



TEXCHEM RESOURCES BHD (16318-K)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2012

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and six months ended 30 June 2012

	Note	3 months ended 30 June		6 months ended 30 June	
		2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Continuing Operations					
Revenue	8	255,322	225,874	517,443	449,848
Cost of sales		(205,006)	(183,497)	(415,510)	(361,385)
Gross profit		50,316	42,377	101,933	88,463
Distribution costs		(27,803)	(22,888)	(55,345)	(47,663)
Administrative and other expenses		(23,840)	(23,524)	(47,510)	(47,536)
Other income		6,949	11,178	12,240	16,514
Operating profit	19	5,622	7,143	11,318	9,778
Finance costs		(3,880)	(3,573)	(7,929)	(6,992)
Share of loss of jointly controlled entity, net of tax		(62)	(13)	(159)	(150)
Share of profit/(loss) of equity accounted associates, net of tax		319	(339)	527	(247)
Profit before taxation		1,999	3,218	3,757	2,389
Income tax expense	20	(1,880)	(579)	(4,339)	(2,841)
Profit/(Loss) from continuing operations		119	2,639	(582)	(452)
Discontinued operations					
Profit/(Loss) from discontinued operations, net of tax	9	1,815	198	598	(1,196)
Profits/(Loss) for the period		1,934	2,837	16	(1,648)
Profit/(Loss) attributable to:					
Owners of the Company					
- from continuing operations		227	1,907	262	(518)
- from discontinued operations		1,618	(103)	401	(1,497)
		1,845	1,804	663	(2,015)
Non-controlling interests		89	1,033	(647)	367
Profit/(Loss) for the period		1,934	2,837	16	(1,648)
Basic earnings/(loss) per share attributable to owners of the Company (sen)					
	27				
- from continuing operations		0.18	1.54	0.21	(0.42)
- from discontinued operations		1.30	(0.08)	0.32	(1.21)
		1.48	1.46	0.53	(1.63)

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the quarter and six months ended 30 June 2012

Note	3 months ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Profit/(Loss) for the period	1,934	2,837	16	(1,648)
Other comprehensive income/ (expense), net of tax				
Foreign currency translation differences for foreign operations				
- from continuing operations	2,340	(1,960)	771	(3,316)
- from discontinued operations	989	2,623	(55)	1,583
Total other comprehensive income/ (expense), net of tax	3,329	663	716	(1,733)
Total comprehensive income/ (expense) for the period	5,263	3,500	732	(3,381)
Total comprehensive income/ (expense) attributable to:				
Owners of the Company				
- from continuing operations	2,325	(48)	922	(3,888)
- from discontinued operations	2,555	2,545	318	187
	4,880	2,497	1,240	(3,701)
Non-controlling interests	383	1,003	(508)	320
Total comprehensive income/ (expense) for the period	5,263	3,500	732	(3,381)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 30 June 2012

	Note	30 June 2012 (Unaudited) RM'000	31 December 2011 (Audited) RM'000
ASSETS			
Property, plant and equipment		137,012	182,122
Investment in associates		20,686	20,159
Investment in jointly controlled entity		311	221
Intangible assets		44,765	54,300
Deferred tax assets		1,980	3,136
Total non-current assets		204,754	259,938
Trade and other receivables		178,237	221,352
Inventories		68,444	86,644
Current tax assets		6,066	14,522
Cash and cash equivalents		44,825	76,518
Assets classified as held for sale	9	168,189	-
Total current assets		465,761	399,036
TOTAL ASSETS		670,515	658,974
EQUITY			
Share capital		124,099	124,099
Reserves		20,047	18,807
Total equity attributable to owners of the Company		144,146	142,906
Non-controlling interests		32,752	33,260
TOTAL EQUITY		176,898	176,166
LIABILITIES			
Loans and borrowings	22	62,881	64,481
Deferred tax liabilities		3,986	5,657
Deferred liability		3,049	3,491
Total non-current liabilities		69,916	73,629
Trade and other payables		135,174	157,051
Provision		3,251	3,126
Loans and borrowings	22	211,702	247,347
Current tax liabilities		1,343	1,655
Liabilities classified as held for sale	9	72,231	-
Total current liabilities		423,701	409,179
TOTAL LIABILITIES		493,617	482,808
TOTAL EQUITY AND LIABILITIES		670,515	658,974

