



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2012

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

	Note	3 months ended 30 September		9 months ended 30 September	
		2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Continuing Operations					
Revenue	8	252,527	251,394	769,970	701,242
Cost of sales		(206,229)	(206,877)	(621,739)	(568,262)
Gross profit		46,298	44,517	148,231	132,980
Distribution costs		(27,152)	(24,260)	(82,497)	(71,923)
Administrative and other expenses		(22,969)	(21,840)	(70,479)	(69,376)
Other income		9,056	5,959	21,296	22,473
Operating profit	19	5,233	4,376	16,551	14,154
Finance costs		(3,851)	(4,152)	(11,780)	(11,144)
Share of loss of jointly controlled entity, net of tax		-	(71)	(159)	(221)
Share of profit/(loss) of equity accounted associates, net of tax		207	(232)	734	(479)
Profit/(Loss) before taxation		1,589	(79)	5,346	2,310
Income tax expense	20	(839)	(3,274)	(5,178)	(6,115)
Profit/(Loss) from continuing operations		750	(3,353)	168	(3,805)
Discontinued operations (Loss)/Profit from discontinued operations, net of tax	9	(378)	(278)	220	(1,474)
Profits/(Loss) for the period		372	(3,631)	388	(5,279)
Profit/(Loss) attributable to:					
Owners of the Company					
- from continuing operations		64	(2,468)	326	(2,986)
- from discontinued operations		(549)	(429)	(148)	(1,926)
		(485)	(2,897)	178	(4,912)
Non-controlling interests		857	(734)	210	(367)
Profit/(Loss) for the period		372	(3,631)	388	(5,279)
Basic (loss)/earnings per share attributable to owners of the Company (sen)	27				
- from continuing operations		0.05	(1.99)	0.26	(2.41)
- from discontinued operations		(0.44)	(0.35)	(0.12)	(1.55)
		(0.39)	(2.34)	0.14	(3.96)

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 nine months ended 30 September 2012

Note	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Profit/(Loss) for the period	372	(3,631)	388	(5,279)
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations				
- from continuing operations	(1,356)	6,059	(585)	2,743
- from discontinued operations	(1,101)	(684)	(1,156)	899
Total other comprehensive (expense)/income, net of tax	(2,457)	5,375	(1,741)	3,642
Total comprehensive (expense)/income for the period	(2,085)	1,744	(1,353)	(1,637)
Total comprehensive (expense)/income attributable to:				
Owners of the Company				
- from continuing operations	(1,191)	3,106	(269)	(782)
- from discontinued operations	(1,643)	(1,216)	(1,325)	(1,029)
	(2,834)	1,890	(1,594)	(1,811)
Non-controlling interests	749	(146)	241	174
Total comprehensive (expense)/income for the period	(2,085)	1,744	(1,353)	(1,637)

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 September 2012

	Note	30 September 2012 (Unaudited) RM'000	31 December 2011 (Audited) RM'000
ASSETS			
Property, plant and equipment		137,447	182,122
Investment in associates		13,953	20,159
Investment in jointly controlled entity		312	221
Intangible assets		44,765	54,300
Deferred tax assets		1,980	3,136
Total non-current assets		198,457	259,938
Trade and other receivables		184,686	221,352
Inventories		68,509	86,644
Current tax assets		7,039	14,522
Cash and cash equivalents		46,241	76,518
Assets classified as held for sale	9	168,900	-
Total current assets		475,375	399,036
TOTAL ASSETS		673,832	658,974
EQUITY			
Share capital		124,099	124,099
Reserves		17,213	18,807
Total equity attributable to owners of the Company		141,312	142,906
Non-controlling interests		33,501	33,260
TOTAL EQUITY		174,813	176,166
LIABILITIES			
Loans and borrowings	22	17,066	64,481
Deferred tax liabilities		4,086	5,657
Deferred liability		3,181	3,491
Total non-current liabilities		24,333	73,629
Trade and other payables		129,825	157,051
Provision		3,410	3,126
Loans and borrowings	22	265,831	247,347
Current tax liabilities		1,198	1,655
Liabilities classified as held for sale	9	74,422	-
Total current liabilities		474,686	409,179
TOTAL LIABILITIES		499,019	482,808
TOTAL EQUITY AND LIABILITIES		673,832	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 nine months ended 30 September 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 (expense)/income	-	(1,772)	-	(1,772)	31	(1,741)
Profit for the period	-	-	178	178	210	388
Total comprehensive (expense)/income for the period	-	(1,772)	178	(1,594)	241	(1,353)
Transfer to capital reserve	-	3	(3)	-	-	-
At 30 September 2012	124,099	25,345	(8,132)	141,312	33,501	174,813

