



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2013**

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the quarter and six months ended 30 June 2013

	Note	3 months ended 30 June		6 months ended 30 June	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Continuing Operations</b>					
<b>Revenue</b>	8	<b>249,374</b>	<b>255,322</b>	<b>483,764</b>	<b>517,443</b>
Cost of sales		(199,265)	(205,006)	(381,768)	(415,510)
<b>Gross profit</b>		<b>50,109</b>	<b>50,316</b>	<b>101,996</b>	<b>101,933</b>
Distribution costs		(32,054)	(27,803)	(63,046)	(55,345)
Administrative expenses		(27,020)	(23,840)	(51,716)	(47,510)
Other income		20,953	6,949	26,545	12,240
<b>Operating profit</b>		<b>11,988</b>	<b>5,622</b>	<b>13,779</b>	<b>11,318</b>
Finance costs		(2,327)	(3,880)	(4,594)	(7,929)
Share of loss of jointly controlled entity, net of tax		(11)	(62)	(21)	(159)
Share of (loss)/profit of equity accounted associates, net of tax		(124)	319	27	527
<b>Profit before taxation</b>		<b>9,526</b>	<b>1,999</b>	<b>9,191</b>	<b>3,757</b>
Income tax expense	19	(1,930)	(1,880)	(2,874)	(4,339)
<b>Profit from continuing operation</b>		<b>7,596</b>	<b>119</b>	<b>6,317</b>	<b>(582)</b>
<b>Discontinued operation</b>					
<b>Profit from discontinued operation, net of tax</b>	9	-	<b>1,815</b>	-	<b>598</b>
<b>Profit for the period</b>	20	<b>7,596</b>	<b>1,934</b>	<b>6,317</b>	<b>16</b>
<b>Profit attributable to:</b>					
Owners of the Company					
- from continuing operations		9,162	227	9,330	262
- from discontinued operation		-	1,618	-	401
		<b>9,162</b>	<b>1,845</b>	<b>9,330</b>	<b>663</b>
Non-controlling interests		(1,566)	89	(3,013)	(647)
<b>Profit for the period</b>		<b>7,596</b>	<b>1,934</b>	<b>6,317</b>	<b>16</b>
<b>Basic earnings per share attributable to owners of the Company (sen)</b>					
	27				
- from continuing operations		7.38	0.18	7.52	0.21
- from discontinued operation		-	1.30	-	0.32
		<b>7.38</b>	<b>1.48</b>	<b>7.52</b>	<b>0.53</b>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	Note	3 months ended 30 June		6 months ended 30 June	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Profit for the period</b>		<b>7,596</b>	<b>1,934</b>	<b>6,317</b>	<b>16</b>
<b>Other comprehensive income/(expense), net of tax</b>					
Foreign currency translation differences for foreign operations		(1,929)	3,329	332	716
Transfer of foreign currency translation differences to income statement		1,838	-	1,838	-
<b>Total other comprehensive income, net of tax</b>		<b>91</b>	<b>3,329</b>	<b>2,170</b>	<b>716</b>
<b>Total comprehensive income for the period</b>		<b>7,687</b>	<b>5,263</b>	<b>8,487</b>	<b>732</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company					
- from continuing operations		9,507	2,325	11,153	922
- from discontinued operation		-	2,555	-	318
		<b>9,507</b>	<b>4,880</b>	<b>11,153</b>	<b>1,240</b>
Non-controlling interests		(1,820)	383	(2,666)	(508)
<b>Total comprehensive income for the period</b>		<b>7,687</b>	<b>5,263</b>	<b>8,487</b>	<b>732</b>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
 At 30 June 2013