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

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

for the six months ended 30 June 2012

	<----- Attributable to owners of the Company ----->					
	Share Capital RM'000	Share premium & other capital reserves RM'000	Accumulated Losses RM'000	Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2012 (restated)	124,099	27,114	(8,307)	142,906	33,260	176,166
Other comprehensive income	-	577	-	577	139	716
Profit for the period	-	-	663	663	(647)	16
Total comprehensive income/ (expense) for the period	-	577	663	1,240	(508)	732
At 30 June 2012	124,099	27,691	(7,644)	144,146	32,752	176,898

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30 June 2011

	<----- Attributable to owners of the Company ----->					
	<----- Non-distributable ----->					
	Share Capital RM'000	Share premium & other capital reserves RM'000	Accumulated losses RM'000	Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2011 (restated)	124,099	25,066	(2,821)	146,344	32,908	179,252
Other comprehensive expense	-	(1,686)	-	(1,686)	(47)	(1,733)
Loss for the period	-	-	(2,015)	(2,015)	367	(1,648)
Total comprehensive income/(expense) for the period	-	(1,686)	(2,015)	(3,701)	320	(3,381)
Subscription of shares in a subsidiary by non-controlling interest	-	-	-	-	141	141
At 30 June 2011 (restated)	124,099	23,380	(4,836)	142,643	33,369	176,012

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
for the six months ended 30 June 2012

	6 months ended 30 June	
	2012	2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation from		
- continuing operations	3,756	2,389
- discontinued operations	1,155	(577)
	4,911	1,812
Adjustments for:		
Depreciation of property, plant and equipment	13,916	14,587
Provision/(Reversal) for Directors' retirement/resignation benefits	393	(96)
Property, plant and equipment written off	76	373
Gain on disposal of property, plant and equipment	(296)	(7,974)
Interest income	(1,231)	(41)
Interest expense	8,386	7,677
Share of (profit)/loss of equity accounted associates	(527)	247
Share of loss of jointly controlled entity	159	150
Impairment loss on goodwill	-	1,260
	20,876	16,183
Operating profit before changes in working capital	25,787	17,995
Changes in working capital:		
Inventories	(1,605)	(8,232)
Trade and other receivables	(22,413)	4,702
Trade and other payables	14,126	(9,349)
Cash generated from operations	15,895	5,116
Income tax paid	(2,355)	(3,210)
Directors' retirement/resignation benefits paid	(433)	(657)
Net cash from operating activities	13,107	1,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in jointly controlled entity	(250)	(600)
Proceeds from disposal of property, plant and equipment	925	16,542
Purchase of property, plant and equipment	(22,831)	(15,093)
Interest received	1,231	41
Net cash (used in)/from investing activities	(20,925)	890

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
for the six months ended 30 June 2012 (Cont'd)

	Note	6 months ended 30 June	
		2012	2011
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bridging loan		30,000	20,000
Repayment of commercial papers		(30,000)	(20,000)
Drawdown of term loans		8,879	4,595
Repayment of term loans		(6,360)	(4,281)
Repayment of syndicated term loan		(1,831)	-
Repayment of finance lease liabilities		(890)	(1,062)
Drawdown of borrowings (net)		2,214	17,372
Dividends paid to shareholders of the Company		-	(1,861)
Interest paid		(8,386)	(7,677)
Proceeds from issuance of shares to non-controlling interests		-	141
Placement in debt service reserve account		(2,035)	251
Net cash (used in)/from financing activities		(8,409)	7,478
Net (decrease)/increase in cash and cash equivalents		(16,227)	9,617
Cash and cash equivalents at 1 January		59,959	35,346
Effects of exchange differences on cash and cash equivalents		323	(332)
Cash and cash equivalents at 30 June		44,055	44,631

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

	30 June 2012 RM'000	30 June 2011 RM'000
Short term deposit with licensed banks (excluding debt service reserve accounts)	3,285	3,558
Cash and bank balances	50,788	47,830
Bank overdrafts	(10,018)	(6,757)
	44,055	44,631

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared on the historical cost basis, unless otherwise stated.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS”)

The Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) for the periods up to and including the financial year ended 31 December 2011. Since the previous audited financial statements as at 31 December 2011 were issued, the Group has adopted the MFRS framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia’s existing Financial Reporting Standards framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. The Group has applied MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards with effect from 1 January 2012. The adoption of MFRS has no significant impact on the financial statements except for the following:

Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised), Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, certain leasehold land and buildings were revalued in 1983, 1992/93 and 1994/95 and no later valuation has been recorded for these property, plant and equipment (except in the case of impairment adjustments based on a valuation).

