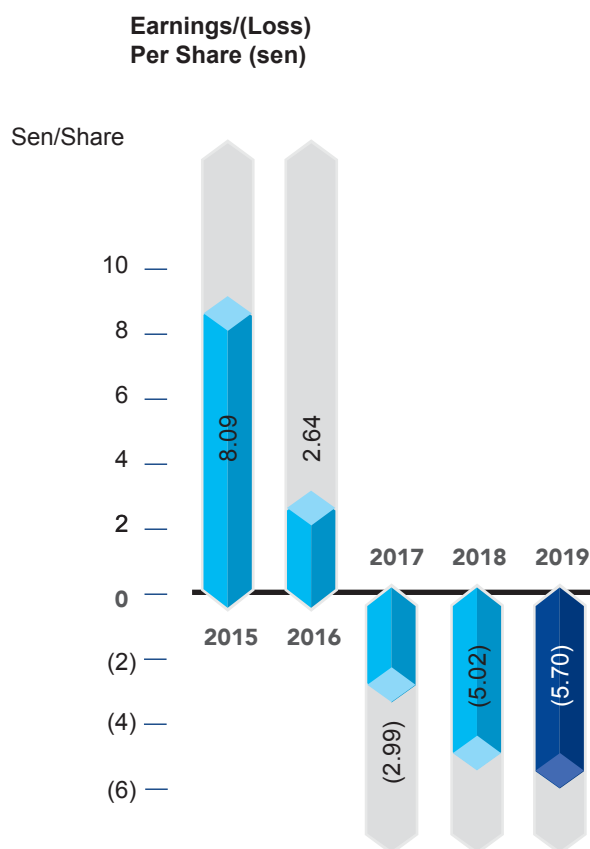
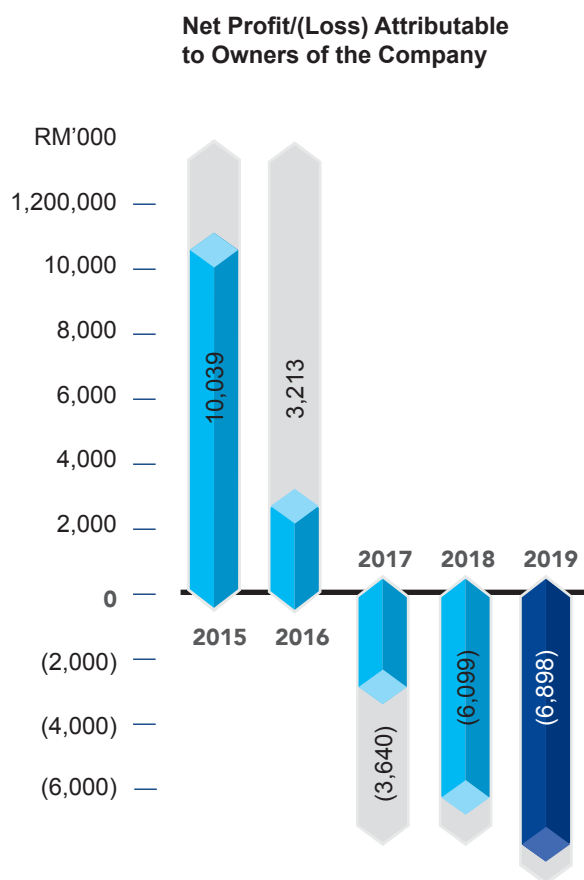
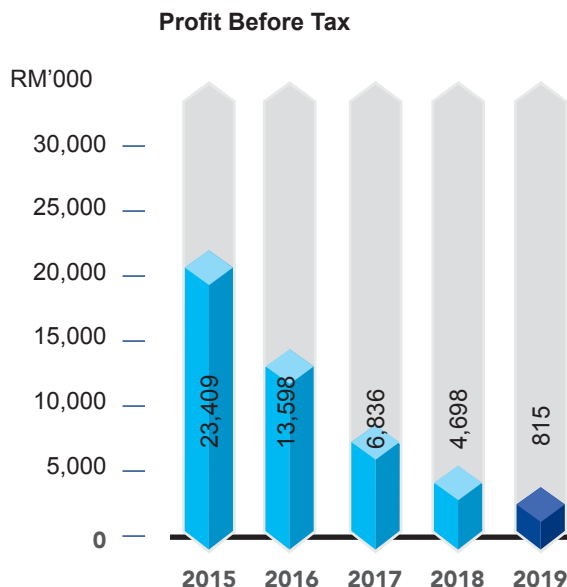
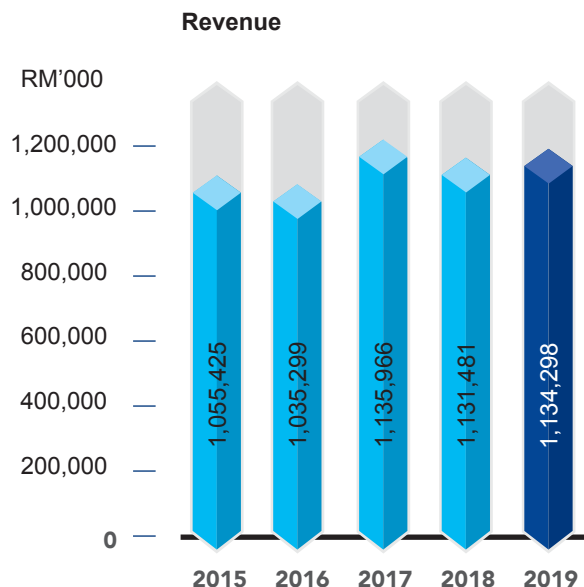
[#] Divided by number of ordinary shares issued less treasury shares

^{^^} Gearing ratio is defined as net borrowings (total loans and borrowings less cash and cash equivalents) divided by total equity adjusted for the Company's shares held by a subsidiary of RM13.97 million (2018 and 2017: RM14.32 million) (2015 and 2016: RM14.60 million) included in capital reserve

[^] Includes gain on disposal of an associate of RM2.04 million and impairment loss on goodwill of RM2.93 million

[&] Includes gain on disposal of a subsidiary of RM2.32 million and gain on re-measurement of retained interest in an associate of RM2.23 million.

GROUP FINANCIAL HIGHLIGHTS (CONT'D)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi

President and Group Chief Executive Officer

Yap Kee Keong

Executive Director

Dr Yuma Konishi

Non-Independent Non-Executive Director

Akihiko Hijioka

Independent Non-Executive Directors

Dato' Seri Nazir Ariff Bin Mushir Ariff

Dato' Danny Goon Siew Cheang

Zarizana @ Izana Binti Abdul Aziz

Jony Raw

EXECUTIVE COMMITTEE

Chairman

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi

Members

Yap Kee Keong

Dr Yuma Konishi

Akihiko Hijioka

Masayuki Sugino

AUDIT COMMITTEE

Chairman

Jony Raw

Members

Dato' Seri Nazir Ariff Bin Mushir Ariff

Dato' Danny Goon Siew Cheang

Zarizana @ Izana Binti Abdul Aziz

NOMINATION COMMITTEE

Chairman

Dato' Seri Nazir Ariff Bin Mushir Ariff

Member

Dato' Danny Goon Siew Cheang

REMUNERATION COMMITTEE

Chairman

Zarizana @ Izana Binti Abdul Aziz

Members

Dato' Seri Nazir Ariff Bin Mushir Ariff

Dato' Danny Goon Siew Cheang

COMPANY SECRETARIES

Lee Puay Img @ Eng Puay Img

Licence No.: LS 0009427

SSM PC No.: 202008001167

Ooi Chye Khoon

MIA No.: 19593

SSM PC No.: 202008002637

REGISTERED OFFICE

Level 18, Menara Boustead Penang

39 Jalan Sultan Ahmad Shah

10050 Penang

Tel: 604-2296000

Fax: 604-2291430

SHARE REGISTRAR

AGRITEUM Share Registration Services Sdn. Bhd.

2nd Floor, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

10050 Penang

Tel: 604-2282321

Fax: 604-2272391

AUDITORS

KPMG PLT

LLP0010081-LCA & AF 0758

Chartered Accountants

Penang

Tel: 604-2382288

Fax: 604-2382222

PRINCIPAL BANKERS

Malayan Banking Berhad

HSBC Bank Malaysia Berhad

Hong Leong Bank Berhad

CIMB Bank Berhad

RHB Bank Berhad

AmBank (M) Berhad

SOLICITORS

Presgrave & Matthews

Zaid Ibrahim & Co.

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock name: TEXCHEM

Stock code: 8702

Listing date: 17 May 1993

SUBSIDIARIES

Please refer to the Corporate Structure section of this Annual Report for the list of subsidiaries of the Company.

WEBSITE

www.texchemgroup.com

E-MAIL ADDRESS

trb@texchemgroup.com

EXECUTIVE COMMITTEE

TERMS OF REFERENCE

To assist the Board of Directors (“Board”) in decision-making by undertaking the necessary business deliberations and operational activities necessary for the day-to-day running of the organisation and to seek necessary Board approvals where applicable.

AUDIT COMMITTEE

TERMS OF REFERENCE

Objective

1. The principal objective of the Audit Committee (AC) is to assist the Board in fulfilling its oversight responsibilities of the Group’s financial reporting process and internal control system.

Membership

2. The AC shall be appointed by the Board from among its members and shall consist of no fewer than three (3) non-executive directors. All AC members should be non-executive directors, with a majority of them being independent directors.

All members of the AC shall be financially literate and at least one (1) member should be a member of an accountancy association or body.

3. The AC shall elect a Chairman from among its members who shall be an Independent Non-Executive Director. In the absence of the Chairman, the remaining members present shall among themselves elect a Chairman who must be an independent director to chair the meeting.
4. In the event of any vacancy in the AC resulting in the non-compliance with 2 above, the Board of Directors shall fill the vacancy within three months.

Authority

5. The AC is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
6. The AC is authorised by the Board to obtain external, legal or independent professional advice and to secure the attendance of such external advisors with relevant experience, if considered necessary.
7. The AC is authorised to convene meetings with the external auditors, internal auditors or both, without the presence of other directors and employees, whenever deemed necessary.
8. The AC is authorised to have direct communication channels with the external auditors and persons carrying out the Internal Audit function or activity.

Duties

9. The duties of the AC shall be
 - (a) Oversight of financial reporting and its process:
 - (i) Review the quarterly unaudited financial statements of the Group with Management and recommend to the Board of Directors for consideration and approval
 - (ii) Review the annual audited financial statements of the Company and the Group with Management and the external auditors and recommend to the Board of Directors for consideration and approval and
 - (iii) Review the Group’s Statement on Risk Management and Internal Control with Management and the external auditors and presenting to the Board for consideration and approval for inclusion in the Annual Report



AUDIT COMMITTEE (CONT'D)

9. The duties of the AC shall be (cont'd)

- (b) Oversight of external auditors and evaluation of the external audit process:
 - (i) Review with them, their audit plan, scope and areas of audit;
 - (ii) Review with them, their evaluation of the internal control environment and systems and audit findings;
 - (iii) Review with them, their audit report;
 - (iv) Review with them, their management letters and management responses;
 - (v) Review with them, the adequacy of the co-operation given by the Company's officers in the course of audit; and
 - (vi) Review with Management, the performance, competency, independence and suitability of the external auditors for recommendation to the Board for reappointment, the audit fee and any matter of resignation or dismissal.
- (c) Oversight of internal auditors and evaluation of the internal audit process:
 - (i) Review the adequacy of the scope, functions, competency and resources of the Internal Audit function, and that it has the necessary authority to carry out its work;
 - (ii) Review the annual Internal Audit plan, process and results of the Internal Audit activities including investigation and their evaluation of the Group's governance, risk management and internal control environment, systems and processes, and where necessary, ensure that appropriate actions are taken by Management on the recommendations of the Internal Audit function;
 - (iii) Review annually the performance of the Internal Audit function;
 - (iv) Review the annual performance appraisal or assessment of the Internal Audit staff including the adequacy of Internal Audit resources;
 - (v) Approve any appointment or termination of senior staff members of the Internal Audit function; and
 - (vi) Take cognizance of resignation of Internal Audit staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.
- (d) Oversight of Related Party Transactions and Conflict of Interest situations:
 - (i) Review any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (e) To consider any other functions as may be agreed between the AC and the Board of Directors.

Attendance, Quorum and Frequency of Meeting

- 10. The Chairman of the AC should engage on a continuous basis with senior Management, such as the Chairman, Group Chief Executive Officer, Group Chief Financial Officer / Group Finance Director, Chief Audit Executive and the external auditors in order to be kept informed of matters affecting the Company and the Group.
- 11. The Group Chief Financial Officer / Group Finance Director, Chief Audit Executive, and representatives of the external auditors shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. However, the AC shall meet with the external and internal auditors without the presence of Executive Board members and Management at least twice a year and whenever necessary.
- 12. In order to form a quorum in the AC meeting, the majority of members present must be Independent Directors.
- 13. The Committee shall meet not less than 4 times a year. The external auditors may request for a meeting if they consider necessary.
- 14. Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote.

Minutes

- 15. The Chief Audit Executive shall act as Secretary to the AC. The Minutes of each AC meeting shall be kept at the registered office and distributed to each member of the AC and other members of the Board. The AC Chairman shall report on each meeting to the Board.
- 16. The minutes of the AC meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

REMUNERATION COMMITTEE

TERMS OF REFERENCE

Objective

In accordance with the Malaysian Code on Corporate Governance, the Remuneration Committee is set up to provide recommendations to the Board of Directors ("Board") on:

- a) A formal and transparent procedure for developing the remuneration policy that meets the Company's business strategies and long-term objectives.
- b) The remuneration of the Executive Directors and senior management in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance.

Executive Directors should play no part in decisions on their own remuneration while the remuneration of the Non-Executive Directors should be a matter for the Board as a whole to determine. The individuals concerned should abstain from discussion of and voting on his or her own remuneration.

Size and Composition

The Remuneration Committee shall consist wholly of Non-Executive Directors and a majority of them must be independent Directors. The members of the Remuneration Committee shall elect a Chairman from amongst its members.

Meetings

The Remuneration Committee shall meet as and when is necessary. The quorum for any meetings shall be two (2) members subject to any laws, guidelines or rules that may be imposed by Bursa Malaysia Securities Berhad and/or any other relevant authority(ies).

Secretaries

The Company Secretaries shall act as Secretaries of the Remuneration Committee and shall be responsible for keeping minutes of meetings of the Remuneration Committee and circulating them to the Remuneration Committee members.