	Note	30 June 2013 (Unaudited) RM'000	31 December 2012 (Audited) RM'000
<b>ASSETS</b>			
Property, plant and equipment		137,155	141,106
Investment properties		11,267	-
Investment in associates		55,021	58,247
Investment in jointly controlled entity		256	277
Intangible assets			
- Goodwill		34,382	34,376
- Trademarks		21,500	-
Deferred tax assets		54	1,874
<b>Total non-current assets</b>		<b>259,635</b>	<b>235,880</b>
Trade and other receivables		178,073	164,128
Inventories		62,307	70,650
Current tax assets		6,801	7,666
Cash and cash equivalents		51,328	59,423
Asset classified as held for sale		13,600	-
<b>Total current assets</b>		<b>312,109</b>	<b>301,867</b>
<b>TOTAL ASSETS</b>		<b>571,744</b>	<b>537,747</b>
<b>EQUITY</b>			
Share capital		124,099	124,099
Reserves		72,711	61,558
<b>Total equity attributable to owners of the Company</b>		<b>196,810</b>	<b>185,657</b>
Non-controlling interests		36,593	24,007
<b>TOTAL EQUITY</b>		<b>233,403</b>	<b>209,664</b>
<b>LIABILITIES</b>			
Loans and borrowings	22	34,608	15,236
Deferred tax liabilities		3,262	2,720
Deferred liability		3,532	3,404
<b>Total non-current liabilities</b>		<b>41,402</b>	<b>21,360</b>
Trade and other payables		121,233	129,105
Provision		3,674	3,452
Loans and borrowings	22	171,209	171,301
Current tax liabilities		823	2,865
<b>Total current liabilities</b>		<b>296,939</b>	<b>306,723</b>
<b>TOTAL LIABILITIES</b>		<b>338,341</b>	<b>328,083</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>571,744</b>	<b>537,747</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	<----- Attributable to owners of the Company ----->					
	Non-distributable					
	Share Capital RM'000	Share premium & other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 January 2013</b>	124,099	27,696	33,862	185,657	24,007	209,664
Other comprehensive income	-	1,823	-	1,823	347	2,170
Profit for the period	-	-	9,330	9,330	(3,013)	6,317
Total comprehensive income for the period	-	1,823	9,330	11,153	(2,666)	8,487
Acquisition of subsidiaries	-	-	-	-	15,252	15,252
<b>At 30 June 2013</b>	<b>124,099</b>	<b>29,519</b>	<b>43,192</b>	<b>196,810</b>	<b>36,593</b>	<b>233,403</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 ----->					
	<----- 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
<b>At 1 January 2012</b>	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 for the period	-	577	663	1,240	(508)	732
<b>At 30 June 2012</b>	<b>124,099</b>	<b>27,691</b>	<b>(7,644)</b>	<b>144,146</b>	<b>32,752</b>	<b>176,898</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	Note	6 months ended 30 June	
		2013	2012
		RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation from</b>			
- continuing operations		9,191	3,756
- discontinued operation	9	-	1,155
		9,191	4,911
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		12,197	13,916
(Reversal)/Provision for Directors' retirement/resignation benefits		(28)	393
Property, plant and equipment written off		211	76
Gain on disposal of property, plant and equipment		(267)	(296)
Interest income		(117)	(1,231)
Interest expense		4,594	8,911
Share of profit of equity accounted associates		(27)	(527)
Share of loss of jointly controlled entity		21	159
Fair value gain on remeasurement of an associate	A	(13,005)	-
Negative goodwill	A	(1,062)	-
Loss on liquidation of a subsidiary	B	616	-
Cost of warrant written off		1,000	-
		4,133	21,401
Operating profit before changes in working capital		13,324	26,312
Changes in working capital:			
Inventories		8,343	(1,605)
Trade and other receivables		(4,361)	(22,413)
Trade and other payables		(13,635)	14,126
Cash generated from operations		3,671	16,420
Income tax paid		(1,325)	(2,355)
Directors' retirement/resignation benefits paid		(149)	(433)
Net cash generated from operating activities		2,197	13,632
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	A	(1,581)	-
Liquidation of subsidiaries, net of cash and cash equivalents liquidated	B	-	-
Purchase of warrant		(1,000)	-
Additional investment in a jointly controlled entity		-	(250)
Proceeds from disposal of property, plant and equipment		611	925
Purchase of property, plant and equipment		(7,955)	(22,831)
Interest received		117	1,231
Dividend received from an associate		486	-
Net cash used in investing activities		(9,322)	(20,925)

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)**  
for the six months ended 30 June 2013 (Cont'd)

	Note	6 months ended 30 June	
		2013	2012
		RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of bridging loan		-	30,000
Repayment of commercial papers		-	(30,000)
Drawdown of term loans		12,101	8,879
Repayment of term loans		(3,946)	(6,360)
Repayment of syndicated term loan		-	(1,831)
Repayment of finance lease liabilities		(981)	(890)
Drawdown of borrowings (net)		1,302	2,214
Interest paid		(4,594)	(8,911)
Placement in debt service reserve account		-	(2,035)
Net cash from/(used) in financing activities		3,882	(8,934)
Net decrease in cash and cash equivalents		(3,243)	(16,227)
Cash and cash equivalents at 1 January		43,569	59,959
Effects of exchange differences on cash and cash equivalents		160	323
<b>Cash and cash equivalents at 30 June</b>		<b>40,486</b>	<b>44,055</b>