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of leasehold land and buildings in 1983, 1992/93 and 1994/95 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation (Cont'd)

Reconciliation of equity as at 1 January 2011

	FRS as at 1 January 2011 RM'000	Reclassifications RM'000	MFRS as at 1 January 2011 RM'000
Revaluation reserve	1,532	(1,532)	-
Accumulated losses	(4,353)	1,532	(2,821)

Reconciliation of equity as at 30 June 2011

	FRS as at 30 June 2011 RM'000	Reclassifications RM'000	MFRS as at 30 June 2011 RM'000
Revaluation reserve	119	(119)	-
Accumulated losses	(4,955)	119	(4,836)

Reconciliation of equity as at 31 December 2011

	FRS as at 31 December 2011 RM'000	Reclassifications RM'000	MFRS as at 31 December 2011 RM'000
Revaluation reserve	119	(119)	-
Accumulated losses	(8,426)	119	(8,307)

The following MFRSs, IC Interpretation and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2012.

MFRS and Amendments effective for annual periods beginning on or after 1 January 2012

MFRS 124	Related Party Disclosures (revised)
Amendments to MFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to MFRS 7	Disclosures – Transfers of Financial Assets
Amendments to MFRS 112	Deferred tax: Recovery of Underlying Assets

The adoption of the above MFRSs and Amendments to MFRSs, did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation (Cont'd)

The following revised MFRSs, new IC Interpretations and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

Amendments effective for annual periods beginning on or after 1 July 2012

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investment in Associates and Joint Ventures (2011)
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132 Presentation – Offsetting Financial Assets and Financial Liabilities

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

The financial effects of the above MFRSs and Amendments to MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

3. Seasonality and cyclicity of interim operations

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

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and six months ended 30 June 2012.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2012.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the quarter and six months ended 30 June 2012.

7. Dividend paid

No dividend has been recommended by the Directors during the six months ended 30 June 2012.

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

Segment information is presented in respect of the Group's business segments, which is based on the Company's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

	Industrial		Polymer Engineering		Food		Restaurant		Others		Eliminations		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (Restated)
3 months ended 30 June														
Revenue from external customers	117,073	108,335	48,441	41,659	51,474	44,911	36,064	28,778	2,270	2,191	-	-	255,322	225,874
Inter-segment revenue	(191)	57	13	17	1,745	1,100	-	-	(447)	(413)	(1,120)	(761)	-	-
Total revenue	116,882	108,392	48,454	41,676	53,219	46,011	36,064	28,778	1,823	1,778	(1,120)	(761)	255,322	225,874
Profit/(Loss) before share of loss of equity accounted jointly controlled entity and associates, net of tax	1,950	2,136	754	2,932	(888)	(974)	2,991	1,947	(3,065)	(2,471)			1,742	3,570
Share of loss of jointly controlled entity, net of tax	-	-	(62)	(13)	-	-	-	-	-	-			(62)	(13)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	325	(253)	-	-	-	-	(6)	(86)			319	(339)
Profit/(Loss) before tax	1,950	2,136	1,017	2,666	(888)	(974)	2,991	1,947	(3,071)	(2,557)			1,999	3,218

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134
8. Operating segments (Cont'd)

Segment information is presented in respect of the Group's business segments, which is based on the Company's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