Duties and Responsibilities

- 1) To determine and recommend to the Board the framework or broad policy for the remuneration, in all forms, of the Executive Directors, senior management and/or any other persons as the Remuneration Committee is designated to consider by the Board, having regard to the Company's operating results, individual performance, comparable market statistics and drawing from outside advice as necessary.
- 2) To determine and recommend to the Board the remuneration packages and any performance related pay schemes for the Executive Directors, senior management and/or any other persons as the Remuneration Committee is designated to consider by the Board.
- 3) To determine the policy for and scope of service agreements for the Executive and Non-Executive Directors, termination payment and compensation commitments.
- 4) To report to the Board any matters that the Remuneration Committee considers should be brought to the attention of the Board and to provide sufficient information to the Board to ensure that the Board makes an informed decision in relation to the Remuneration Committee's recommendations.
- 5) To produce any required reports as may be required from time to time.
- 6) To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.
- 7) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.
- 8) The Chairman shall attend the Annual General Meetings to answer any questions relating to the Remuneration Committee's activities.



NOMINATION COMMITTEE

TERMS OF REFERENCE

Objective

In accordance with the Malaysian Code on Corporate Governance, the Nomination Committee is set up to provide recommendations to the Board of Directors ("Board") on the candidates for all directorships of Texchem Resources Bhd. ("TRB"). Final decision on the appointment of any directors of TRB shall be made by the Board.

The Nomination Committee shall be responsible in ensuring the appropriate Board balance and size, and that the Board has a required mix of skills, knowledge, experience, independence and diversity (diversity in gender, ethnicity and age). An annual review of the mix of skills, knowledge, experience and other core competencies of the Board shall be made by the Nomination Committee.

Size and Composition

The composition of Nomination Committee must not be less than (2) members. The Nomination Committee shall comprise wholly of Non-Executive Directors, the majority of whom are independent. The members of the Nomination Committee shall elect a Chairman from amongst any of its members who shall be an Independent Director. The Chairman shall attend the Annual General Meetings and provide response to questions addressed to the Chairman.

Meetings

The Nomination Committee shall meet as and when is necessary. The quorum for any meetings shall be two (2) members subject to any laws, guidelines or rules that may be imposed by Bursa Malaysia Securities Berhad and/or any other relevant authority(ies).

The Nomination Committee may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the Nomination Committee duly convened.

Notice

The Company Secretaries shall issue and circulate the notice for the Nomination Committee's meetings at least five (5) working days before each meeting to the members and invitees.

Secretaries

The Company Secretaries shall act as Secretaries to the Nomination Committee and shall be responsible for keeping minutes of meetings of the Nomination Committee and circulating them to the Nomination Committee members.

NOMINATION COMMITTEE (CONT'D)

Duties and Responsibilities

- 1) To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments thereof and/or the appointment of Directors as the Nomination Committee deems necessary.
- 2) To consider, in making its recommendations, candidates for directorships proposed by the President/Managing Director/Chief Executive Officer of TRB, any other senior executive or any other Director or shareholder of TRB or identified via independent sources, as well as make recommendations to put in place the plans for succession, in particular for the Chairman/President and the Managing Director/Chief Executive Officer. Factors to be taken into consideration when considering any candidates are as follows:
 - (a) skills, knowledge, expertise and experience;
 - (b) character, professionalism and integrity;
 - (c) age, gender, background; and
 - (d) in the case of candidates for the position of independent non-executive directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.
- 3) To conduct a performance evaluation annually in order to assist the Board to review the required mix of skills, knowledge, experience, independence, diversity (diversity in gender, ethnicity and age) and other qualities including core competencies which Directors should bring to the Board and to assess the effectiveness of the Board as a whole and any other committees of the Board and the contributions of each individual Director of TRB based on the process and procedures laid out by the Board.
- 4) To review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference of the Audit Committee.
- 5) To review the induction and training needs of Directors under the continuing education programmes.
- 6) To recommend to the Board for continuation or discontinuation in service of Directors as an Executive Director or Non-Executive Director.
- 7) To recommend Directors who are retiring by rotation to be put forward for re-election.
- 8) To recommend to the Board the Directors to fill the seats on any committees of the Board.
- 9) To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill the Board's responsibilities.
- 10) To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Review of the Terms of Reference

The Terms of Reference shall be reviewed and updated as and when necessary and the Nomination Committee shall recommend any change to its Terms of Reference as the Nomination Committee deems appropriate to the Board for approval.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth Annual General Meeting (“46th AGM”) of the Company will be held on a fully virtual basis at the Broadcast Venue at Boardroom, Level 18, Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Penang on Thursday, 25 June 2020 at 2.00 p.m. for transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.*
2. To re-elect the following Directors who retire in accordance with Article 22.3 of the Company’s Constitution and who being eligible offer themselves for re-election:
 - (i) Tan Sri Dato’ Seri (Dr.) Fumihiko Konishi; and **Ordinary Resolution 1**
 - (ii) Mr Yap Kee Keong. **Ordinary Resolution 2**
3. To re-elect the following Directors who retire in accordance with Article 22.10 of the Company’s Constitution and who being eligible offer themselves for re-election:
 - (i) Mr Jony Raw; and **Ordinary Resolution 3**
 - (ii) Dr Yuma Konishi. **Ordinary Resolution 4**
4. To approve the Directors’ Fees of RM560,000 for the financial year ended 31 December 2019 (2018: 940,000). **Ordinary Resolution 5**
5. To approve the payment of Directors’ benefits of RM35,000 to the four (4) members of the Audit Committee for the financial year ended 31 December 2019 (2018: RM30,000). **Ordinary Resolution 6**
6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**
7. SPECIAL BUSINESS
To consider and if deemed fit to pass the following Ordinary Resolutions:
 - (A) **Continuing in office as Independent Non-Executive Director** **Ordinary Resolution 8**

“**THAT** authority be and is hereby given to Dato’ Seri Nazir Ariff Bin Mushir Ariff who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”
 - (B) **Power to Issue Shares pursuant to Section 75 and Section 76 of the Companies Act 2016** **Ordinary Resolution 9**

“**THAT** subject always to the Companies Act 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised and empowered pursuant to Section 75 and Section 76 of the Act to allot and issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority as abovementioned shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(C) Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Ordinary Resolution 10**

"**THAT** subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties as set out in Part A [section 2.4(A)] of the Circular to the Shareholders of the Company dated 27 May 2020 ("Proposed Mandate") which transactions are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and/or its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company AND THAT such approval shall only continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the 46th AGM, at which time it will lapse unless such authority is renewed by a resolution passed at the next AGM of the Company;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company, whether solely or jointly, be and are hereby authorised to complete and do all such acts and things including executing such relevant documents as they may consider expedient or necessary to give effect to the Proposed Mandate."

(D) Proposed Renewal of Existing Share Buy-Back Authority

Ordinary Resolution 11

"**THAT** subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares in the Company's total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit subject to the following:

- (a) the aggregate number of shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being ("Texchem Shares");
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the Texchem Shares shall not exceed the total retained profits of the Company;
- (c) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the 46th AGM in which the resolution is passed at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) revoked or varied by ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earlier, but so as not to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and in any event, in accordance with the Main Market Listing Requirements of the Bursa Securities or any other relevant authorities;

- (d) upon completion of the purchase(s) of the Texchem Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Texchem Shares in the following manner:
 - (i) to cancel the Texchem Shares so purchased; or
 - (ii) to retain the Texchem Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or for cancellation subsequently; or
 - (iii) to retain part of the Texchem Shares so purchased as treasury shares and cancel the remainder; or
 - (iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary including to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities or as may be deemed necessary by the Directors and to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company."

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 46th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 19.9 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 June 2020. Only a depositor whose name appears on the Record of Depositors as at 19 June 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

BY ORDER OF THE BOARD

LEE PUAY IMG @ ENG PUAY IMG
Licence No.: LS 0009427
SSM PC No.: 202008001167
OOI CHYE KHOON
MIA No.: 19593
SSM PC No.: 202008002637
Company Secretaries

Penang
Date: 27 May 2020

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

- * This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require approval of the shareholders and hence, is not put forward for voting.
1. As part of the initiatives and the safety measures to curb the spread of Coronavirus Disease 2019 (“COVID-19”), and having regard to the well-being and the safety of our shareholders, the 46th AGM will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting Facilities (“RPV Facilities”) which are available on Securities Services e-Portal (“SSeP”) at <https://www.sshsb.net.my/login.aspx>. For further details and guidelines on RPV Facilities, please refer to the Administrative Guide of the 46th AGM.
 2. The broadcast venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman of the meeting shall be present at the main venue of the 46th AGM and in accordance with Article 19.4 of the Company’s Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members of the Company to participate and to exercise the members’ right to speak and vote at the general meeting. As guided by the Securities Commission’s Guidance and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and subsequently revised on 14 May 2020, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Annual General Meeting via real time submission of typed texts through a text box within SSeP during the live streaming of the Annual General Meeting as primary mode of communication. In the event of technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Annual General Meeting. Relevant questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/relevant adviser.
 3. Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) and Exempt Authorised Nominees which hold ordinary shares in the Company for multiple beneficial owners in one securities account (“Omnibus Account”), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote instead of him at the Annual General Meeting and that such proxy need not be a Member.
 4. Where a Member entitled to vote on a resolution has appointed more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
 5. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing. The instrument appointing a proxy authorises the proxy(ies) to demand or join in demanding a poll.
 6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof. The proxy appointment may also be lodged electronically via SSeP at <https://www.sshsb.net.my>.
- Should you wish to participate at the 46th AGM remotely, please register electronically via SSeP at <https://www.sshsb.net.my> by the registration cut-off date and time. Please refer to the Administrative Guide of the 46th AGM on the Conduct of a Fully Virtual General Meeting for further details which is available for download at <https://texchemgroup.com>.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 46th AGM of the Company shall be put to vote by way of poll.

EXPLANATORY NOTES:

(i) Ordinary Resolutions 5 and 6

Section 230(1) of the Companies Act 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders’ approval will be sought at this AGM on the Directors’ fees for the financial year ended 31 December 2019 and Directors’ benefits for the four (4) members of the Audit Committee, all of whom are Independent Non-Executive Directors, for the financial year ended 31 December 2019.



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

The Directors' benefits is RM10,000 per annum for each member of the Audit Committee who served a full year and pro-rated to RM5,000 per annum for less than one (1) year of service.

(ii) Ordinary Resolution 8

Pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, the Board has vide its Nomination Committee conducted an assessment and reviewed the independence of those directors who have served as Independent Non-Executive Director for a cumulative term of more than twelve years. The Board is satisfied with the results and recommended that the resolution be put up for shareholders' approval through a two-tier voting process for Dato' Seri Nazir Ariff Bin Mushir Ariff to remain as Independent Non-Executive Director based on the following justifications:

The Board is of the view that Dato' Seri Nazir Ariff's expertise, broad international experience and vast experience in various industries provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board. The Board is confident that his length of service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

Dato' Danny Goon Siew Cheang, having served as an Independent Non-Executive Director of the Company for more than twelve (12) years, has expressed his intention to resign as a Director at the conclusion of this 46th AGM.

(iii) Ordinary Resolution 9

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM of the Company held on 23 April 2019 and the said mandate will lapse at the conclusion of this 46th AGM.

This Ordinary Resolution, if passed, will give the Directors of the Company from the date of this 46th AGM, the authority to allot and issue ordinary shares in the Company up to an aggregate of not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being pursuant to Section 75 and Section 76 of the Act ("Renewed Mandate"). This Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions without any delay and without incurring additional expenses in convening a general meeting to approve the issuance of such shares.

(iv) Ordinary Resolution 10

This Ordinary Resolution, if passed, will empower the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Company and/or its subsidiaries' day-to-day operations provided that such transactions are being carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and are not to the detriment of the minority shareholders of the Company.

This authority, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company.

The details of this proposed Ordinary Resolution are set out in Part A [section 2.4(A)] of the Circular to the Shareholders of the Company dated 27 May 2020.

(v) Ordinary Resolution 11

This Ordinary Resolution, if passed, will enable the Company to purchase its own shares up to 10% of the total number of issued shares of the Company (inclusive of shares that have been purchased and/or retained as treasury shares). This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM of the Company.

The details of this proposed Ordinary Resolution are set out in Part B of the Circular to the Shareholders of the Company dated 27 May 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements)

1. Details of individuals who are standing for election as Directors

No individual is seeking election as a Director (excluding Directors standing for re-election) at the Forty-Sixth (46th) Annual General Meeting of the Company.

The profiles of the Directors who are standing for re-election as per Ordinary Resolutions 1 to 4 of the Notice of 46th Annual General Meeting are stated in the section on the Profile of Directors in this Annual Report.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of the general mandate to allot securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are stated in the Explanatory Note (iii) of the Notice of the 46th Annual General Meeting as set out in this Annual Report.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Texchem Resources Bhd. (“Company”) is entirely committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles, practices and guidances set out in the Malaysian Code on Corporate Governance (“Code”) issued by the Securities Commission Malaysia on 26 April 2017 to enhance its accountability, transparency and sustainability. In addition, the Board follows global developments of internationally recognised corporate governance practices and though the Board is already in compliance with many respects, it continually reviews the corporate governance processes adopted by the Company and its subsidiaries (collectively “the Group”) and strives to make appropriate adjustments to reflect its position as a good corporate citizen. The key intent is to adopt the substance behind good governance and not merely the form, with the aim of ensuring Board effectiveness in enhancing shareholder value.

The Board presents this statement to provide shareholders with an overview of the corporate governance (“CG”) practices of the Company which were based on the principles and best practices as set out in the Code, the governance standards prescribed in the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the requirements under the Companies Act 2016 and applied under the leadership of the Board during the financial year ended 31 December 2019.

This overview statement is to be read together with the CG Report 2019 (“CG Report”) of the Company which is available on the Company’s website at www.texchemgroup.com. The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Board acknowledges its pivotal role in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction and the Board oversees the establishment of goals for Management and monitors the achievement of these goals. Operational effectiveness, cost rationalisation and human capital management continue to be the key areas of focus for the Group.