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

	30 June	30 June
	2013	2012
	RM'000	RM'000
Short term deposit with licensed banks (excluding debt service reserve accounts)	5,211	3,285
Cash and bank balances	46,117	50,788
Bank overdrafts	(10,842)	(10,018)
	<b>40,486</b>	<b>44,055</b>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013 (Cont'd)

**Note A: Acquisition of subsidiaries – Texchem Corporation Sdn Bhd and Sea Master Retail Sdn Bhd**

On 17 May 2013, the Company acquired additional 5.92% equity interest in Texchem Corporation Sdn Bhd ("Texcorp"). Prior to the acquisition, Texcorp was an equity accounted associate with 49.88% equity interest held by the Company. Arising from this acquisition, Texcorp became a 55.80% owned subsidiary of the Company.

On 31 May 2013, Sea Master Trading Co. Sdn Bhd, a wholly-owned subsidiary of Texchem Food Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, acquired 60% equity interest in Sea Master Retail Sdn Bhd ("SMR").

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<b>30 June 2013 RM'000</b>
<b>Fair value of consideration transferred</b>	
Cash and cash equivalents	<u>2,318</u>
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	783
Investment properties	11,267
Intangible assets – trademark	21,500
Trade and other receivables	8,184
Current tax assets	370
Cash and cash equivalents	737
Assets classified as held for sale	13,600
Loans and borrowings	(15,124)
Trade and other payables	(5,391)
Deferred liability	(306)
Total identifiable net assets	<u>35,620</u>
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	(15,252)
Transfer from foreign currency translation reserve	(1,222)
Transfer from investment in associates	(2,767)
Fair value gain on remeasurement of an associate	(13,005)
Goodwill on acquisition of SMR	6
Negative goodwill on acquisition of Texcorp (recognised in income statement)	(1,062)
Purchase consideration settled in cash and cash equivalents	<u>2,318</u>
Cash and cash equivalents acquired	<u>(737)</u>
<b>Net cash inflow arising from acquisition of subsidiaries</b>	<u><u>1,581</u></u>

The remeasurement to fair value of the Group's existing 49.88% interest in the acquiree resulted in a gain of RM 13,005,000.

The fair value of the total identifiable net assets has been determined provisionally pending completion of an independent valuation.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)**  
for the six months ended 30 June 2013 (Cont'd)

**Note B: Liquidation of subsidiaries – Eye Graphic (Vietnam) Co., Ltd. and Texchem Trading (Wuxi) Co., Ltd.**

As disclosed in Notes 21(A) and 21(C), the Company has completed the liquidation of subsidiaries, Eye Graphic (Vietnam) Co., Ltd. and Texchem Trading (Wuxi) Co., Ltd. during the quarter.

The liquidation had the following effect on the Group's assets and liabilities on liquidated date:

	<b>30 June 2013 RM'000</b>
<b>Identifiable assets and liabilities on liquidation</b>	
Trade and other receivables	30
Current tax assets	9
Cash and cash equivalents	1
Trade and other payables	(39)
	<hr/>
Total identifiable net assets	1
Loss on liquidation	(616)
Transfer from foreign currency translation reserve	616
	<hr/>
Cash and cash equivalents liquidated	(1)
<b>Net cash inflow arising from liquidation of subsidiaries</b>	<hr/> <b>-</b> <hr/>

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

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**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 2012. 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 2012.

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

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	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above standards and amendments are not expected to have any material financial impact to the current and prior periods financial statements of the Group.

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

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**1. Basis of preparation (Cont'd)**

The following revised MFRSs 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 January 2014**

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: 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	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

**3. Seasonality and cyclicity of interim operations**

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

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and six months ended 30 June 2013 other than the fair value gain of RM13 million on remeasurement of an associate when it became a subsidiary of the Group, negative goodwill of RM1.062 million, loss on liquidation of subsidiaries of RM616,000 and cost of warrant written off of RM1 million.

**5. Changes in estimates**

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2013.

**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 2013.

**7. Dividend paid**

No dividend has been recommended by the Directors during the six months ended 30 June 2013.