	Industrial		Polymer Engineering		Food		Restaurant		Others		Eliminations		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (Restated)
6 months ended 30 June														
Revenue from external customers	240,703	207,944	89,675	87,927	111,435	90,163	72,045	60,649	3,585	3,165	-	-	517,443	449,848
Inter-segment revenue	228	616	30	35	3,140	1,716	-	-	86	73	(3,484)	(2,440)	-	-
Total revenue	240,931	208,560	89,705	87,962	114,575	91,879	72,045	60,649	3,671	3,238	(3,484)	(2,440)	517,443	449,848
Profit/(Loss) before share of loss of equity accounted jointly controlled entity and associates, net of tax	4,210	3,365	(507)	1,755	(1,680)	(2,200)	7,659	4,986	(6,293)	(5,120)			3,389	2,786
Share of loss of jointly controlled entity, net of tax	-	-	(159)	(150)	-	-	-	-	-	-			(159)	(150)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	353	(206)	-	-	-	-	174	(41)			527	(247)
Profit/(Loss) before tax	4,210	3,365	(313)	1,399	(1,680)	(2,200)	7,659	4,986	(6,119)	(5,161)			3,757	2,389

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Discontinued Operations

On 21 March 2012, the Company has entered into a Conditional Sale and Purchase Agreement with Fumakilla Limited, Japan (“FMJ”) for the proposed disposal of 70% of the issued and paid-up share capital of Technopia Sdn. Bhd. (“Technopia”) and PT Technopia Jakarta (“PTTJ”) for a cash consideration of USD36.0 million (equivalent to RM108.0 million) and USD6.4 million (equivalent to RM19.2 million) respectively (“Proposed Disposal”). The Proposed Disposal is in respect of Family Care Division and is expected to result in a gain on disposal of RM73 million upon completion of the Proposed Disposal.

In accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the Family Care Division is classified as Assets and Liabilities held for sale/discontinued operations as at 30 June 2012 and the comparative condensed consolidated income statement and statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

The profit/(loss) attributable to the discontinued operations are as follows:

	3 months ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	46,298	41,508	85,928	77,421
Cost of sales	(30,689)	(28,907)	(57,318)	(53,926)
Gross profit	15,609	12,601	28,610	23,495
Distribution costs	(6,624)	(5,064)	(12,630)	(9,933)
Administrative expenses	(8,277)	(7,169)	(16,646)	(15,122)
Other income	2,281	611	2,803	1,667
Operating profit	2,989	979	2,137	107
Finance costs	(778)	(351)	(982)	(684)
Profit/(Loss) before taxation	2,211	628	1,155	(577)
Income tax expense	(396)	(430)	(557)	(619)
Profit/(Loss) for the period	1,815	198	598	(1,196)

TEXCHEM RESOURCES BHD
PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Discontinued Operations (Cont'd)

The major classes of assets and liabilities held for sale as at 30 June 2012 are as follows:

	RM'000
ASSETS	
Property, plant and equipment	53,625
Intangible assets	9,535
Deferred tax assets	1,112
Trade and other receivables	66,228
Inventories	19,804
Current tax assets	6,002
Cash and cash equivalents	11,883
Assets classified as held for sale	<u>168,189</u>
LIABILITIES	
Trade and other payables	34,232
Loans and borrowings	35,278
Current tax liabilities	112
Deferred tax liabilities	2,194
Deferred liability	415
Liabilities classified as held for sale	<u>72,231</u>

The cash flows attributable to the discontinued operations are as follows:

	6 months ended	
	30 June	
	2012	2011
	RM'000	RM'000
Operating cash flows	3,285	12,211
Investing cash flows	874	(222)
Financing cash flows	98	(5,542)
Net cash from discontinued operation	<u>4,257</u>	<u>6,447</u>

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

10. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2011.

11. Material events subsequent to the end of the reporting period

There were no material events which occurred subsequent to the end of the reporting period until the date of this announcement.

12. Changes in composition of the Group for the six months ended 30 June 2012

Other than as disclosed in Note 21 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2012, there are no changes to the composition of the Group since the last quarter.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets in the Group since the end of the last reporting period as at 30 June 2012.

14. Commitments

	30 June 2012	31 December 2011
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements – within one year	1,913	635
Approved but not contracted for	-	2,436
	<u>1,913</u>	<u>3,071</u>

15. Operating Segments Analysis

- (a) Current quarter compared with previous corresponding quarter

Continuing Operations

The Group recorded a revenue of RM255.3 million in Q2 2012 as compared to RM225.9 million in Q2 2011. The Group reported a pre-tax profit of RM2.0 million in Q2 2012 against the pre-tax profit of RM3.2 million in Q2 2011 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

Despite revenue recorded in Q2 2012 was RM116.9 million as compared to RM108.4 million in Q2 2011, the pre-tax profit achieved in Q2 2012 was marginally lower at RM1.95 million against RM2.1 million in Q2 2011 mainly due to the lower profit margin on sales mix.