The Board is led by the Executive Chairman and the Group Chief Executive Officer (“CEO”) whose roles are separated. The Executive Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions; and the Executive Chairman works with the Board and the Group CEO to develop strategies for the Group’s future growth whereas the Group CEO is responsible for the day to day management of the business as well as the implementation of Board policies and decisions.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has set up various Board Committees to assist the Board. The Board Committees set up by the Board are:-

- (a) Executive Committee (“EXCO”)
- (b) Audit Committee (“AC”)
- (c) Nomination Committee (“NC”)
- (d) Remuneration Committee (“RC”)

The EXCO, AC, RC and NC play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Board Committees partly function as a filter to ensure that only pertinent matters are tabled at the Board level. All Board Committees have written Terms of Reference which can be found at the Company’s website, www.texchemgroup.com and in this Annual Report. There is also a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity, for Directors to obtain independent professional advice at the Company’s expense.

The prime objective of the Company’s Board Charter is to set out the principles governing the Board of the Company and adopts the principles and practices of good corporate governance in the management of the Company. The Board is guided by the Board Charter which outlines, inter alia, the duties and responsibilities of the Board, Board Committees, Chairman, CEO, individual Directors and Management, matters reserved for the Board as well as those which the Board may delegate to the Board Committees, CEO and Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

The Board has also formalised a Code of Conduct and Ethics (“CoCE”) to govern the conduct of the Directors, Management and employees in the operation of the Company. The CoCE includes mechanism amongst others, a whistleblower policy for the Company's Directors and employees as well as external parties to report genuine suspicions of non-compliance without fear of retribution or retaliation.

Further details pertaining to the Board Charter and CoCE are set out in the CG Report. The Board Charter and CoCE can be found at the Company's website, www.texchemgroup.com.

The Group is committed towards sustainable development and believes that sustainable corporate success requires the highest standard of corporate behavior including measuring up to public expectations on its economic, environmental, social and corporate governance responsibilities. As a socially responsible citizen, the Company shall approach the process of addressing higher expectations of economic, environmental, social and corporate governance responsibilities as part of how the Company normally works and thinks. The Group's effort in this regard including the corporate responsibility activities in the financial year under review have been set out in the Sustainability Statement in this Annual Report. A copy of the Sustainability Policy is available on the Company's website at www.texchemgroup.com.

Every Director has unhindered access to the advice and services of the Company Secretaries. The Company Secretaries are accountable directly to the Board on all matters to do with the proper functioning of the Board and provide unimpeded advice and services to the Company's Director, as and when the need arises. The Company Secretaries also ensure that the Board Committees function effectively based on the respective Terms of Reference.

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and/or the Group. The Directors are provided with relevant and timely information on matters to be discussed or considered at meetings of the Board and Board Committees.

II Board Composition

The NC comprised the following members during the financial year under review:

Members	
Dato' Seri Nazir Ariff Bin Mushir Ariff	Chairman, Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director

The NC met three (3) times on 28 January 2019, 24 April 2019 and 18 December 2019. The meetings were attended by all the members of the NC. Tan Sri Dato' Seri (Dr.) Fumihiko Konishi and Cik Zarizana @ Izana Binti Abdul Aziz were invited by the Chairman of the NC to attend all the meetings. Mr. Jony Raw was invited by the Chairman of the NC to attend the meeting on 18 December 2019 which was held subsequent to his appointment as an Independent Non-Executive Director of the Company on 2 May 2019.

The NC consists entirely of Non-Executive Directors, all of whom are independent.

The NC is empowered by the Board and its Terms of Reference to bring to the Board recommendations as to the appointment of new Directors and appointment of Directors to Board Committees. The NC also keeps under review the Board structure, size and composition, the Board succession planning as well as training programmes. The changes made to the Board composition during the financial year under review until the date of this statement are as follows:

1. Appointment of Mr Akihiko Hijioaka as an Executive Director of the Company on 1 January 2019;
2. Retirement of Mr Wong Kin Chai as an Executive Director of the Company on 23 April 2019;
3. Appointment of Mr Jony Raw as an Independent Non-Executive Director of the Company on 2 May 2019;
4. Appointment of Dr Yuma Konishi as an Executive Director of the Company on 1 January 2020;
5. Re-designation of Mr Akihiko Hijioaka from Executive Director to Non-Executive Director of the Company on 22 January 2020.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

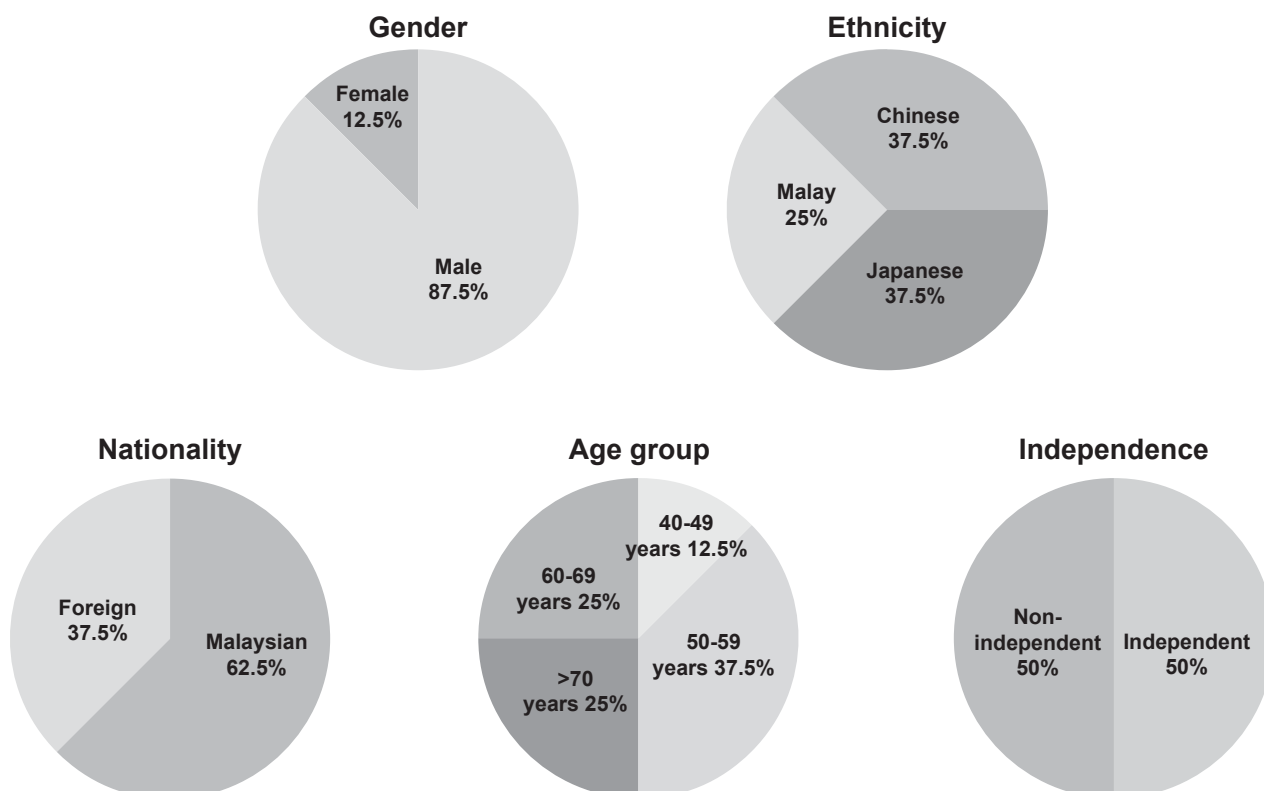
(CONT'D)

The activities undertaken by the NC for the financial year ended 31 December 2019 were as follows:

1. Reviewed the overall composition of the Board and Board Committees.
2. Conducted the annual assessment and the performance evaluation of the individual Directors and the Board as a whole; summarised the results of the annual assessment and the performance evaluation and reported to the Board on the outcome of such assessment.
3. Reviewed the succession planning of Directors and Senior Management.
4. Reviewed the independence of the Directors.
5. Conducted the assessment on the AC and each of its members.
6. Assessed and recommended to the Board the appointment of the new Directors, namely Mr Jony Raw and Dr Yuma Konishi.
7. Proposed and recommended to the Board the re-organization of the AC.
8. Made recommendation to the Board for the re-election of the Directors who are subject to retirement at the forthcoming Annual General Meeting ("AGM").

As at the date of this statement, the Board consists of eight (8) members; comprising four (4) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent Non-Executive Director. The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

A summary of the Board composition is set out below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

The Board has achieved the recommendation in Practice 4.1 of the Code by having Board composition where half of the Board comprises independent directors.

The Board notes Practice 4.2 of the Code that the tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Based on the review of the Board's composition and assessment of individual Directors, the Board is of the view that the independence of the Independent Non-Executive Directors of the Company should not be determined solely or arbitrary by their tenure of service. The Board is confident that the current Board is able to exercise objective judgment on business and corporate affairs in the presence of the Independent Non-Executive Directors, two (2) of whom have served the Board for more than nine (9) years as they have retained independence of character and judgement, and are able to express their views without any constraint.

Dato' Danny Goon Siew Cheang, who has served the Company as an Independent Non-Executive Director for a period of nineteen (19) years, has expressed his intention to resign from the Board upon conclusion of the forthcoming AGM. Dato' Seri Nazir Ariff Bin Mushir Ariff, having served as an Independent Non-Executive Director for a period of sixteen (16) years, will be seeking shareholders' approval during the forthcoming AGM for him to continue in office as an Independent Non-Executive Director until the conclusion of the next AGM.

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be made in between the scheduled meetings. During the financial year under review, the Board met six (6) times on 21 February 2019, 24 April 2019, 18 June 2019, 23 July 2019, 24 October 2019 and 18 December 2019 where it deliberated upon and considered various matters.

Details of each Director's meeting attendance during the financial year are as follows:

Meetings Attended (Out of 6)		
<u>Current Directors</u>		
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman	6/6
Yap Kee Keong	President and Group CEO	6/6
Dr Yuma Konishi ⁽¹⁾	Executive Director	N/A
Akihiko Hijioaka ⁽²⁾	Non-Independent Non-Executive Director	6/6
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director	6/6
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director	6/6
Zarizana @ Izana Binti Abdul Aziz	Independent Non-Executive Director	5/6
Jony Raw ⁽³⁾	Independent Non-Executive Director	4/4
<u>Former Director</u>		
Wong Kin Chai ⁽⁴⁾	Executive Director	1/1

Notes:

- (1) Appointed as Executive Director on 1 January 2020
 (2) Appointed as Executive Director on 1 January 2019 and re-designated to Non-Executive Director on 22 January 2020
 (3) Appointed as Independent Non-Executive Director on 2 May 2019
 (4) Retired as Executive Director on 23 April 2019
 N/A - Not applicable

Based on the level of time commitment demonstrated by individual Directors in attending Board meetings, Board Committee meetings and AGMs, the Board is confident that the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatraf Sdn Bhd. Dr Yuma Konishi, the newly appointed Executive Director, has completed the MAP in April 2020, ie. within 4 months from the date of his appointment.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

During the financial year under review, all Directors have attended various training programmes and seminars, details as set out below, to enhance their knowledge and expertise:

Directors	Training/ Seminars/ Conferences
<u>Current Directors</u>	
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	<ul style="list-style-type: none"> Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
Yap Kee Keong	<ul style="list-style-type: none"> Session on Corporate Governance and Anti-Corruption Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
Dr Yuma Konishi ⁽¹⁾	<ul style="list-style-type: none"> N/A
Akihiko Hijioaka	<ul style="list-style-type: none"> Mandatory Accreditation Programme for Directors of Public Listed Companies Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
Dato' Seri Nazir Ariff Bin Mushir Ariff	<ul style="list-style-type: none"> Directors' Duties and Liabilities - Updates Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
Dato' Danny Goon Siew Cheang	<ul style="list-style-type: none"> The Fundamental Skills in Presenting Financial Statements and Disclosure of Information in Accordance with MPERS Navigating Corporate Liability Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009 The New Companies (Amendment) Bill 2019
Zarizana @ Izana Binti Abdul Aziz	<ul style="list-style-type: none"> Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
Jony Raw ⁽²⁾	<ul style="list-style-type: none"> Mandatory Accreditation Programme for Directors of Public Listed Companies Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009
<u>Former Director</u>	
Wong Kin Chai ⁽³⁾	N/A

Notes:

- ⁽¹⁾ Appointed as Executive Director on 1 January 2020
⁽²⁾ Appointed as Independent Non-Executive Director on 2 May 2019
⁽³⁾ Retired as Executive Director on 23 April 2019
N/A - Not applicable

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

III Remuneration

The RC comprised the following members during the year under review:

Members	
Zarizana @ Izana Binti Abdul Aziz	Chairman, Independent Non-Executive Director
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director

During the financial year under review, the RC met two (2) times on 28 January 2019 and 21 February 2019. The meetings were attended by all the members of the RC.

The RC consists of Non-Executive Directors, all of whom are independent.

The RC is responsible for inter alia recommending to the Board the remuneration of the Executive Directors and Senior Management in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance.

The Board has in place a Remuneration Policy and Procedures, which is designed to:-

- (a) provide an overall remuneration package for Directors and Senior Management which is able to attract, engage and retain the right talent and to motivate Directors and Senior Management to drive the Company's long term objectives and to ensure business sustainability and growth; and
- (b) ensure that the Directors and Senior Management are offered an appropriate level of remuneration which is in line with the Company's strategic objectives and corporate value and which will not give rise to conflicts between the objectives and interests of the Company and the interests of individual Directors and Senior Management.

The RC assisted the Board to set up and implement the Remuneration Policy and Procedures by developing and administering fair and transparent procedures relating to determining, reviewing, assessing and recommending the remuneration packages for the Directors and Senior Management.

The Board will recommend the Director's fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016. Details of the remuneration of Directors and Senior Management for the year under review are provided in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC of the Company comprised 4 Independent Non-Executive Directors and was chaired by Dato' Danny Goon Siew Cheang during the year ended 31 December 2019.

Subsequently, Mr Jony Raw who was appointed an AC member on 19 July 2019 and re-designated as AC Chairman on 1 January 2020.

All AC members are financially literate and the AC's composition and performance are reviewed by the NC annually and recommended to the Board for its approval.

In order to maintain an independent and effective AC, the NC ensures that all AC members appointed are Independent Non-Executive Directors who are financially literate with an appropriate level of expertise and experience and a strong understanding of the Company and Group's business. Further details on the AC are set out in the AC Statement of this Annual Report.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

II Risk Management and Internal Control Framework

The Board fulfills its responsibilities in risk governance by providing oversight of the Group's overall risk management process and risk exposure.