**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	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>3 months ended 30 June</b>														
Revenue from external customers	<b>103,085</b>	119,343	<b>44,704</b>	48,441	<b>58,139</b>	51,474	<b>43,262</b>	36,064	<b>184</b>	-	-	-	<b>249,374</b>	255,322
Inter-segment revenue	<b>249</b>	(649)	-	13	<b>4,436</b>	1,745	-	-	<b>894</b>	-	<b>(5,579)</b>	(1,109)	-	-
<b>Total revenue</b>	<b>103,334</b>	118,694	<b>44,704</b>	48,454	<b>62,575</b>	53,219	<b>43,262</b>	36,064	<b>1,078</b>	-	<b>(5,579)</b>	(1,109)	<b>249,374</b>	255,322
Profit/(Loss) before share of loss/(profit) of equity accounted jointly controlled entity and associates, net of tax	<b>930</b>	2,092	<b>(4,400)</b>	754	<b>(42)</b>	(888)	<b>2,128</b>	2,991	<b>11,045</b>	(3,207)			<b>9,661</b>	1,742
Share of loss of jointly controlled entity, net of tax	-	-	<b>(11)</b>	(62)	-	-	-	-	-	-			<b>(11)</b>	(62)
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	325	-	-	-	-	<b>(124)</b>	(6)			<b>(124)</b>	319
Profit/(Loss) before tax	<b>930</b>	2,092	<b>(4,411)</b>	1,017	<b>(42)</b>	(888)	<b>2,128</b>	2,991	<b>10,921</b>	(3,213)			<b>9,526</b>	1,999

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

**8. Operating segments (Cont'd)**

	Industrial		Polymer Engineering		Food		Restaurant		Others		Eliminations		Consolidated	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>6 months ended 30 June</b>														
Revenue from external customers	197,241	244,288	82,213	89,675	117,593	111,435	86,533	72,045	184	-	-	-	483,764	517,443
Inter-segment revenue	512	295	23	30	6,458	3,140	-	-	894	-	(7,887)	(3,465)	-	-
<b>Total revenue</b>	<b>197,753</b>	<b>244,583</b>	<b>82,236</b>	<b>89,705</b>	<b>124,051</b>	<b>114,575</b>	<b>86,533</b>	<b>72,045</b>	<b>1,078</b>	<b>-</b>	<b>(7,887)</b>	<b>(3,465)</b>	<b>483,764</b>	<b>517,443</b>
Profit/(Loss) before share of loss/(profit) of equity accounted jointly controlled entity and associates, net of tax	2,129	4,523	(8,748)	(507)	3	(1,680)	6,611	7,659	9,190	(6,606)			9,185	3,389
Share of loss of jointly controlled entity, net of tax	-	-	(21)	(159)	-	-	-	-	-	-			(21)	(159)
Share of profit of equity accounted associates, net of tax	-	-	-	353	-	-	-	-	27	174			27	527
<b>Profit/(Loss) before tax</b>	<b>2,129</b>	<b>4,523</b>	<b>(8,769)</b>	<b>(313)</b>	<b>3</b>	<b>(1,680)</b>	<b>6,611</b>	<b>7,659</b>	<b>9,217</b>	<b>(6,432)</b>			<b>9,191</b>	<b>3,757</b>
<b>Segment assets</b>	<b>144,774</b>	<b>157,098</b>	<b>165,044</b>	<b>187,978</b>	<b>86,524</b>	<b>90,919</b>	<b>59,444</b>	<b>53,771</b>	<b>115,958</b>	<b>29,187</b>			<b>517,744</b>	<b>518,953</b>

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

On 21 March 2012, the Company had 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 RM110.4 million) and USD6.4 million (equivalent to RM19.6 million) respectively (collectively “Proposed Disposal”). The Proposed Disposal was completed on 19 November 2012.

In accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations, Technopia and PTTJ were classified as discontinued operation as at 30 June 2012.

The profit attributable to the discontinued operation are as follows:

	3 months ended 30 June		6 months ended 30 June	
	2013	2012	2013	2012
	RM’000	RM’000	RM’000	RM’000
<b>Revenue</b>	-	46,298	-	85,928
Cost of sales	-	(30,689)	-	(57,318)
<b>Gross profit</b>	-	<b>15,609</b>	-	<b>28,610</b>
Distribution costs	-	(6,624)	-	(12,630)
Administrative expenses	-	(8,277)	-	(16,646)
Other income	-	2,281	-	2,803
<b>Operating profit</b>	-	<b>2,989</b>	-	<b>2,137</b>
Finance costs	-	(778)	-	(982)
<b>Profit before taxation</b>	-	<b>2,211</b>	-	<b>1,155</b>
Income tax expense	-	(396)	-	(557)
<b>Profit for the period</b>	-	<b>1,815</b>	-	<b>598</b>