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

15. Operating Segments Analysis (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for Q2 2012 was RM48.5 million against RM41.7 million in Q2 2011. The pre-tax profit achieved in Q2 2012 of RM1.0 million was lower than the pre-tax profit of RM2.7 million in Q2 2011 mainly due to the exceptional gain of RM4 million on disposal of land and building by a subsidiary in Q2 2011. Excluding the gain on disposal of land and building, the pre-tax profit in Q2 2012 would be higher by RM2.3 million.

(iii) Food Division

The revenue recorded for Q2 2012 was RM53.2 million against RM46.0 million in Q2 2011 mainly due to higher export of seafood products to overseas market. However, the pre-tax loss of RM0.9 million was comparable to previous corresponding quarter mainly due to the lower profit margin on sales mix.

(iv) Restaurant Division

The revenue recorded for Q2 2012 was RM36.1 million against RM28.8 million in Q2 2011 mainly due to the opening of new outlets and higher sales achieved by certain existing outlets during the quarter. As a result, a higher pre-tax profit of RM3.0 million was achieved in Q2 2012 as compared to RM1.9 million of pre-tax profit achieved in Q2 2011.

Discontinued Operations – Family Care Division

The pre-tax profit of RM2.2 million achieved in Q2 2012 against pre-tax profit of RM0.6 million in Q2 2011 was mainly due to the higher export sales by an overseas subsidiary and interest income of RM0.97 million received by a subsidiary in Indonesia which was compensation by the Indonesian tax authority for a tax case won in respect of the year of assessment 2007.

- (b) Current six (6) months financial period compared with previous corresponding financial period

Continuing Operations

The Group recorded a revenue of RM517.4 million in YTD Q2 2012 as compared to RM449.8 million in YTD Q2 2011. The Group reported a pre-tax profit of RM3.8 million in YTD Q2 2012 against RM2.4 million in YTD Q2 2011 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue and pre-tax profit recorded in YTD Q2 2012 was RM240.9 million and RM4.2 million as compared to RM208.6 million and RM3.4 million of revenue and pre-tax profit recorded in YTD Q2 2011. The higher revenue and pre-tax profit in YTD Q2 2012 was mainly due to the new supply chain business secured by a Malaysian subsidiary.

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15. Operating Segments Analysis (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for YTD Q2 2012 was RM89.7 million against RM88.0 million in YTD Q2 2011. The higher revenue was mainly contributed by the medical and injection moulding segments. The pre-tax loss of RM0.3 million incurred in YTD Q2 2012 as compared to pre-tax profit of RM1.4 million in YTD Q2 2011 was mainly due to the exceptional gain of RM4 million on disposal of land and building by a subsidiary in Q2 2011. Excluding the gain on disposal of land and building, the pre-tax loss in YTD Q2 2011 would be RM2.6 million.

(iii) Food Division

The revenue recorded for YTD Q2 2012 was RM114.6 million against RM91.9 million in YTD Q2 2011 mainly due to higher export of seafood products to overseas market. As a result, a lower pre-tax loss of RM1.7 million was incurred in the current quarter as compared to RM2.2 million in YTD Q2 2011.

(iv) Restaurant Division

The revenue recorded for YTD Q2 2012 was RM72.0 million against RM60.6 million in YTD Q2 2011 mainly due to the opening of new outlets and higher sales achieved by certain existing outlets during the period. As a result, a higher pre-tax profit of RM7.7 million was achieved in YTD Q2 2012 as compared to RM5.0 million pre-tax profit achieved in YTD Q2 2011.

Discontinued Operations – Family Care Division

The pre-tax profit of RM1.2 million achieved in YTD Q2 2012 was mainly due to the higher export sales by its overseas subsidiary and interest income of RM0.97 million received by a subsidiary in Indonesia which was compensation by the Indonesian tax authority for a tax case won in respect of the year of assessment 2007. In the previous corresponding period, the pre-tax loss of RM0.6 million was mainly attributable to the losses made by overseas operations.