The Divisional Management and the Chief Risk Officer assessed and monitored the suitability and effectiveness of the risk management controls and measures taken whilst the adequacy and compliance of these and related internal controls were reviewed by the AC in conjunction with the activities and reports of the Internal Audit.

Subject to the effects of the COVID-19 outbreak which could not be fully quantified at the date of this Overview Statement, the Board is of the view that the system of risk management and internal control in place during the year was sound and sufficient to safeguard the Group's assets, shareholders' investments and the interests of customers, employees and other stakeholders. Details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Company acknowledges the importance of transparent, timely and equal dissemination of quality material information to shareholders, investors and public at large. As such, the Board observed the Corporate Disclosure Guide issued by Bursa Malaysia Berhad which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

The Company reaches out to its shareholders through the distribution of its annual report, quarterly financial results announcements, circulars to shareholders, press release and the various disclosures and announcements made to Bursa Securities.

In addition, the Company maintains a corporate website with links to Bursa Securities' website, through which shareholders may access for among others the latest information on the Company, the Board Charter and Terms of Reference of Board Committees.

II. Conduct of General Meetings

The Company's AGM is an important means of communication with shareholders. The Company fully recognises the rights of the shareholders and encourages them to exercise their rights at the AGM. Shareholders will be accorded ample opportunity and time to raise questions and concerns, and the Board and Senior Management will provide appropriate answers and clarifications. The key element of the Company's dialogue with its shareholders at the AGM is the opportunity to gather views of, and answer questions from, both individual and institutional shareholders on all issues relevant to the Company.

To encourage shareholders to attend AGMs, the Company's Forty Fifth AGM ("45th AGM") in 2019 was held in the city centre of George Town, Penang. Further, the Notice of the 45th AGM was issued twenty-eight (28) days before the AGM date.

To ensure effective participation of and engagement with shareholders, all members of the Board, Senior Management and external auditors were present at the 45th AGM to respond to the questions raised by the shareholders or proxies.

The Company had conducted poll voting via electronic means for all resolutions set out in the Notice of the 45th AGM. The shareholders were briefed on the voting procedures by the Share Registrar namely AGRITEUM Share Registration Services Sdn Bhd while the results of the poll were verified by the independent scrutineer, Value Creator Consultancy. The Company continues to explore on ways to leverage on technology to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

This CG Overview Statement was approved by the Board of the Company on 20 May 2020.

AUDIT COMMITTEE STATEMENT

MEMBERSHIP

The composition of the Audit Committee during the year was as follows:

Mr. Jony Raw, *Chairman, Independent Non-Executive Director*
(appointed on 19 July 2019 and re-designated as Chairman on 1 January 2020)
Dato' Seri Nazir Ariff Bin Mushir Ariff, *Independent Non-Executive Director*,
Dato' Danny Goon Siew Cheang, *Independent Non-Executive Director*,
Cik Zarizana @ Izana Binti Abdul Aziz, *Independent Non-Executive Director*.

MEETINGS

During the year, the Audit Committee (AC) convened a total of seven (7) meetings, of which two (2) meetings were with the external and internal auditors without the presence of Management. The AC meetings were held on 20 February, 20 March, 23 April, 22 July and 23 October 2019.

All meetings were held with sufficient notification and with agenda being distributed to the members. The AC members attended all the meetings.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the AC discharged its duties in accordance with its terms of reference as follows:

Oversight of Financial Reporting and its process

- Reviewed with Management before recommending to the Board for consideration, the quarterly unaudited financial statements of the Group and ensured that they were in compliance with Malaysian Financial Reporting Standards and Bursa's Malaysia Main Market Listing Requirements (MMLR).
- Reviewed with Management and external auditors before recommending to the Board for consideration, the annual audited financial statements of the Company and the Group and ensured that they were in compliance with Malaysian Financial Reporting Standards and Bursa Malaysia's Main Market Listing Requirements (MMLR)
- Reviewed with Management and external auditors on changes in or implementation of major accounting policy changes, if any and significant matters relating to financial reporting, significant judgements made by Management, significant and unusual events or transactions and resolution of these matters
- Reviewed with Management and external auditors before presenting to the Board for consideration, the Group's Statement on Risk Management and Internal Control for inclusion in the Annual Report

Oversight of External Auditors and evaluation of the external audit process

- Reviewed with them, their annual Audit Plan and strategy, scope of work and reporting requirements for the year
- Reviewed with them, their evaluation of the system of internal controls, recommendations for improvement, management letters and management responses thereon
- Reviewed with them, their audit report
- Confirmed with them, their audit independence
- Reviewed with them without the presence of Management, matters arising from the external audit or any other issues, of which there were no significant issues that should be brought to the AC and Board's attention
- Reviewed with them without the presence of Management, and confirmed that the cooperation given by the Company's officers during the audit was adequate
- Reviewed with Management, their audit fees and annual evaluation of their performance, technical competency, audit independence and suitability before recommending to the Board their reappointment. Further information on the assessment of the external auditors by the AC is provided in the Corporate Governance Report in accordance with Practice 8.3 of the Malaysian Code of Corporate Governance. In 2019, the non-audit fees incurred amounted to RM 21,000 and RM 390,000 for the Company and Group constituting approximately 33% and 32% of the total fees of RM 63,000 and RM 1,236,000 paid respectively. The non-audit fees were mainly for tax compliance and transfer pricing documentation



AUDIT COMMITTEE STATEMENT (CONT'D)

Oversight of Internal Auditors and evaluation of the internal audit process

- Reviewed and approved the annual risk based Internal Audit Plan on the audit frequency and timing, work scope, areas of audit focus and adequacy of resources
- Reviewed and approved the annual Internal Audit cost budget
- Reviewed the quarterly Internal Audit Departmental reports and audit progress with Plan
- Reviewed the Internal Audit Reports, audit findings, recommendations for improvement and management's responses to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system
- Reviewed with them without the presence of Management, matters arising from the internal audit or any other issues, of which there were no significant issues that should be brought to the AC and Board's attention
- Conducted an annual evaluation of the performance of the Internal Audit function
- Reviewed the annual performance appraisal and assessment of the Internal Audit staff

Oversight of Related Party Transactions

- Reviewed with Management to ensure the actual Related Party Transactions were within the limits approved by the shareholders

INTERNAL AUDIT FUNCTION

The Internal Audit function is established to add value and improve the Group's operations by conducting independent and objective assurance and consulting activities to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system in achieving corporate objectives.

The in-house Internal Audit function reports administratively to the Group Chief Executive Officer and functionally to the AC which reviews the adequacy of the scope and resources of the Internal Audit function as well as the competency and experience of the internal auditors. Further information on the resources, objectivity and independence of the Chief Audit Executive and internal auditors is set out in the Corporate Governance Report in accordance with Practice 10.2 of the Malaysian Code of Corporate Governance.

During the year, the Internal Audit conducted assurance assignments in accordance with the annual risk based plan. The AC reviewed with Management the audit findings, management's responses and their action plans. Follow-up reviews were also conducted by the Internal Audit function to ensure that audit matters were adequately addressed by Management. More information on the Internal Audit function is set out in the Corporate Governance Report in accordance with Practice 10.1 of the Malaysian Code of Corporate Governance.

In 2019, the total cost of the Internal Audit function comprising staff payroll and benefits, staff training, office rental, travelling and incidental costs amounted to approximately RM547,000 (2018:RM566,000).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD'S RESPONSIBILITY

The Board of Directors ("Board") affirms its responsibility for the integrity, adequacy and effectiveness of Texchem Resources Bhd Group's (the "Group") risk management and internal control system. This system covers governance, enterprise risk management, strategic, organisational, financial, operational, regulatory and compliance controls.

The Board recognises that the system is an ongoing process designed to manage, rather than eliminate the risk of not complying with the Group's policies and achieving its long-term strategic objectives. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement of information, loss or fraud.

During the year, Management has assisted the Board in implementing the Board's policies and procedures on risks and control by:

- Identifying, analysing and evaluating risks
- Designing, executing and monitoring of suitable controls to manage key risks
- Identifying emerging risks or changes in risks, taking appropriate remedial action and highlighting for the Board's attention

KEY RISK MANAGEMENT AND INTERNAL CONTROL FEATURES AND PROCESSES

The key features and processes that have been established to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system are as follows:

a) Organisational and Reporting Structure

- The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority. A hierarchical reporting system is in place with appropriate authority limits, proper segregation of duties, annual budgeting, monthly reporting of variances between the actual and budgeted results for corrective action to be taken and human resource management policies. Policies and procedures to ensure compliance with risk management, internal controls and relevant laws and regulations are set out in the standard operating procedures of the individual companies.

b) Strategic Plan

- The Group has a 5 year strategic plan approved by the Board. This long-term plan is reviewed and updated every 5 years or earlier in tandem with changes in the market and business environment. A review of the achievement of these plans is conducted for further management remedial action, as and when required.

c) Executive Committee

- An Executive Committee ("EXCO") was established by the Board to manage the Group's key risks and operations in accordance with its annual budget and long-term strategic objectives and strategies as well as the policies and business directions as approved by the Board. The EXCO executes the strategies approved by the Board and addresses issues arising from changes in the external environment and internal operating conditions.

d) Risk Management Framework

- The Group has an Enterprise Risk Management ("ERM") framework in line with ISO31000 aligned with corporate objectives and embedded in the daily operations of individual companies. The ERM system is an ongoing and systematic process to identify, analyse, evaluate, respond, monitor and report on risks.
- The Group has a Risk Management Policy which is a statement of its overall intention and commitment to adopt and use enterprise risk management to achieve corporate objectives. The policy which is available on the Company's website applies to the Company and its subsidiaries excluding associates.
- The current risk governance structure comprises the following namely:
 - i) Individual companies' management and risk owners who perform and monitor day-to-day risk management activities and controls.
 - ii) Risk and compliance oversight in which the Group Chief Risk Officer and Divisional Management and their risk officers are responsible for designing, reviewing and improving the risk management framework and process to ensure effective risk management.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

d) Risk Management Framework (cont'd)

- The current risk governance structure comprises the following namely: (cont'd)
 - iii) The provision of independent assurance by the Internal Audit function on the adequacy and effectiveness of risk management and internal control system.
 - iv) Board oversight and monitoring of the effectiveness of the Group's risk management activities and internal controls.

e) Risk Management Process

- At individual company level, risks were identified, analysed and evaluated using risk (heat) maps currently based on their likelihood of occurrence and severity of consequence expressed as financial impact on their cash flows and profits. Risks were rated as critical, high, moderate and low in which key risks identified would comprise mainly critical, high and moderate risks. Risk controls were delegated to risk owners for execution, monitoring and improving their effectiveness.
- Every six (6) months, the Management of individual companies will review the relevance of existing risks and assess new ones. The respective company's own risk profile is updated after assessing the suitability and effectiveness of the risk controls.
- The Divisional President/CEO then reviews the divisional risks and their control effectiveness with individual companies' Management. The Risk Report by each Divisional President/CEO is then submitted to the Chief Risk Officer at the corporate headquarters for review.
- The Chief Risk Officer who is also the Group Finance Director has reviewed and presented the Group's Risk Report and updated the Board every six (6) months on the status of the Group's enterprise risk management process, changes in risk profiles and their controls in place.

f) Risk Management Assurance

- The Group's in-house Internal Audit function has conducted independent audits on major subsidiaries on the adequacy and effectiveness of their governance, enterprise risk management and internal control systems, operational effectiveness, compliance with policies and procedures and highlighted findings of non-compliance, control deficiencies and recommendation for improvement.
- An enterprise risk based annual audit plan setting out the audit frequency, areas of audit focus and scope of work has been approved by the Audit Committee at the beginning of the year.
- During the year, the Internal Audit function has provided the Board, Audit Committee and Management with reports on the audit findings, recommendations for improvement and management's responses and action plans. The Internal Audit has also provided the Board and Audit Committee with updates on the subsequent execution of the management's action plans. Audit issues and action taken by Management were discussed and deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings which recorded these deliberations were tabled to the Board. A summary of these issues, if material and other matters highlighted by the Internal Audit for the year was also tabled for the Board's attention at year end.
- As part of its quality assurance and improvement programme, the Internal Audit function conducts an annual internal assessment of its conformance to the International Standards for the Professional Practice of Internal Auditing (the "Standards") and Code of Ethics of the Institute of Internal Auditors (US) and provides the assessment results to senior Management, Audit Committee and Board at year end. These assessment results are validated independently by an external assessor once every 5 years, the last being 2018 by the Institute of Internal Auditors Malaysia.
- At year end, the Chief Audit Executive has provided assurance to senior Management, Audit Committee and the Board that during the year the Internal Audit function and activities were conducted in conformance to the Standards and Code of Ethics and the audit assignments were also undertaken objectively and independently, free from any conflicts of interest and relationships, and in accordance with the Group's Internal Audit Charter.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

g) Assurance by President and Group Chief Executive Officer and Group Finance Director

- The Board has also received assurance from the President and Group Chief Executive Officer and Group Finance Director that the risk management and internal control systems of the Company and its subsidiaries are operating adequately and effectively, in all material aspects based on the risk management and internal control system adopted.

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide (“AAPG”) 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (“MIA”) for inclusion in the Annual Report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was approved by the Board on 20 May 2020.

This Statement on Risk Management and Internal Control does not cover the associates as disclosed in Note 5 to the financial statements and the full impact of the COVID-19 outbreak on the Group’s risk management and internal control system which will be reported in 2020.

CONCLUSION

Subject to the effects of the COVID-19 outbreak which could not be fully quantified at the date of this Statement, the Board is of the view that the risk management and internal control system in place during the year under review and up to the date of approval of this Statement was sound and adequate to safeguard shareholders’ investment, the interests of customers, regulators, employees and other stakeholders of the Group.



SUSTAINABILITY STATEMENT

1. Introduction

About this report

TRB is a Malaysian based conglomerate which is committed to sharing and reporting the progress of our sustainability management and providing information of material economic, environmental and social (“EES”) matters that affect our stakeholders in this Report. Over the past 2 years, our reports have evolved with changes in the local and global sustainability reporting landscape and we continue to strive to improve the quality of our reporting through more effective data collection and monitoring systems to promote improvement in controls to manage sustainability matters.



SUSTAINABILITY STATEMENT (CONT'D)

Message From Chairman Of Sustainability Steering Committee

Dear Valued Stakeholders,

We are pleased to share with you our 2019 Sustainability Report which details Texchem Resources Bhd's ("TRB") initiatives to address sustainability related matters pertaining to our shareholders and other stakeholders. Similar to its inaugural report in 2018, this report contains updates of our sustainability journey throughout 2019 and is a statement of our commitment to create long-term value for all our stakeholders.