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 nine months ended 30 September 2011

	<----- 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 2011 (restated)	124,099	25,066	(2,821)	146,344	32,908	179,252
Transfer to capital reserve	-	44	(44)	-	-	-
Other comprehensive income	-	3,101	-	3,101	541	3,642
Loss for the period	-	-	(4,912)	(4,912)	(367)	(5,279)
Total comprehensive income/ (expense) for the period	-	3,101	(4,912)	(1,811)	174	(1,637)
Dividends	-	-	-	-	(152)	(152)
Subscription of shares in subsidiaries by non-controlling interests	-	-	-	-	209	209
At 30 September 2011	124,099	28,211	(7,777)	144,533	33,139	177,672

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 nine months ended 30 September 2012

	Note	9 months ended 30 September	
		2012	2011
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation from			
- continuing operations		5,346	2,310
- discontinued operations	9	288	(490)
		5,634	1,820
Adjustments for:			
Depreciation of property, plant and equipment		21,199	21,810
Provision/(Reversal) for Directors' retirement/resignation benefits		542	(106)
Property, plant and equipment written off		93	586
Gain on disposal of property, plant and equipment		(298)	(8,049)
Interest income		(1,444)	(437)
Interest expense		12,514	12,112
Share of (profit)/loss of equity accounted associates		(734)	479
Share of loss of jointly controlled entity		159	221
Impairment loss on goodwill		-	1,260
Gain on disposal of an associate		(327)	-
		31,704	27,876
Operating profit before changes in working capital		37,338	29,696
Changes in working capital:			
Inventories		(4,398)	(8,758)
Trade and other receivables		(30,329)	(12,036)
Trade and other payables		11,679	(2,577)
Cash generated from operations		14,290	6,325
Income tax paid		(4,173)	(6,006)
Directors' retirement/resignation benefits paid		(386)	(657)
Net cash from/(used in) operating activities		9,731	(338)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from disposal of an associate		7,267	-
Additional investment in a jointly controlled entity		(250)	(600)
Proceeds from disposal of property, plant and equipment		1,154	16,654
Purchase of property, plant and equipment		(30,150)	(18,698)
Interest received		1,444	437
Net cash used in investing activities		(20,535)	(2,207)

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

	Note	9 months ended 30 September	
		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		7,047	4,685
Repayment of term loans		(7,047)	(6,679)
Repayment of syndicated term loan		(3,663)	-
Repayment of finance lease liabilities		(1,472)	(1,497)
Drawdown of borrowings (net)		17,104	21,361
Interest paid		(12,514)	(12,112)
(Placement)/withdrawal in debt service reserve account		(2,027)	16
Proceeds from issuance of shares to non-controlling interests		-	184
Dividends paid to shareholders of the Company		-	(1,861)
Dividend paid to non-controlling shareholders		-	(152)
Net cash (used in)/from financing activities		(2,572)	3,945
Net (decrease)/increase in cash and cash equivalents		(13,376)	1,400
Cash and cash equivalents at 1 January		59,959	35,346
Effects of exchange differences on cash and cash equivalents		(213)	366
Cash and cash equivalents at 30 September		46,370	37,112