16. Variation of results against preceding quarter

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

	2012		Variance RM'000	%
	Quarter 2 RM'000	Quarter 1 RM'000		
Revenue from continuing operations	255,322	262,121	(6,799)	(2.6)
Profit/(Loss) before taxation				
- from continuing operations	1,999	1,758	241	13.7
- from discontinued operations	2,211	(1,057)	3,268	309.2
	4,210	701	3,509	500.6

The pre-tax profit of RM4.2 million achieved in Q2 2012 was higher than the preceding quarter mainly contributed by Polymer Engineering and Family Care Divisions as explained above.

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17. Prospects for 2012

The Group's operating business segments except for Restaurant Division are expected to operate in a challenging environment in 2012 given the uncertainty over the pace of recovery in major global economies and the deepening Eurozone sovereign debt crisis. The Restaurant Division which operates in Malaysia only is expected to continue its positive performance supported by the resilient domestic demand.

18. Profit forecast

Not applicable as no profit forecast was published.

19. Operating profit

Operating profit for continuing operations is arrived at after charging/(crediting):

	3 months ended		6 months ended	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income	(131)	(25)	(221)	(33)
Interest expense	3,880	3,573	7,929	6,992
Depreciation of property, plant and equipment	5,624	4,563	10,616	11,239
Impairment loss on trade receivables/(Reversal of impairment loss)	38	(53)	(19)	41
Inventories written down/(back)	307	(101)	306	195
Gain on disposal of property, plant and equipment	(213)	(7,293)	(231)	(7,813)
(Gain)/Loss on foreign exchange	(895)	488	(220)	1,502

20. Income tax expense

The income tax expense for continuing operations comprises:

	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Current tax expense				
- current period	1,625	9	3,599	1,683
- prior period	(784)	254	(784)	254
Overseas				
- current period	793	573	1,057	1,166
	1,634	836	3,872	3,103
Deferred tax expense				
- current period	246	231	467	226
- prior period	-	(488)	-	(488)
	1,880	579	4,339	2,841

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20. Income tax expense (Cont'd)

The effective tax rates were higher than the statutory tax rate mainly due to the losses which cannot be set-off against taxable profits made by subsidiaries and certain expenses which are not tax deductible.

21. Status of corporate proposals

The status of the Group's corporate proposals is as follows:

A. Voluntary Liquidation of Eye Graphic (Vietnam) Co., Ltd.

On 24 September 2010, the Company announced that Eye Graphic (Vietnam) Co., Ltd. has on 24 September 2010 commenced voluntary liquidation proceedings in accordance with the Laws/Rules and Regulations of Vietnam ("Voluntary Liquidation"). The completion of the Voluntary Liquidation is still pending as at todate.

B. Memorandum of Understanding between Texchem Food Sdn. Bhd. and China National Chemical Fiber Corp.

On 22 November 2010, the Company announced that Texchem Food Sdn. Bhd. ("TFSB") has on 22 November 2010 entered into a Memorandum of Understanding ("MoU") with China National Chemical Fiber Corp. ("Sinofiber") for the purpose of exploring the possibility of entering into a long term and mutually beneficial relationship whereby Sinofiber will be appointed as TFBS's sole importer of marine products such as soft shell crab and fishmeal in the People's Republic of China.

There is no material development on the MoU since the last announcement made by the Company.

C. Voluntary Liquidation of Texchem Trading (Wuxi) Co., Ltd.

On 30 September 2011, the Company announced that Texchem Trading (Wuxi) Co., Ltd., a wholly owned subsidiary of Texchem Materials Sdn. Bhd. which in turn is a wholly owned subsidiary of the Company, has on 30 September 2011 commenced voluntary liquidation proceedings in accordance with the Laws of the People's Republic of China ("Voluntary Liquidation"). The completion of the Voluntary Liquidation is still pending as at todate.