TRB is a conglomerate consisting of 5 core business divisions and we aspire to achieve sustainability excellence in all our business activities by integrating sustainable practices into our business and aligning them to our vision, core values and business philosophies. This sustainability reporting applies to TRB and all its subsidiaries and is based on three aspects – Economic, Environment and Social ("EES").

We recognise the growing importance of sustainable business practices in all our operations, and we believe in delivering shareholder value responsibly and contributing to society positively. In 2019, we continued to place great emphasis on employing a strategic approach to manage and oversee EES factors significant to our business. In this comprehensive report, we discuss how each division in TRB managed these key material issues in 2019 and how we continued to drive sustainability in line with TRB's 3 pillars of business values and philosophy; Sustainability, Green and Health and Safety as well as our core values of innovation, competency, accountability, empowerment and empathy. This is evidenced by the increasing efforts that have been put in place, the improvements seen compared to 2018 and the number of activities carried out.

We have always believed in placing great emphasis on our most important asset, our people. As such, we strive to provide a conducive working environment and are always finding means to improve employee welfare and engagement. We do this by continuously organising leisure activities that increase physical and mental well-being, raise internal morale, provide training and skills development and embrace diversity. In August 2019, TRB was conferred Top 100 Asia's Best Employer Brand 2019 by Work HRD Congress, which is a testament of us being a preferred employer and organisation of choice.

TRB also place equal emphasis on giving back to society and the community. Since 2018, we have been promoting the values of empathy and building the culture of giving back to society and volunteerism through Texchem's Cultural Ambassadors, a group of employees who drive employee engagement and corporate social responsibility within TRB. By partaking in these activities, our people understand the importance of contributing their time and effort to the less fortunate and environment and find greater meaning at work in the process.

Moving forward, TRB shall strive to achieve sustainable growth in the financial sense and actively pursue business opportunities in line with our business values and add value to stakeholders. As we embark on this journey, we encourage our stakeholders and business partners to join us in furthering the economic, environmental, and social well-being of our communities.

Last but not least, we are fully aware of the unpredictable times due to the COVID-19 pandemic. We are assessing the economic impacts to TRB and are putting into place measures to ensure business sustainability.

Finally, I would like to acknowledge the Sustainability Working Committee for their collective energy, commitment and strong belief in upholding sustainability in the TRB Group.

Thank you.

Yap Kee Keong

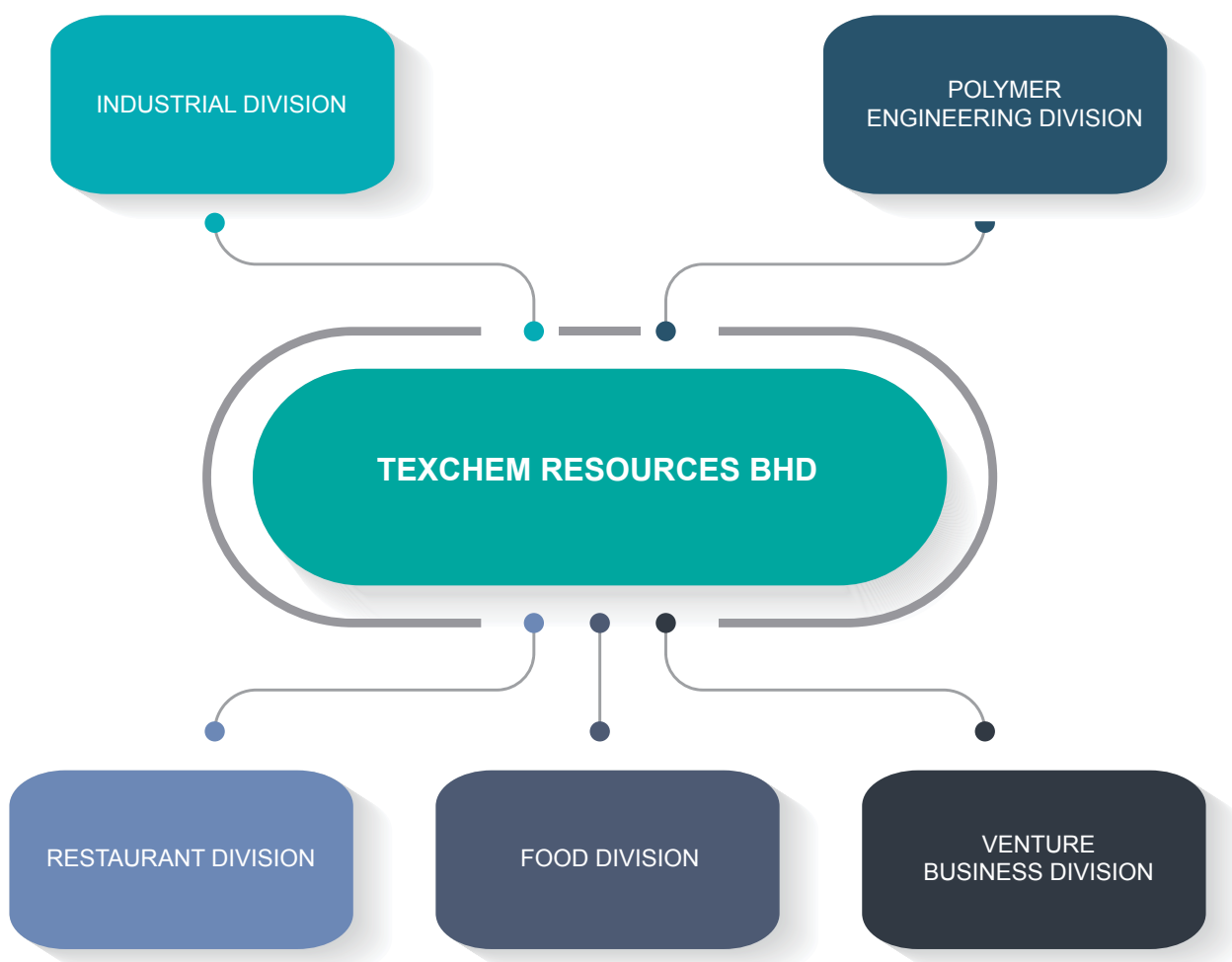
Chairman, Sustainability Steering Committee



SUSTAINABILITY STATEMENT (CONT'D)

2. About Texchem Resources Bhd

The TRB Group has undergone tremendous growth and diversification since its humble beginnings as a textile trader in 1973. Today, we are a Malaysian multinational conglomerate comprising five core business divisions namely Industrial, Restaurant, Polymer Engineering, Food & Venture Business. Our operations are primarily located in Malaysia with business offices and presence in South East Asia namely Thailand, Singapore, Indonesia, Vietnam, Myanmar and the Philippines.



SUSTAINABILITY STATEMENT (CONT'D)

3. Our Sustainability Approach

Sustainability, Green and Health & Safety continue to be the foundation of TRB's business values as we continuously strive for excellence and take positive action to strengthen our commitment towards long term business sustainability. For the second year, TRB Sustainability Committee continued its efforts to promote and engage in the implementation of sustainability strategies and activities relating to EES matters.

The Sustainability Working Committee consists of representatives from TRB and the respective business divisions namely Industrial, Polymer Engineering, Restaurant, Food & Venture Business. At the same time, we endeavour to improve our capabilities by attending various trainings including those organised by Bursa to improve our efforts to manage, communicate and report the progress of our sustainability activities.

The Sustainability Report will cover all 5 business divisions excluding Philippines which has minimal business activities. The Report covers the year from 1st January to 31st December 2019.



Preparation of this report

This report has been prepared as required by the Main Market Listing Requirements on Sustainability Reporting by Bursa Malaysia and the Bursa's Sustainability Reporting Guide.

Assurance

In order to achieve a high level of accuracy and transparency, this report has been reviewed by the Sustainability Steering Committee and the TRB Group Internal Audit Department. TRB is working towards obtaining external assurance for the Sustainability Reporting in the near future.

SUSTAINABILITY STATEMENT (CONT'D)

4. Sustainability Policy

TRB Sustainability Policy can be found in our website at www.texchemgroup.com

5. Sustainability Governance

For effective sustainability management, the Group has the following governance structure:

- a) TRB Board
TRB is governed by the Board of Directors which sets out and oversees the sustainability framework consisting of vision, mission and sustainability strategy based on EES pillars. The Board has approved the Group's Sustainability Policy.
- b) The Sustainability Steering Committee
The Board has delegated the Group's sustainability management to the Sustainability Steering Committee chaired by the President & Group Chief Executive Officer ("Group CEO"). This Committee comprises Heads of the respective Business Divisions and key corporate functional departments as set out below.

Board of Directors (Board)			
Sustainability Steering Committee Chairman: Mr. Yap Kee Keong President & Group CEO			
President & CEO Industrial Division Yap Kee Keong	President & CEO Polymer Engineering Dr Yuma Konishi	President & COO Restaurant Division Akihiko Hijioka	President & COO Food Division Masayuki Sugino
President & CEO Venture Business Yap Kee Keong	Group Finance Director Group Finance Department Tang Ying Hoe	Chief HR Officer Group HR Cynthia Ooi	Executive Director, Legal Group Legal & Secretarial Services Department Lee Puay Img
Sustainability Working Committee			
Economic Committee Corporate Finance	Environment Committee Presidential Office	Social Committee Group HR	Corporate Communication

The roles and duties of Sustainability Steering Committee are as follows:

- (1) Identify and recommend to the Board sustainability strategies for approval and adoption;
 - (2) Ensure Economic, Environment and Social aspects are incorporated in sustainability strategies;
 - (3) Monitor and provide timely updates to the Board on due diligence and timely implementation and execution of sustainability strategies;
 - (4) Oversee the preparation of Sustainability Report as required by Bursa Malaysia's Main Market Listing Requirements.
- c) Sustainability Working Committee
The Sustainability Working Committee reports to the Sustainability Steering Committee and is responsible for implementing and executing the strategies set by the Steering Committee.

The Committee's roles and responsibilities are as follows:

- (1) Conduct sustainability assessment with stakeholder engagement ;
- (2) Responsible for drafting action plans on material sustainability matters to be tabled to the Steering Committee for approval;
- (3) Implement and execute the approved action plans;
- (4) Monitor and report on a timely basis on the performance and results on the implementation of action plans.

SUSTAINABILITY STATEMENT (CONT'D)

During the year, the Working Committee met 4 times as follows:

Date	Action taken
17 Jan 2019	Reviewed Sustainability Report for 2018 Established the scope for 2019 Informed the committee members on the new guidelines and requirements
21 Jun 2019	Liaised with the respective divisional representatives on the monitoring of respective controls and to resolve implementation matters
16 Aug 2019	Reviewed the interim controls and their outcomes
28 Nov 2019	Discussed and agreed on deadline to conclude the 2019 Report

The Corporate Communications Department has been assigned as Secretariat for the Sustainability Committee.

During the year, representatives from the respective business divisions attended the above Working Committee meetings to provide updates on the implementation of sustainability measures in their respective divisions.

6. Materiality Assessment

A materiality assessment was conducted in 2019 to review the relevance of key sustainability matters (EES) adopted in 2018 and to identify new ones. This is to ensure that the material sustainability matters are given proper Management attention and action. The assessment process which conforms to the Bursa Malaysia's Sustainability Reporting Guide are as follows:

6.1 Sustainability assessment process

Steps	Processes
1. Identification	<ul style="list-style-type: none"> Assessing relevant topics that affect TRB & its stakeholders Assessing their current situation and impact
2. Materiality Assessment	<ul style="list-style-type: none"> Materiality assessment conducted by the Sustainability Working Committee based on EES impact with engagement from stakeholders The various EES impact identified were as follows: <ul style="list-style-type: none"> Supply Regulatory compliances & Corporate Governance Energy efficiency & carbon footprint Employee wellness & engagement Occupational safety & health Procurement practices Local community Biodiversity A materiality matrix is adopted to rate the above EES impact and identify the most Material Sustainability Matters to be included in this Sustainability Report The process of material assessment was validated by the Sustainability Steering Committee
3. Management & Implementation	<ul style="list-style-type: none"> The controls to manage Material Sustainability Matters were implemented in the respective business divisions and their Companies in Malaysia, Singapore, Thailand, Indonesia, Vietnam & Myanmar. The implementation was for the year from 1 January to 31 December 2019
4. Review	<ul style="list-style-type: none"> Every quarter, divisional representatives provided feedback in consultation with their respective operations on the controls, their implementation and opportunities for improvement. These were then discussed in the Sustainability Working Committee meetings Internal Audit, and specific functional departments and top Management and external parties also provided input for further improvement

SUSTAINABILITY STATEMENT (CONT'D)

6.2 Material Sustainability Matters

	Material Sustainability Matters	Significant areas
Economic	Supply	<ul style="list-style-type: none"> Sustainable supply through barramundi farming & crab hatchery Sustainable green TEXa® Medical Life-Sciences Business
	Corporate Governance & Regulatory Compliances	<ul style="list-style-type: none"> 'Zero tolerance' to corruption and bribery Accreditation & certification
Environment	Energy Efficiency & Carbon Footprint	<ul style="list-style-type: none"> Efficient use of energy Reduction in GHG emission Usage of Sustainable & Recycled materials
Social	Employee Wellness & Engagement	<ul style="list-style-type: none"> Employee engagement program Embrace diversity in the workplace Talent management
	Safety & Health	<ul style="list-style-type: none"> Food safety Halal certified food Industrial accidents

7. Stakeholder Engagement

Since sustainability management invariably involves stakeholders, we continue to engage them in achieving our sustainability milestones and business growth. We remain committed to stakeholder inclusiveness along our journey. Engaging key stakeholders in a regular manner will enable us to understand their needs and expectations better under the current dynamic and complex environment. As such, their expectations, views and inputs are considered in our business strategies and decisions.