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

	30 September 2012 RM'000	30 September 2011 RM'000
Short term deposit with licensed banks (excluding debt service reserve accounts)	1,202	2,098
Cash and bank balances	53,684	47,220
Bank overdrafts	(8,516)	(12,206)
	46,370	37,112

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 September 2011

	FRS as at 30 September 2011 RM'000	Reclassifications RM'000	MFRS as at 30 September 2011 RM'000
Revaluation reserve	119	(119)	-
Accumulated losses	(7,896)	119	(7,777)

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
MFRS 3	Business Combinations
Amendments to MFRSs contained in the documents entitled “Annual Improvements 2009-2011 Cycle”	
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
MFRS 127	Consolidated and Separate Financial Statements

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 nine months ended 30 September 2012.

5. Changes in estimates

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

7. Dividend paid

No dividend has been recommended by the Directors during the nine months ended 30 September 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 September														
Revenue from external customers	112,099	120,348	43,091	43,394	59,347	55,628	36,241	30,179	1,749	1,845	-	-	252,527	251,394
Inter-segment revenue	256	183	56	19	2,060	791	-	-	25	31	(2,397)	(1,024)	-	-
Total revenue	112,355	120,531	43,147	43,413	61,407	56,419	36,241	30,179	1,774	1,876	(2,397)	(1,024)	252,527	251,394
Profit/(Loss) before share of loss of equity accounted jointly controlled entity and associates, net of tax	1,011	2,754	2,677	(1,873)	(1,487)	(1,596)	2,466	3,545	(3,285)	(2,606)			1,382	224
Share of loss of jointly controlled entity, net of tax	-	-	-	(71)	-	-	-	-	-	-			-	(71)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	19	(39)	-	-	-	-	188	(193)			207	(232)
Profit/(Loss) before tax	1,011	2,754	2,696	(1,983)	(1,487)	(1,596)	2,466	3,545	(3,097)	(2,799)			1,589	(79)

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)
9 months ended 30 September														
Revenue from external customers	352,802	328,292	132,766	131,321	170,782	145,791	108,286	90,828	5,334	5,010	-	-	769,970	701,242
Inter-segment revenue	484	799	86	54	5,200	2,507	-	-	111	104	(5,881)	(3,464)	-	-
Total revenue	353,286	329,091	132,852	131,375	175,982	148,298	108,286	90,828	5,445	5,114	(5,881)	(3,464)	769,970	701,242
Profit/(Loss) before share of loss of equity accounted jointly controlled entity and associates, net of tax	5,221	6,119	2,170	(118)	(3,167)	(3,796)	10,125	8,531	(9,578)	(7,726)			4,771	3,010
Share of loss of jointly controlled entity, net of tax	-	-	(159)	(221)	-	-	-	-	-	-			(159)	(221)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	372	(245)	-	-	-	-	362	(234)			734	(479)
Profit/(Loss) before tax	5,221	6,119	2,383	(584)	(3,167)	(3,796)	10,125	8,531	(9,216)	(7,960)			5,346	2,310

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 September 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 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	37,015	38,823	122,943	116,244
Cost of sales	(21,893)	(26,550)	(79,211)	(80,476)
Gross profit	15,122	12,273	43,732	35,768
Distribution costs	(6,844)	(4,962)	(19,474)	(14,895)
Administrative expenses	(9,567)	(8,205)	(26,213)	(23,327)
Other income	964	1,766	3,767	3,433
Operating (loss)/profit	(325)	872	1,812	979
Finance costs	(542)	(785)	(1,524)	(1,469)
(Loss)/Profit before taxation	(867)	87	288	(490)
Income tax expense	489	(365)	(68)	(984)
(Loss)/Profit for the period	(378)	(278)	220	(1,474)

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 September 2012 are as follows:

	RM'000
ASSETS	
Property, plant and equipment	50,919
Intangible assets	9,535
Deferred tax assets	1,047
Trade and other receivables	67,548
Inventories	22,532
Current tax assets	6,047
Cash and cash equivalents	11,272
Assets classified as held for sale	<u>168,900</u>
LIABILITIES	
Trade and other payables	36,931
Loans and borrowings	34,828
Deferred tax liabilities	2,194
Deferred liability	469
Liabilities classified as held for sale	<u>74,422</u>

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

	9 months ended	
	30 September	
	2012	2011
	RM'000	RM'000
Operating cash flows	2,946	4,852
Investing cash flows	1,083	(103)
Financing cash flows	(141)	351
Net cash from discontinued operation	<u>3,888</u>	<u>5,100</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 nine months ended 30 September 2012

Other than as disclosed in Note 21 (where relevant) of this condensed consolidated financial statements for the nine months ended 30 September 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 September 2012.

14. Commitments

	30 September 2012	31 December 2011
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements – within one year	3,322	635
Approved but not contracted for	37	2,436
	<u>3,359</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 RM252.5 million in Q3 2012 as compared to RM251.4 million in Q3 2011. The Group reported a pre-tax profit of RM1.6 million in Q3 2012 against pre-tax loss of RM0.08 million in Q3 2011 due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q3 2012 was RM112.3 million as compared to RM120.5 million in Q3 2011. The lower revenue recorded in Q3 2012 was mainly due to the slowdown in business resulting from the contraction in global economy. The lower revenue and margin on sales mix have resulted pre-tax profit achieved in Q3 2012 reduced to RM1.0 million against RM2.8 million in Q3 2011.

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 Q3 2012 was RM43.1 million against RM43.4 million in Q3 2011. The pre-tax profit achieved in Q3 2012 of RM2.7 million against pre-tax loss of RM1.9 million in Q3 2011 was mainly due to insurance claim of RM5.7 million recognised in Q3 2012 on the damages suffered by Thailand subsidiary in respect of buildings, plant and machinery and stocks as a result of flood in October 2011. Excluding the insurance claim, the Division would suffer a pre-tax loss of RM3.0 million in Q3 2012 due to softening of hard disk drive and consumer electronic industries.

(iii) Food Division

The revenue recorded for Q3 2012 was RM61.4 million against RM56.4 million in Q3 2011 mainly due to higher export of seafood products to overseas market. However, the pre-tax loss of RM1.5 million was comparable to previous corresponding quarter mainly due to lower profit margin on sales mix.

(iv) Restaurant Division

The revenue recorded for Q3 2012 was RM36.2 million against RM30.2 million in Q3 2011 mainly due to opening of new outlets and higher sales achieved by certain existing outlets. Despite higher sales achieved, pre-tax profit was RM2.5 million in Q3 2012 as compared to RM3.5 million in Q3 2011 mainly due to increase in raw material prices and losses incurred by new subsidiaries.

Discontinued Operations – Family Care Division

The pre-tax loss of RM0.9 million incurred in Q3 2012 against pre-tax profit of RM0.09 million in Q3 2011 mainly due to foreign exchange loss, lower margin of sales mix and operating loss suffered by Indonesia subsidiary.

- (b) Current nine (9) months financial period compared with previous corresponding financial period

Continuing Operations

The Group recorded a revenue of RM770.0 million in YTD Q3 2012 as compared to RM701.2 million in YTD Q3 2011. The Group reported a pre-tax profit of RM5.3 million in YTD Q3 2012 against RM2.3 million in YTD Q3 2011 due to various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue and pre-tax profit recorded in YTD Q3 2012 was RM353.3 million and RM5.2 million as compared to RM329.1 million and RM6.1 million recorded in YTD Q3 2011 respectively. The lower pre-tax profit in YTD Q3 2012 was mainly due to the contraction of the global economy which has affected the profit margin.