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21. Status of corporate proposals (Cont'd)

D. Proposed Disposal of 70% of the Issued and Paid-Up Share Capital of Technopia Sdn. Bhd. and PT Technopia Jakarta by the Company to Fumakilla Limited, Japan

On 21 March 2012, the Company has entered into a Conditional Sale and Purchase Agreement with Fumakilla Limited, Japan (“FMJ”) for the following:

- (i) Proposed sale by the Company and purchase by FMJ of 70% of the issued and Paid-up share capital of Technopia Sdn. Bhd. which comprises 52,977,496 ordinary shares of RM1.00 each (“Technopia Sale Shares”)
- (ii) Proposed sale by the Company and purchase by FMJ of 70% of the issued and paid-up share capital of PT Technopia Jakarta (“PTTJ”) which comprises 1,032 ordinary shares of USD5,000 each

(collectively referred to as the “Proposed Transaction”)

On 26 March 2012 and 27 March 2012, the Company made further announcements in relation to the Proposed Transaction.

On 12 April 2012, the Company announced that Technopia Vietnam Pte. Ltd. (“TVPL”) has obtained the revised certificate of investment from the Dong Nai Province Industrial Zone Authority reflecting Technopia as the 100% shareholder of TVPL.

On 5 June 2012, the Company announced that Fumakilla Malaysia Berhad has obtained the approval of the Ministry of International Trade and Industry in respect of the disposal of the Technopia Sale Shares to FMJ.

On 25 July 2012, the Company announced that the Company and PTTJ have obtained all written consents from their respective financiers in respect of the Proposed Transaction.

The Proposed Transaction is expected to complete by third quarter of 2012.

E. Proposed Disposal of the entire equity interest of M.A.C. Technology (Malaysia) Sdn. Bhd. to Daiichi Kasei Co., Ltd.

On 15 May 2012, the Company announced that Texchem-Pack Holdings (S) Ltd. (“TXPHS”) has entered into a Conditional Share Sale Agreement with Daiichi Kasei Co. Ltd. (“Daiichi Kasei”) for the proposed disposal of the entire equity interest comprising 9,124,500 ordinary shares of RM1.00 each in M.A.C. Technology (Malaysia) Sdn. Bhd. (“MAC”), representing 30% of the issued and paid-up share capital of MAC (“Shares”) to Daiichi Kasei at a total cash consideration of RM7,267,192.00 (hereinafter referred to as the “Proposed Disposal”).

On 21 May 2012, the Company announced that MAC has incurred an audited net loss of RM1,289,544.00 for the financial year ended 31 December 2011.

On 18 June 2012, the Company announced that TXPHS has on 15 June 2012 received a letter from Singapore Exchange Securities Trading Limited (“SGX-ST”) indicating SGX-ST has no objection to TXPHS’s application for a waiver of Rule 1014(2) of the SGX-ST Listing Manual, whereby TXPHS is exempted from holding an Extraordinary General Meeting to seek its shareholders’ approval for the Proposed Disposal.

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21. Status of corporate proposals (Cont'd)

On 9 July 2012, the Company announced that MAC has obtained the approval of the Ministry of International Trade and Industry in respect of the disposal of the Shares to Daiichi Kasei.

The Proposed Disposal has been duly completed on 18 July 2012.

F. Proposed Acquisition of 51% equity interest in PT Technopia Lever from PT Unilever Indonesia Tbk.

On 6 June 2012, the Company has entered into a Conditional Share and Purchase Agreement with PT Unilever Indonesia, Tbk. (“PT Unilever”) for the proposed acquisition of the 51% equity interest comprising 38,250 ordinary shares of IDR1 million each in PT Technopia Lever (“PTTL”) (“Sale Shares”) at a total cash consideration of IDR38.25 billion (approximately RM12.62 million) (hereinafter referred to as “Proposed Acquisition”).

On 5 July 2012, the Company announced that the Company has been informed on 4 July 2012 that Badan Koordinasi Penanaman Modal (Investment Coordinating Board) of the Republic of Indonesia has on 25 June 2012 issued its approval to PTTL for the transfer of Sale Shares PT Unilever.

On 13 July 2012, the Company announced that the Minister of Law and Human Right of the Republic of Indonesia has on 10 July 2012 issued its approval to PTTL for the change of company name from “PT Technopia Lever” to “PT Technopia Nomos”.

The Proposed Acquisition has been duly completed on 16 July 2012.