Owing to our business diversity and complexity, the respective divisions continue to engage directly with their main stakeholders namely customers, suppliers and other related parties. However, TRB being the holding Company would play a more holistic role to support their sustainability efforts especially in relations to investors and shareholders, employees' engagement, government & regulatory bodies, media and bankers and etc. During the year, the modes of stakeholder engagement are as follows:

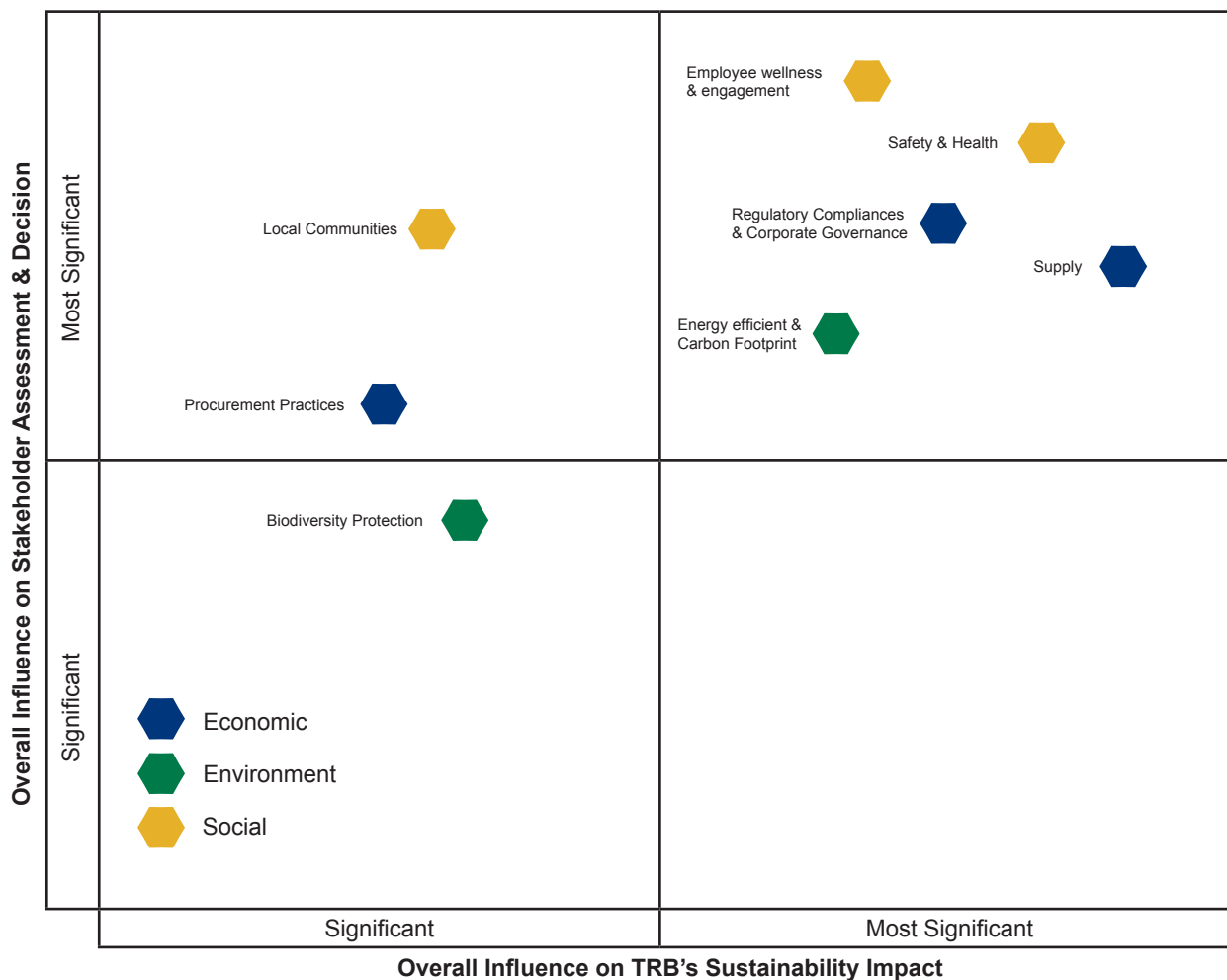
SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder	Engagement Methods/ Frequency	Area of Interest	Goals/ Actions
Shareholders & Investors	<ul style="list-style-type: none"> Annual General Meeting Quarterly financial results Press releases Corporate website 	<ul style="list-style-type: none"> Timely financial reporting & updates Business management & governance 	To achieve consistent growth in long term shareholder value
Customers	<ul style="list-style-type: none"> Weekly / monthly customer engagement & interaction Annual Customer satisfaction survey 	<ul style="list-style-type: none"> Safe & quality products Creating total solutions Timely delivery 	To provide products and services that meet customers' expectations and requirements
Suppliers	<ul style="list-style-type: none"> Half yearly Supplier qualification & selection process Relationship management Engagement & meetings 	<ul style="list-style-type: none"> Sustainable and consistency in supply Quality of goods & services Fair and mutual agreements 	To support growth of local SMEs and economy
Employees	<ul style="list-style-type: none"> Annual Performance Development Review Employee Satisfaction Survey CEO employee's engagement sessions Education and training programs Volunteerism and internal engagement initiatives 	<ul style="list-style-type: none"> Employee engagement Employee long term development and career planning Building high performance culture Talent management Organisation development Healthy and safe work environment 	To create a healthy, safe and competitive working environment and be an employer of choice
Government & Regulators	<ul style="list-style-type: none"> Frequent meetings with government officials by Public Relation Directors Consultative activities Industry events & seminars 	<ul style="list-style-type: none"> Compliance with regulations, laws & by-laws EES impact on our organisation Responsible corporate citizen 	To achieve full compliance
Media	<ul style="list-style-type: none"> Press release Media interviews Advertisement 	<ul style="list-style-type: none"> Accuracy of information Business strategy and plans Corporate social responsibility related activities 	To observe information transparency
Community	<ul style="list-style-type: none"> Corporate social responsibility programmes Corporate volunteering programmes 	<ul style="list-style-type: none"> Foster better relationship & partnership Job creation Uplifting the needy groups in society 	Be a good and socially responsible corporate citizen
Bankers	<ul style="list-style-type: none"> Timely updates of business development Quarterly updates of the group financials Visiting key personnel of banks at least once a year Maintain transparency in dealing with bankers 	<ul style="list-style-type: none"> Maintain good relationship Procurement of banking facilities at competitive rates Timely updates of the economic outlook, foreign exchange rates and other related matters 	To keep bankers updated on our performance to control borrowing costs to manageable level



SUSTAINABILITY STATEMENT (CONT'D)

8. Materiality Sustainability Matters



SUSTAINABILITY STATEMENT (CONT'D)

9. Managing Sustainability

Financial Highlights

We are committed to creating sustainable value for our customers, shareholders, employees and the local community in which we operate. We maintain our positive economic performance in generating sustainable financial and economic returns for the Group's long term business continuity and success.

The Group generates economic value in a number of ways. Full information on value creation is included in the audited financial statements in the 2019 Annual Report. A summary is provided below:

DIRECT ECONOMIC VALUE GENERATED	
Total Revenue	
2019:	RM1.134 billion
2018:	RM1.131 billion

ECONOMIC VALUE DISTRIBUTED	
Total Operating Costs (excluding depreciation, staff costs & benefits)	
2019:	RM877.8 million
2018:	RM901.8 million
Staff Costs & Benefits	
2019:	RM188.3 million
2018:	RM187.8 million
Income Tax Expenses	
2019:	RM8.27 million
2018:	RM10.39 million



SUSTAINABILITY STATEMENT (CONT'D)

Economic

01 Supply

Supply has become an important factor in the long-term sustainability of the Food Division and hence measures have been taken to address this issue by establishing sustainable farming activities (aquaculture) and hatchery to mitigate dwindling marine resources.

a. Barramundi Farming & Crab Hatchery

Barramundi (*Seabass/Lates Calcarifer*) farming is one of the aquaculture activities which commenced in 2018. After four successful pilot scale farming in 2018, Texchem Aquaculture (Myanmar) Limited intensified its commercial farming in 2019 with 132MT of barramundi fish harvested and marketed.

We are currently operating 6 units of 1.47 acre ponds and 3 units of 3.05 acre ponds in Labutta for an annual farming capacity of 400MT of fish.



Barramundi is an important species widely accepted globally mainly for sustainable farming. The popularity and demand for barramundi make it an obvious choice for aquaculture. Apart from the characteristics endearing to consumers such as being tender, mild tasting and suitable as boneless fillets, the fish is also fast-growing and euryhaline (can be farmed in different salinities from fresh to seawater).

The optimum water temperature for farming barramundi is between 28°C and 32°C with an optimum salinity range from 0 to 36 parts per thousand (ppt). In our farms, fish fingerlings are grown out to marketable sizes of 400 to 600g in 5 to 6 months in extensive ponds with water exchanges. The fish is fed with pellet feed formulated with high protein content with a 1.25 feed conversion ratio (FCR).

High water quality standards are paramount to good fish health. An important way to prevent fish diseases is to ensure the ponds are kept as clean as possible with regular water exchanges. Aeration by using paddle wheels maintains high dissolved oxygen levels at all times.

SUSTAINABILITY STATEMENT (CONT'D)

Having a crab hatchery is an important part of Soft Shell Crab farming. Since the Soft Shell Crab business forms 34% of the total revenue of Food Division, active steps are being taken to ensure the uninterrupted supply of crablets and preserve natural marine ecology with the commissioning and commencement of the crab hatchery in Labutta, Myanmar. In 2019, the hatchery achieved an output of 114 thousand crablets with improvement in survival rates from 1.1% to 2.6% by end of the year.

With continuous harvesting from the hatchery, TRB has invited local farmers to participate in growing out the crablets. In 2019, 10 farmers were selected for this novel project by supplying their farms with crablets. Our technical staff had also conducted training for these farmers at our trial ponds.

These activities were well received by the Department of Fisheries Myanmar and MYSAP (Myanmar Sustainable Aquaculture Programme) and will help us achieve sustainable soft-shell crab aquaculture without relying on depleting marine resources in the wild.



b. Sustainability Green TEXa®

TEXa® is a proprietary product developed with considerable R&D activities conducted over many years and has come to fruition. It will enable TRB to contribute effectively to the Green economy and at the same time creating a sustainable business for TRB's future.

TEXa® is a bio-based plastic, certified and listed in USDA's (United State Department of Agriculture) BioPreferred® catalogue under the Intermediate-Plastic Resins category.



USDA logo of TEXa® E2332T and TEXa® G2341



SUSTAINABILITY STATEMENT (CONT'D)

Under USDA, a minimum biobased content of 22% is required to obtain the certification under the said category. As such, TEXa® is also meeting the minimum biobased content requirement of 20% set by European's Din Certco and TÜV Austria's biobased certification scheme.

TEXa® utilises at least 51% (by weight) of non-edible sustainable agro-wastes from agricultural activities and food processing such as rice production and the oil palm industry.

TEXa® makes switching from petroleum-based plastics to biobased plastics highly feasible as it can be processed with conventional plastic processing machinery and equipment.

TEXa® in toothbrush molding has been proven to meet the process capability index ("Cpk") in six-sigma methodology conventional plastic processing and with a satisfactory Cpk value.

TEXa® provides the plastic moldability making it comparable to conventional plastics such as polypropylene ("PP") and high impact polystyrene ("HIPS"), resulting in reduction in carbon footprint by up to 75%.

2019 marked a significant milestone for TEXa® with the installation and commissioning of a semi-commercial compounding machine in the third quarter and the successful production of 67MT of TEXa® compound.

c. Medical Life-Sciences Business

In view of the declining trend in the Electrical & Electronics industry, Texchem has diversified by taking proactive measures to develop the Medical Life Sciences ("MLS") business under the Polymer Engineering Division, with many new products launched in 2019.

The MLS industry is highly regulated with many stringent requirements and compliances to meet industry needs. Over the years the Polymer Engineering Division has taken steps to upgrade its capabilities and facilities transforming it to become a major player in the industry for long term sustainability. The Medical Life Sciences Business unit ("MLS-BU"), established under the umbrella of Polymer Engineering Division is equipped with the desired human capital, skills and knowledge to cater for the industry. They are also ISO13485:2016 certified.

Corporate Governance & Regulatory Compliance

a. 'Zero tolerance' for corruption and bribery

Our efforts in protecting shareholders' interest and upholding integrity did not stop after launching of the Group's Integrity Pledge in 2016 which heavily emphasised TRB's determination in fighting corruption. We continue to create awareness and educate our employees to uphold integrity, honesty and accountability. We believe that all business dealings should be transparently performed and accurately reflected in accordance with the Group's Integrity Pledge and the Group's Code of Conduct and Ethics ("CoCE").

Anti-corruption is among our top priorities in strengthening our stakeholders' interest. In spite of the fact that the Group's CoCE has set out principles on dealing with bribery and corruption, we remain bound by the laws of Malaysia and the anti-corruption law of the countries where our operations are situated.

We uphold all laws relevant to countering corruption. We adopt a zero tolerance policy to prohibit any forms of corruption and are committed to behaving professionally, fairly and with integrity in all our business dealings throughout our operating areas.

In our efforts to practise good corporate governance and combat all forms of corruption, we continue to comply with the latest development of anti-corruption law in Malaysia.

In 2019, we continued to communicate the CoCE and other related topics including the evolution of local anti-corruption law through training and internal communication. TRB's Board of Directors have attended in-house training on Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009 in December 2019.

SUSTAINABILITY STATEMENT (CONT'D)

In enhancing awareness of the latest development of anti-corruption law in Malaysia, the senior Management of the Group has attended in-house training on corporate liability during the Annual Managers' Conference which was held in January 2020.

The Group is committed to curb the practice of corruption and bribery in all aspects of our business undertaking. Whistleblower Policy is embedded in the CoCE where employees and external parties can report any violations of our principles in CoCE including corruption. Reports can be made through writing or e-mail to the Head of Group Human Resources Department, Division Head or Group CEO. All reports received will be dealt with in good faith. The outcome of the investigation shall be presented to the Independent Directors of TRB.

b. Accreditation & Certification

In order to achieve the highest standard of manufacturing and services rendered by our businesses, Texchem has taken steps to adopt international standards for consistency and fulfilling industry requirements.

Amongst them is the Medical Life Sciences business which complies with stringent controls under ISO13485:2016. Our bio-based plastic development (TEXa®) also underwent high standards of laboratory testing and qualification process under ISO17025:2017.

In 2019, the Group has complied with the following international standards on best business practices:

Division	Type of Certificate	Number
Industrial	ISO 9001:2015	2
Polymer Engineering	ISO 9001: 2015	2
	AS9100D	1
	ISO14001	1
	ISO13485: 2016	3
	IATF 16949: 2016	1
	Certificate of foreign medical device manufacturer	1
Food	Halal	3
	HACCP	3
	GAqP for Soft shell crabs	1
Restaurant	ISO 22000:2005	3
	Halal (For Sushi King Outlets)	130
Venture Business	ISO/IEC 17025: 2017	1
	ISO14001:2015	1
	ISO 9001:2015	1
	Halal	1
	HACCP	1
	GMP	1
	MeSTI	1

TRB being a diversified conglomerate shall venture continuously into new businesses for sustainability in the years to come.