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 YTD Q3 2012 was RM132.9 million against RM131.4 million in YTD Q3 2011. The higher revenue was mainly contributed by medical and injection moulding segments. The pre-tax profit of RM2.4 million achieved in YTD Q3 2012 as compared to pre-tax loss of RM0.6 million in YTD Q3 2011 was mainly due to insurance claim of RM5.7 million on the damages suffered by Thailand subsidiary in respect of buildings, plant and machinery and stocks as a result of flood in October 2011. For YTD Q3 2011, the Division recognised an exceptional gain of RM4 million on the disposal of land and building by a subsidiary. Excluding the insurance claim and exceptional gain on disposal of land and building, the Division would incur pre-tax loss of RM3.3 million and RM4.6 million for YTD Q3 2012 and YTD Q3 2011 respectively. The loss reduction was mainly contributed by sales improvement in medical and injection moulding segments.

(iii) Food Division

The revenue recorded for YTD Q3 2012 was RM176.0 million against RM148.3 million in YTD Q3 2011 mainly due to higher export of seafood products to overseas market. As a result, a lower pre-tax loss of RM3.2 million was incurred in the current period as compared to RM3.8 million in YTD Q3 2011.

(iv) Restaurant Division

The revenue recorded for YTD Q3 2012 was RM108.3 million against RM90.8 million in YTD Q3 2011 mainly due to opening of new outlets and higher sales achieved by certain existing outlets during the period. As a result, a higher pre-tax profit of RM10.1 million was achieved in YTD Q3 2012 as compared to RM8.5 million in YTD Q3 2011.

Discontinued Operations – Family Care Division

The pre-tax profit of RM0.3 million achieved in YTD Q3 2012 against pre-tax loss of RM0.5 million incurred in YTD Q3 2011 was mainly due to interest income of RM1.18 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.

16. Variation of results against preceding quarter

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

	2012		Variance RM'000	%
	Quarter 3 RM'000	Quarter 2 RM'000		
Revenue from continuing operations	252,527	255,322	(2,795)	(1.1)
Profit/(Loss) before taxation				
- from continuing operations	1,589	1,999	(410)	(20.5)
- from discontinued operations	(867)	2,211	(3,078)	(139.2)
	722	4,210	(3,488)	(82.9)

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

16. Variation of results against preceding quarter (Cont'd)

The pre-tax profit of RM0.7 million achieved in Q3 2012 was lower than the preceding quarter mainly due to lower profit achieved by Industrial, Family Care, Food and Restaurant Divisions.

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 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		9 months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income	(30)	(383)	(251)	(416)
Interest expense	3,851	4,152	11,780	11,144
Depreciation of property, plant and equipment	5,752	5,559	16,368	16,798
Reversal of impairment loss on trade receivables	(212)	(132)	(231)	(91)
Inventories written down	55	327	361	522
Gain on disposal of property, plant and equipment	(4)	(61)	(235)	(7,874)
Loss/(Gain) on foreign exchange	1,327	(245)	1,107	1,257

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

20. Income tax expense

The income tax expense for continuing operations comprises:

	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Current tax expense				
- current period	1,074	2,719	4,673	4,402
- prior period	(169)	200	(953)	454
Overseas				
- current period	(166)	744	891	1,910
	739	3,663	4,611	6,766
Deferred tax expense				
- current period	100	(390)	567	(164)
- prior period	-	1	-	(487)
	839	3,274	5,178	6,115

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 TFSB'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.

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

21. Status of corporate proposals (Cont'd)

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.

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 Shares Sale 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. ("Technopia") 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.

On 31 July 2012, the Company announced that the approval of the shareholders of the Company for the Proposed Transaction has been obtained.

On 26 September 2012, the Company announced that PTTJ has obtained the approval of the Badan Koordinasi Penanaman Modal in Indonesia in respect of the disposal of the proposed PTTJ sale shares to FMJ.