G. Proposed Acquisition of the balance 49% equity interest in PT Technopia Lever from Technopia Singapore Pte. Ltd.

On 14 June 2012, the Company has entered into a Share Sale Agreement with Technopia Singapore Pte. Ltd. (“Tech(S)”), a wholly owned subsidiary of Texchem Corporation Sdn. Bhd. (“Texcorp”), a major shareholder of the Company, to acquire 49% equity interest comprising 36,750 shares of IDR1 million each in PT Technopia Lever (“PTTL”) from Tech(S) at a total consideration of USD3.022 million (approximately RM9.609 million at the exchange rate of USD1=RM3.18 as at 13 June 2012) (hereinafter referred to as the “Proposed Acquisition”).

On 4 July 2012, the Company announced that the approval of the shareholders’ of Texcorp the holding company of Tech(S) for the Proposed Acquisition has been duly obtained.

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22. Loans and borrowings

	30 June 2012 RM'000	31 December 2011 RM'000
Current:		
Unsecured		
Bank overdrafts	9,038	15,960
Bankers' acceptances	58,652	67,634
Revolving credit	78,162	99,096
Term loans	7,225	8,563
Syndicated term loan	9,169	5,500
Commercial papers	-	30,000
Trust receipts	5,403	12,252
Bridging loan	30,000	-
Finance lease liabilities	1,674	1,663
Other borrowings	12,379	6,679
Total	211,702	247,347
Non-current:		
Unsecured		
Syndicated term loan	44,000	49,500
Term loans	15,785	12,427
Finance lease liabilities	3,096	2,554
Total	62,881	64,481

Loans and borrowings denominated in foreign currencies are as follows:

	30 June 2012 RM'000	31 December 2011 RM'000
Current:		
Unsecured		
Thai Baht	5,430	5,178
Singapore Dollar	709	1,207
United States Dollar	19,124	31,061
Indonesian Rupiah	-	6,877
Hong Kong Dollar	3	3
	25,266	44,326
Non-current:		
Unsecured		
Thai Baht	2,213	1,876
Singapore Dollar	-	19
United States Dollar	-	71
Hong Kong Dollar	1	3
	2,214	1,969

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23. Derivative financial instruments

As at 30 June 2012, the Group has the following outstanding derivative financial instrument:

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value-Net gain/(loss) RM'000
Forward exchange contracts			
- Receivables	4,001	4,062	(61)
- Payables	1,334	1,349	15
	<u>5,335</u>	<u>5,411</u>	<u>(46)</u>

For the six months ended 30 June 2012, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the end of the last reporting period.

24. Gains and Losses arising from fair value changes of financial liabilities

There are no gains and losses arising from changes on the fair values of financial liabilities as all financial liabilities are measured at the amortised cost using the effective interest method.

25. Changes in material litigation

There was no material litigation against the Group as at 30 June 2012.

26. Dividend

No dividend has been proposed or declared for the quarter ended 30 June 2012.

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27. Basic earnings/(loss) per share

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

	3 months ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) for the period attributable to owners of the Company				
- from continuing operations	227	1,907	262	(518)
- from discontinued operations	1,618	(103)	401	(1,497)
	1,845	1,804	663	(2,015)
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings/(loss) per share (sen)				
- from continuing operations	0.18	1.54	0.21	(0.42)
- from discontinued operations	1.30	(0.08)	0.32	(1.21)
	1.48	1.46	0.53	(1.63)

28. Realised and Unrealised Profits/(Losses)

The breakdown of accumulated losses of the Group as at the end of the reporting period, into realised and unrealised profits/(losses), pursuant to the directive issued by Bursa Malaysia Securities Berhad on 25 March 2010 is as follows:

	30 June 2012 RM'000	31 December 2011 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
Realised	9,096	9,217
Unrealised – in respect of deferred tax recognised in the income statement	(2,298)	(1,748)
Unrealised – in respect of others items of income and expense	911	923
	(1,387)	(825)
	7,709	8,392
Total share of accumulated losses from associates and jointly controlled entity:		
Realised	(19,251)	(19,619)
	(11,542)	(11,227)
Add: Consolidation adjustments	3,898	2,801
Total Group accumulated losses	(7,644)	(8,426)

BY ORDER OF THE BOARD

TAN PENG LAM
CHIEF FINANCIAL OFFICER
Date: 31 July 2012