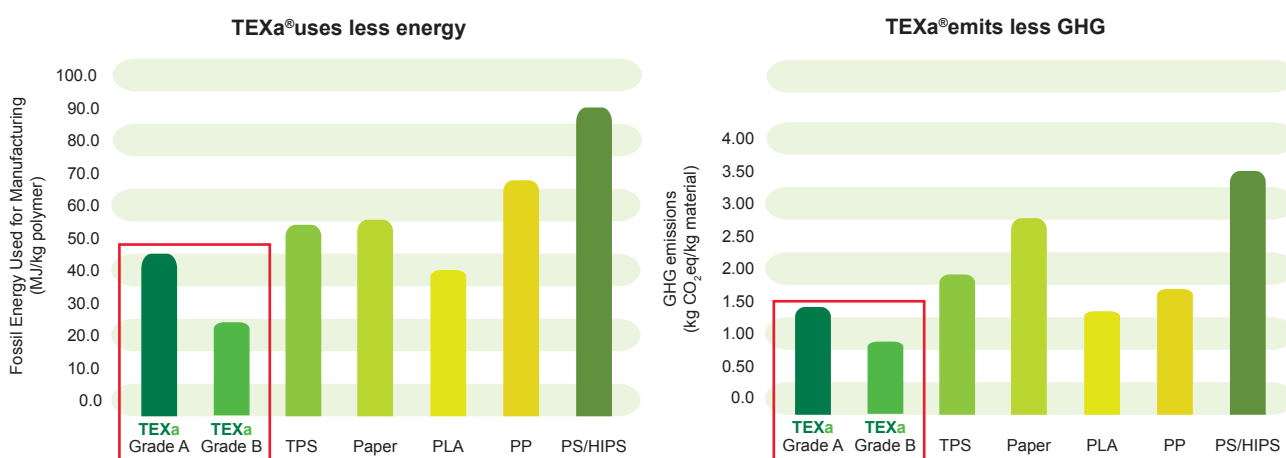


SUSTAINABILITY STATEMENT (CONT'D)

Environment

01 Energy Efficiency & Carbon Footprint

Our proprietary and environmentally friendly plastic TEXa® fully supports the transition from a linear to a 'no-waste' circular and biobased economy. TEXa® offers two value propositions at opposite ends of the product life cycle. On one hand, it enables feedstock diversification and the gradual migration from fossil to renewable feedstock such as agricultural wastes. This is an essential value proposition to reduce dependence on fossil resources and to significantly reduce CO2 emissions. The other key innovation by TEXa® is the ability to recycle molded products at their end of life. Recycling reduces the need for new virgin materials thereby contributing to the overall reduction in carbon footprint.



In 2019, TRB manufactured 67MT of compounded TEXa® resin comprising 62MT with virgin PP and 5MT recycled PP to support various industries in the region. The resin produced has helped to contribute positively to the environment by reducing the consumption of fossil energy and GHG emission (CO2 equivalent):

Contribution to Environment	Fossil Energy for Manufacturing (MJ/kg material)	GHG emissions (kgCO ₂ eq/kg material)
TEXa® with Virgin PP	40.4	1.27
TEXa® with Recycled PP	19.7	0.86
Virgin PP	73	1.9

a. More efficient use of Energy

Total Fossil Energy for Manufacturing ("MJ")



In 2019, the total production of 67MT has contributed to a reduction of 2.3 million MJ of fossil energy consumption.

b. Contribute positively to reduce GHG emission

Total GHG Emissions (kgCO₂eq)



In 2019, the total production of 67MT has also contributed to a reduction of 45MT of GHG emission.

The contribution is expected to further increase in line with the projected increase in future demand.

SUSTAINABILITY STATEMENT (CONT'D)

Besides being a green bio-based plastic, TEXa® is also sustainable as it uses non-edible agricultural wastes as input for its production to avoid direct competition with human food. Moreover, we also procured our biobased materials from MSPO (Malaysian Sustainable Palm Oil) certified oil palm plantations and Malaysian Farm Good Agricultural Practice (MyGAP) certified paddy farms.



In order to increase awareness at public and corporate levels on environmental preservation, more stringent global “Green” regulatory requirements and numerous bioeconomy roadmaps have been developed in different nations. For instance, European Green Deal, Japan’s Resource Circulation Policy for Plastics, Malaysia’s Roadmap towards Single Use Plastic 2018-2030 etc., has created vast opportunities for TEXa® to contribute towards a green and sustainable economy.

TEXa® abides by the 5R’s guide to environmental conservation as follows:

 REDUCE:	 REFUSE:	 RENEWABLE:	 REUSE:	 RECYCLE:
TEXa® reduces the use of fossil-based resources	TEXa® refuses the use of edible resources and harmful chemicals	TEXa® uses agro waste that is sustainable and renewable	TEXa® products are durable and can be reused multiple times	TEXa® products can be sent for recycling at their end of life

With the prevailing focus on the circular economy, TEXa® has been designed and developed as a renewable and recyclable material. TEXa® is effective in maintaining the traditional advantages of conventional plastics while mitigating their demerits. Besides reducing the GHG emission, TEXa® is durable and can be recycled without deterioration in mechanical performance up to 8 cycles of multiple crushing and molding. Based on this observation, TEXa®’s recyclability is in fact better than the other synthetic fiber filled plastic alternatives such as glass and carbon fiber. Owing to its good recyclability characteristics, crushed TEXa® can be added to virgin compound during the product molding process without affecting its mechanical and molding performance.

c. Use of sustainable & recycled materials

TEXa® qualifies as a green product since substantial sustainable and recycled materials were used in its production. In 2019, 33MT of sustainable materials comprising mainly oil palm Empty Fruit Bunches (“EFB”) and rice husk in combination, and 3.3MT of recycled PP were used in its production. Production output is expected to increase when full commercialisation commences.

SUSTAINABILITY STATEMENT (CONT'D)

Social

Under the social framework, we have identified the following 2 key materiality matters that are significant to TRB and its stakeholders:

- (1) Employee Wellness & Engagement
- (2) Safety & Health

Employee Wellness & Engagement

At TRB, we place great emphasis on social sustainability. We recognise that social sustainability is part of an organisation's core business strategy as it affects the lives of our employees, communities and society. The key areas of social sustainability are:

- a. Employee Engagement
- b. Talent Management
- c. Embracing Diversity

a. Employee Engagement

The objectives are:

- i. Raising internal morale and employee engagement
- ii. Encouraging our employees to contribute to the community or be involved in volunteerism
- iii. Increasing the physical and mental well-being of employees

The following committees are involved in promoting one or more of the above:

- (1) Texchem Cultural Ambassador Committee ("CA")
- (2) Texchem Ladies' Club ("TLC")
- (3) Texchem Mount Kinabalu Club
- (4) Other activities organised by Corporate Communications Department, Group Human Resource Department and the respective companies.

(1) Texchem Cultural Ambassador Committee ("CA")

CA was set up in 2018 to establish programmes and activities to support a positive work environment, build employee engagement, encourage new skills development and promote the value of empathy among our people by providing them opportunities to contribute to society at large.

At TRB, all CSR programmes are carried out jointly by the Company and our employees. When our employees donate to a nonprofit organisation identified by the Cultural Ambassador Committee, the Company would do the same in similar amount based on a one to one matching grant.

SUSTAINABILITY STATEMENT (CONT'D)



In 2019, the following activities were carried out :

1 February 2019 - Visit to "Peace and Harmony" Home

In conjunction with Chinese New Year 2019, CA together with a group of employees visited this home, a charitable home that provides free board and nursing care to the disabled and sick elderly folks with no family members and no proper place to live. We sponsored 10 days of dinner and 5 days of breakfast for the residents with funds raised by TRB employees. Texchem Polymers Sdn Bhd donated toothbrushes and cups made from TEXa®, a TRB's proprietary bio-based plastic which is patented and USDA-certified durable.

2 March 2019 - Photography Workshop

CA organised the photography workshop as part of our effort to set up hobby clubs in the Texchem group. Photography is also a great stress reliever and brings people from different backgrounds and levels together.

3 April 2019 - Sushi Making Class

Sushi Making Class was offered to our employees by our Sushi King restaurant chain. Employees brought their spouses and children to join in to learn about sushi and sushi making.

4 May 2019 - Glutinous Rice Dumpling Class

In conjunction with the Dragon Boat Festival, CA organised a glutinous rice dumpling class. Employees and volunteers wrapped over 100 rice dumplings and shared them with the elderly residents of "Peace and Harmony" Home.

SUSTAINABILITY STATEMENT (CONT'D)



5 June 2019 - Peace and Harmony Home Charity Food Fair

CA supported this initiative by setting up a stall and getting our employees to serve as volunteers by selling items and food donated by Sushi King Sdn Bhd, Texchem Polymers Sdn Bhd and Sea Master Products Sdn Bhd.

6 July 2019 - Breakfast and Teh Tarik Delight

CA together with volunteers sold breakfast and "Teh Tarik" to fellow colleagues to raise funds for CSR activities.

7 September 2019 - Educational Trip to Texchem Life Sciences Sdn Bhd

Employees from different divisions were invited to tour Texchem Life Sciences Sdn Bhd to understand the highly regulated medical life sciences industry to improve human health and quality of life.

8 October 2019 - Handmade Bags with Recycled Materials

In line with the company's "Green" philosophy and part of the hobby club formation initiative, CA organised a class on how to make bags from recycled beverage packaging.

SUSTAINABILITY STATEMENT (CONT'D)



9



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9 November 2019 - Educational Visit to Wilpack Food Services Sdn Bhd

Another visit to our subsidiary company was organised by the CA, this time to understand the food processing business in one of our Venture Business companies.

10 December 2019 - Adopt a Kidney Dialysis Patient

This was the third year we embarked on the “Adopt a Kidney Dialysis Patient” programme, whereby RM30,000 was jointly raised by employees and TRB.

(2) Texchem Ladies’ Club (“TLC”)

TLC was established in 1989. The Club organises various types of activities that promote fun, teamwork, sisterhood and knowledge building. Activities organised by the Club for female employees are 80 to 90% sponsored by the Company.

11 January & May 2019 - Quarterly Sharing Sessions by Senior Management

These 2 sessions were catered to our female employees, where senior Management was invited to give talks and share their views on topics on “Work Life Balance” and “Self-confidence”. Attendees consisting of middle management also provided their thoughts in an interactive and casual discussion.

12 May 2019 - Winning Leadership Skills

A 2-day workshop for our female employees to learn about women in leadership and how to achieve the necessary skills to be successful.

SUSTAINABILITY STATEMENT (CONT'D)

13 November 2019 - Health Screening Campaign

TLC organised the annual blood test screening for female employees at a subsidised rate.

14 December 2019 - Baking Class

A baking class was organised to develop baking skills and promote fun and teamwork for the female staff.

(3) Texchem Mount Kinabalu Club

We recognise that healthier employees are productive employees. The Mount Kinabalu Club was established in 1994 with the aim of promoting the physical and mental well-being of our employees through weekly outdoor hiking activities and annual hiking trips outstation or overseas. Activities organised by the Club are 50% to 90% sponsored by the Company.

15 December 2019 - Hiking Trip to Bukit Kledang

Mt Kinabalu Club organised a hiking trip to Bukit Kledang in Perak. Employees from Northern and Central regions came together to join the hike.



SUSTAINABILITY STATEMENT (CONT'D)



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(4) Other Activities

16 January 2019 - Group Managers' Conference

This is an annual event held in January whereby senior management from the Group come together for updates on the Group's financial performance and strategies, future direction and goals.

17 July 2019 - Gotong Royong

Our subsidiary, Texchem-Pack (M) Sdn Bhd organised their yearly gotong royong and 5S activity with their employees taking part in cleaning up the surrounding areas of the factory premise.

18 July 2019 - Development Training Programme by Food Division

This training was organised by the Myanmar Food Division team to promote self-empowerment and develop leadership skills for Heads of Departments. The training also covered the 5S methodology to improve business efficiency through better working environment, communication and teamwork.

19 October 2019 - Blood Donation Campaign

This is an annual event and was conducted at 3 premises within the Group.

20 October 2019 - Employee Appreciation Day

Our subsidiary company, Texchem Life Sciences Sdn Bhd organised an Employee Appreciation Day to promote teamwork, responsibility, friendship and harmony amongst their employees of different levels and diverse background.

SUSTAINABILITY STATEMENT (CONT'D)

b. Embracing Diversity

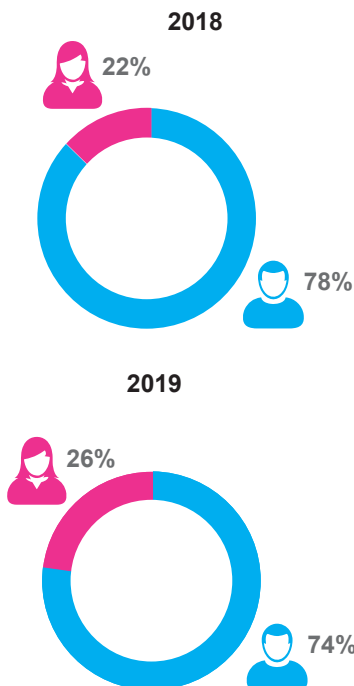
We embrace diversity at TRB by providing opportunities for staff of different cultural background, ethnicity and gender to interact in settings inside and outside of work. We encourage employees to get involved and find appropriate ways to celebrate different traditions, festivities and milestones. We provide time off for employees to observe their cultural and festive celebrations and religious practices.

In 2019, we organised the following events to celebrate the festivities and milestone.

- February 2019 - CNY "Giant" Yee Sang Toss*
- June 2019 - Hari Raya Aidilfitri Get Together*
- November 2019 - 10 years' Service Award Luncheon*

Gender Diversity

TRB has been promoting gender diversity since 1989 with the establishment of the Texchem Ladies' Club to systematically develop female talents and leadership. Over the years, we have seen a consistent increase of female participation in the TRB Group's management, from 15% in 2017 to 22% in 2018 and 26% in 2019. This milestone is the result of our effort to encourage and promote the involvement of women in our workforce particularly in management positions. We shall continue and are committed to create a conducive environment to ensure the success of women in management positions through recruitment, internal promotion, grooming and leadership development.



c. Talent Management

Talent management is critical in the TRB Group as we have invested heavily in training our human resources in line with the Group's training policy under the Group HR Department. We also have our own Sushi King Academy to train restaurant staff to ensure they are performing and providing quality service to meet customers' expectations.