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

21. Status of corporate proposals (Cont'd)

On 18 October 2012, the Company announced that the Company and FMJ have entered into the Technopia Joint Venture Agreement and the PTTJ Joint Venture Agreement with Technopia and PTTJ respectively (both agreements are collectively referred to as the “JV Agreements”). Pursuant to the Shares Sale Agreement, the Proposed Transaction shall be completed within 1 month from the date of the JV Agreements.

E. 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 Shares 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) has been obtained in respect of the Proposed Acquisition.

The Proposed Acquisition has been completed on 12 October 2012.

F. Acquisition of 300 ordinary shares of RM1.00 each in Texchem Homey Sdn. Bhd. by the Company from Texchem Food Sdn. Bhd.

On 30 August 2012, the Company announced that the Company had acquired 100% equity interest comprising 300 ordinary shares of RM1.00 each in Texchem Homey Sdn. Bhd. from Texchem Food Sdn. Bhd., its wholly owned subsidiary, at a total cash consideration of RM4,800.00.

G. Incorporation of a wholly-owned subsidiary, Sushi Ku Sdn. Bhd.

On 12 September 2012, the Company announced the incorporation of Sushi Ku Sdn. Bhd. on 11 September 2012 under the Malaysia Companies Act, 1965.

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

22. Loans and borrowings

	30 September 2012 RM'000	31 December 2011 RM'000
Current:		
Unsecured		
Bank overdrafts	7,790	15,960
Bankers' acceptances	68,091	67,634
Revolving credit	86,643	99,096
Term loans	6,453	8,563
Syndicated term loan	51,337	5,500
Commercial papers	-	30,000
Trust receipts	4,916	12,252
Bridging loan	30,000	-
Finance lease liabilities	1,497	1,663
Other borrowings	9,104	6,679
Total	265,831	247,347
Non-current:		
Unsecured		
Syndicated term loan	-	49,500
Term loans	14,241	12,427
Finance lease liabilities	2,825	2,554
Total	17,066	64,481

Loans and borrowings denominated in foreign currencies are as follows:

	30 September 2012 RM'000	31 December 2011 RM'000
Current:		
Unsecured		
Thai Baht	6,694	5,178
Singapore Dollar	1,041	1,207
United States Dollar	14,433	31,061
Indonesia Rupiah	-	6,877
Hong Kong Dollar	3	3
	22,171	44,326
Non-current:		
Unsecured		
Thai Baht	1,956	1,876
Singapore Dollar	-	19
United States Dollar	-	71
Hong Kong Dollar	-	3
	1,956	1,969

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

23. Derivative financial instruments

As at 30 September 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	1,690	1,666	24
- Payables	321	316	(5)
	<u>2,011</u>	<u>1,982</u>	<u>19</u>

For nine months ended 30 September 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 September 2012.

26. Dividend

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

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

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 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/Profit for the period attributable to owners of the Company				
- from continuing operations	64	(2,468)	326	(2,986)
- from discontinued operations	(549)	(429)	(148)	(1,926)
	(485)	(2,897)	178	(4,912)
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	0.05	(1.99)	0.26	(2.41)
- from discontinued operations	(0.44)	(0.35)	(0.12)	(1.55)
	(0.39)	(2.34)	0.14	(3.96)

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 September 2012 RM'000	31 December 2011 RM'000
	Total retained profits/(accumulated losses) of the Company and its subsidiaries:	
Realised	8,694	9,217
Unrealised – in respect of deferred tax recognised in the income statement	(2,470)	(1,748)
Unrealised – in respect of others items of income and expense	2,011	923
	(459)	(825)
	8,235	8,392
Total share of accumulated losses from associates and jointly controlled entity:		
Realised	(19,044)	(19,619)
	(10,809)	(11,227)
Add: Consolidation adjustments	2,677	2,801
Total Group accumulated losses	(8,132)	(8,426)

BY ORDER OF THE BOARD

TAN PENG LAM
CHIEF FINANCIAL OFFICER
Date: 31 October 2012