One of the training sessions in Sushi King Academy

In 2019, we have targeted to achieve the average training hours per Full Time Equivalent ("FTE") to be at 14 hours and we are proud to achieve an overall 14.3 hours in the year ending 31 December 2019. Moving forward we are targeting to increase at the rate by 10% per annum targeting a 15 hours per FTE in 2020.



Total **55,823** hours trained



Total **3,915** FTE Employees



14.3 Hours Per FTE

SUSTAINABILITY STATEMENT (CONT'D)

Safety & Health

A safe, healthy and conducive working environment is important for the wellbeing of our employees and smooth operations. At the same time, ensuring customer health and safety is also a top priority in our operations. The 3 key areas in Safety & Health are namely :

- a. Food Safety
- b. Halal
- c. Employee Safety

a. Food Safety

Food safety is one of the most important criteria in our business of food processing and preparation.

In the Restaurant Division, we comply with ISO 22000 on food preparation, HACCP and Halal guidelines.

Moreover, all restaurant employees have been properly trained in food handling and hygiene at the Sushi King Academy and on the job training at the outlets.

In the Food Division, the operations in Myanmar are guided by the stringent HACCP and Halal compliance in food manufacturing.

Wilpack Food Services Sdn Bhd under the Venture Business Division is also HACCP, MeSTI, GMP and Halal compliant.

In 2019, we have achieved 'zero' food poisoning cases and no food safety issues in these operations.

Moving forward, we shall continue to monitor diligently, identify potential food safety issues and tighten our risk controls to maintain the status quo.

b. Halal

With the increasing demand for Halal food in the global market and to serve our local customers, Texchem shall continue to place emphasis and ensure Halal compliance in all our food processing operations.

To date, we have 130 Sushi King restaurants which are certified Halal in their operations, 1 Halal Central Kitchen in Malaysia and 3 seafood manufacturing facilities certified Halal in Myanmar.

Sushi King Halal Awareness Campaign 2019

Sushi King obtained Halal certification on August 2016. The Malaysian Book of Records has recognised Sushi King as the largest Halal Japanese restaurant chain in Malaysia in 2017. Since then, we have been promoting our Halal menu to all Malaysians.

In 2019, we continued to educate and create awareness of Halal food through sushiking.my apps. Besides collecting discount points when dining in Sushi King, customers can have direct access to Sushi King's Halal information.

Sushi King has actively conducted awareness programmes in institutions of higher education such as universities, colleges, polytechnics and the private sector such as PLUS on its Halal ethos. We also participated in the Absolutely Halal Malaysia Exhibition held in Mid Valley. This exhibition is a good platform to have direct interface with consumers and educate them about Halal food. In 2019, we managed to reach out to 1,773 consumers from a wide spectrum of establishments such as:

- a) Pusat Kemahiran Ikhtisas
- b) Skill Johor
- c) Politeknik Sultan Idris Shah, Sabak Bernam
- d) Politeknik Merlimau, Melaka
- e) Universiti Malaya
- f) Universiti Putra Malaysia
- g) Universiti Tun Abdul Razak (Unirazak)
- f) Kolej Yayasan Pelajaran Mara (KYPM) Bandar Melaka
- g) PLUS Expressway Berhad

Owing to our active involvement in Halal education, University Malaya has appointed Sushi King Sdn Bhd as their Industry Partner. University Putra Malaysia also appointed Sushi King as Committee Member in its' Bachelor of Science in Food Service Management programme with the role to review the university's curriculum and ensure it is aligned with industry needs. Hence, this will increase the employability of their students after graduation.



SUSTAINABILITY STATEMENT (CONT'D)



Event at PLUS Business Partnership Conference



Event at Politeknik Sultan Idris Shah, Sabak Bernam

c. Employee Safety

TRB is governed by its Occupational Safety, Health & Environment Policy



SUSTAINABILITY STATEMENT (CONT'D)

In 2019, we have extended safety & health management to all the countries we operate. In 2019, there were no reported cases of serious injuries and fatalities. Unfortunately, there was an increase in industrial accidents with 31 minor cases as compared to 21 in 2018. 10 minor industrial accidents were reported to the Department of Occupational Safety and Health in accordance with the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease (“Nadapod”) regulations requirements.

In 2019, the increase in industrial accidents was mainly from Polymer Engineering, Food and Restaurant Divisions. The Polymer Engineering Division saw an increase of 2 cases. For the first time the Food Division reported 2 cases for its operations in Myanmar and there were an additional 6 cases in the Restaurant Division. All cases were minor and had been internally investigated and the accidents were due to carelessness of employees.

The respective Management of the companies had reviewed the safety and health matters and installed risk controls and implemented remedial measures under the guidance of the Texchem Group Safety Officer. Further steps were taken to further improve the working environment.



In order to create awareness on workplace accidents amongst employees, the Group Safety Officer has conducted trainings and seminars and factory safety audits as preventive measures to minimise industrial accidents.

Trainings and Seminars

In 2019, a series of trainings and seminars were conducted in various locations to create awareness amongst TRB employees on workplace safety as follows:

No	Type of Training	Location of training	Total Participants
1	Drug Free Workplace	Northern, Central & Southern Region Offices	74
2	Fire, ERT & Chemical Spoilage	Northern & Central Offices	45
3	First Aid & CPR	Northern & Central Offices	59
4	Competence Forklift Safety Training	Texchem-Pack (M) Sdn Bhd's Training Room	16

Safety and Health Audit

In 2019, Safety & Health audits were conducted for the overseas companies after the completion of the Malaysian operations audits in 2018.

No.	Company	Country	Timing of audit
1	ASK Andaman Ltd	Myanmar	22 to 23 April 2019
2	Texchem Marine Labutta Ltd	Myanmar	25 April 2019
3	Texchem-Pack (Vietnam) Co Ltd	Vietnam	22 to 23 July 2019
4	Texchem Materials (Vietnam) Co Ltd	Vietnam	24 to 26 July 2019
5	Texchem-Pack (Thailand) Co Ltd	Thailand	26 to 27 November 2019
6	Texchem Materials (Thailand) Ltd	Thailand	28 November 2019

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019, and of their financial performance and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER DISCLOSURES

PARTICULARS OF MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST DURING THE FINANCIAL YEAR

There were no material contracts entered into by the Company and/or its subsidiaries involving directors and/or major shareholders' interest (not being contracts entered into in the ordinary course of business), either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

Save as disclosed in the Circular to Shareholders (in relation to Part A-Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature) dated 27 May 2020, there was no other transaction conducted pursuant to the shareholders' mandate during the financial year ended 31 December 2019.

ANALYSIS OF SHAREHOLDINGS

As at 15 May 2020

Issued Share Capital	-	RM149,667,010.00 comprising 124,099,235 ordinary shares
Class of Shares	-	Ordinary shares
Voting Rights	-	One vote per ordinary share
No. of Treasury Shares Held	-	3,528,400
No. of Voting Shares	-	120,570,835

SHAREHOLDINGS STATISTICS

Size of Holdings	No. of Shareholders	Total Holdings [#]	% [#]
Less than 100	216	8,818	0.01
100 - 1,000	428	246,676	0.20
1,001 - 10,000	1,665	6,914,786	5.74
10,001 - 100,000	537	14,837,921	12.31
100,001 to less than 5% of issued shares	70	29,498,353	24.46
5% and above of issued shares	2	69,064,281	57.28
Total	2,918	120,570,835	100

Note: [#] Excluding 3,528,400 Treasury Shares

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares Held in the Company			
		Direct	%	Indirect	%
1	Texchem Corporation Sdn. Bhd.	18,144,309 ^(a)	15.05 ^(a)	–	–
2	Texchem Holdings Sdn. Bhd.	50,919,972	42.23	18,144,309 ^(b)	15.05 ^(b)
3	Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	–	–	74,161,803 ^(c)	61.51 ^(c)

DIRECTORS' INTERESTS IN SHARES

No.	Name	No. of Shares Held in the Company			
		Direct	%	Indirect	%
1	Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	–	–	74,161,803 ^(c)	61.51 ^(c)
2	Yap Kee Keong	8,250	0.01	–	–

Notes:

^(a) Pursuant to Section 22 of the Companies Act 2016 ("Act"), the 18,144,309 ordinary shares held by Texchem Corporation Sdn. Bhd. ("Texcorp") in the Company shall not carry any voting rights at any general meeting of the Company.

^(b) Deemed interest by virtue of Texchem Holdings Sdn. Bhd.'s direct interest in Texcorp pursuant to Section 8 of the Act.

^(c) Deemed interest by virtue of Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's direct and/or indirect interest in Texchem Holdings Sdn. Bhd. and Texcorp [both are major shareholders of the Company] and via persons connected with him, ie. his wife, Puan Sri Datin Seri Atsuko Konishi and his daughters, Ms Mika Konishi and Ms Mari Konishi (all are shareholders of the Company) pursuant to Sections 8 and 59(11)(c) of the Act respectively.

The details of the interests of the Directors who were or are directors during the financial year ended 31 December 2019 and the period commencing from 1 January 2020 until 15 May 2020 (including the interests of the spouses and/or children of the Directors) in the Company's related corporations as at 15 May 2020 are the same as the details set out in the section on Directors' Interests in the Directors' Report of this Annual Report.



ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 15 May 2020

THIRTY LARGEST SHAREHOLDERS (Excluding 3,528,400 Treasury Shares)

No.	Name	No. of Shares	%
1.	TEXCHEM HOLDINGS SDN BHD	50,919,972	42.23
2.	TEXCHEM CORPORATION SDN BHD	18,144,309	15.05
3.	CHAN KENG CHUNG	3,750,100	3.11
4.	BLOOD PROTECTION (HOLDING) CO LTD	2,339,884	1.94
5.	ATSUKO KONISHI	2,234,694	1.85
6.	MAN BIN MAT	2,051,500	1.70
7.	MARI KONISHI	1,431,414	1.19
8.	MIKA KONISHI	1,431,414	1.19
9.	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	999,000	0.83
10.	EYE CORPORATE PLANNING CO LTD	943,000	0.78
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LAY MAN WAN @ LAI MUN WAN	646,360	0.54
12.	ONG LEONG HUAT	578,000	0.48
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	547,200	0.45
14.	MOK TECK LIANG	425,700	0.35
15.	YU KUAN CHON	407,600	0.34
16.	GOH CHOON SEANG	404,100	0.34
17.	LIM HUCK BOON	380,200	0.32
18.	UNITED FORMULA SDN BHD	369,300	0.31
19.	TAN KIAN YIAN	365,500	0.30
20.	YUTAKA YAMANAKA	359,893	0.30
21.	TAN HIANG CHUN	350,350	0.29
22.	YAP CHEE HWA	319,000	0.26
23.	OOI KENG TAN	315,900	0.26
24.	LAI YOCK CHING	310,300	0.26
25.	CHOONG SOON KHEONG	309,000	0.26
26.	GET HOLDINGS SDN BHD	300,000	0.25
27.	MARCO ANDRIGHETTO	288,750	0.24
28.	TAM LUP QUON	287,775	0.24
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD TOH SWEE YING	287,655	0.24
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOO TAI PING @ KOH KIAN TEE	275,100	0.23
TOTAL:		91,772,970	76.13

PARTICULARS OF PROPERTIES

Held as at 31 December 2019

Location	Tenure	Area	Description	Approximate Age of Building	Expiry Date	Date of Acquisition/ *Revaluation	Net Book Value (RM'000)
Texchem Materials Sdn. Bhd. No. 6 & 6A, Jalan Tampoi 7/4, Kawasan Perusahaan Tampoi, 81200 Johor Bahru, Johor Darul Takzim.	Freehold	2.54 acres	Office & Warehouse	31 years	N/A	2 September 1999	5,141
Texchem-Pack (M) Sdn. Bhd. No. 1465, Mukim 11, Lorong Perusahaan Maju 6, Fasa 4, Kawasan Perindustrian Perai, 13600 Perai, Penang.	Leasehold 60 years	3.96 acres	Office & Factory	Between 18 to 27 years	29 June 2052	*1 December 1994	5,554
Texchem-Pack (PP) Sdn. Bhd. Part of Lot 1241, Phase III, Bayan Lepas Free Industrial Zone, 11900 Penang.	Leasehold 60 years	3.78 acres	Office & Factory	Between 20 to 40 years	27 August 2041	*26 April 1983	6,343
Texchem-Pack (Johor) Sdn. Bhd. No. 3, Jalan Mutiara 7, Taman Perindustrian Plentong, 81750 Masai, Johor Darul Takzim.	Freehold	0.97 acre	Office & Factory	Between 23 to 24 years	N/A	21 October 1998	4,182
Eye Graphic Sdn. Bhd. No. 5, Lorong Perusahaan Maju 11, Taman Perusahaan Pelangi, 13600 Perai, Penang.	Freehold	0.27 acre	Office & Factory	23 years	N/A	16 April 1996	889
Texchem Life Sciences Sdn. Bhd. Lot 3, Jalan P/6, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	Leasehold 99 years	2.01 acres	Office, Factory & Store	28 years	29 September 2086	*7 September 2004	9,497
Texchem-Pack (Thailand) Co., Ltd. 234, Moo 2, Bangpa-in Industrial Estate, Udomsoraryut Road, Tambol Klong-jig, Amphur Bangpa-in, Phranakorn Sri Ayutthaya Province, 13160 Thailand.	Freehold	8.56 acres	Office & Factory	26 years	N/A	3 May 2007	14,412
Wilpack Food Services Sdn. Bhd. No. 2446, Mk 1, Solok Perusahaan Satu, Kawasan Perindustrian Perai, 13600 Perai, Penang.	Leasehold 60 years	1 acre	Office & Factory	37 years	25 July 2042	15 July 1983	918
Plot 78(a), Perai Industrial Park, Daerah Seberang Perai Tengah, Penang.	Leasehold 60 years	0.19 acre	Factory	37 years	20 September 2070	7 May 2008	82
Texchem Corporation Sdn. Bhd. Lot Nos. 808 & 809, Jalan Subang 5, Taman Perindustrian Subang, 47610 Subang Jaya, Selangor Darul Ehsan.	Freehold	5.01 acres	Office & Warehouse	26 years	N/A	28 October 2015	26,504