The following amounts have been included in arriving at profit before tax of the discontinued operation:

	3 months ended 30 June		6 months ended 30 June	
	2013	2012	2013	2012
	RM’000	RM’000	RM’000	RM’000
Interest income	-	1,271	-	1,535
Rental income	-	167	-	333
Depreciation of property, plant and equipment	-	1,670	-	3,312

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9. **Discontinued Operation (Cont'd)**

Cash flows from discontinued operation

	6 months ended 30 June	
	2013	2012
	RM'000	RM'000
Operating cash flows	-	3,285
Investing cash flows	-	874
Financing cash flows	-	98
Net cash from discontinued operation	-	4,257

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 2012.

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 2013**

Other than as disclosed in Note 21 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2013, 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 2013.

14. **Commitments**

	30 June 2013 RM'000	31 December 2012 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements – within one year	5,547	7,248
Approved but not contracted for	-	119
	<u>5,547</u>	<u>7,367</u>



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**15. Operating Segments Analysis**

- (a) Current quarter compared with previous corresponding quarter

**Continuing Operations**

The Group recorded a revenue of RM249.4 million in Q2 2013 as compared to RM255.3 million in Q2 2012. The Group reported a pre-tax profit of RM9.5 million in Q2 2013 against a pre-tax profit of RM2.0 million in Q2 2012 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q2 2013 was RM103.3 million as compared to RM118.7 million in Q2 2012. The lower revenue recorded in Q2 2013 was mainly due to the slowdown in the manufacturing industry. As a result, a lower pre-tax profit of RM0.9 million was achieved in Q2 2013 against pre-tax profit of RM2.1 million in Q2 2012.

- (ii) Polymer Engineering Division

The revenue recorded for Q2 2013 was RM44.7 million against RM48.5 million in Q2 2012. The lower revenue was mainly due to lower sales volume arising from the slowdown in the semi-conductor and hard disk drive industries. As a result, a pre-tax loss of RM4.4 million was incurred in Q2 2013 as compared to pre-tax profit of RM1.0 million achieved in Q2 2012.

- (iii) Food Division

The revenue recorded for Q2 2013 was RM62.6 million against RM53.2 million in Q2 2012. The Division managed to reduce the loss to RM42,000 in Q2 2013 against pre-tax loss of RM0.9 million mainly attributable to better sales mix and higher profit margin of certain products.

- (iv) Restaurant Division

The revenue recorded for Q2 2013 was RM43.3 million against RM36.0 million in Q2 2012 mainly due to opening of new concept restaurants and higher sales achieved by existing outlets. Despite higher sales achieved, a lower pre-tax profit of RM2.1 million achieved in Q2 2013 against pre-tax profit of RM3.0 million mainly due to initial losses incurred by the new concept restaurants.

- (v) Others

The pre-tax profit of RM10.9 million achieved in Q2 2013 against pre-tax loss of RM3.2 million mainly due to fair value gain of RM13 million on remeasurement of an associate when it became a subsidiary of the Group during the quarter.

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

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**15. Operating Segments Analysis (Cont'd)**

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

**Continuing Operations**

The Group recorded a revenue of RM483.8 million in YTD Q2 2013 as compared to RM517.4 million in YTD Q2 2012. The Group reported a pre-tax profit of RM9.2 million in YTD Q2 2013 against RM3.8 million in YTD Q2 2012 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 2013 was RM197.8 million and RM2.1 million as compared to RM244.6 million and RM4.5 million respectively in YTD Q2 2012. The lower revenue and pre-tax profit in YTD Q2 2013 was mainly due to the slowdown in manufacturing industry.

- (ii) Polymer Engineering Division

The revenue recorded for YTD Q2 2013 was RM82.2 million against RM89.7 million in YTD Q2 2012. The lower revenue was mainly due to slowdown in the semi-conductor and hard disk drive industries. As a result, a higher pre-tax loss of RM8.8 million was incurred in YTD Q2 2013 as compared to pre-tax loss of RM0.3 million in YTD Q2 2012.

- (iii) Food Division

The revenue recorded for YTD Q2 2013 was RM124.0 million against RM114.6 million in YTD Q2 2012 mainly due to higher export of seafood products to overseas market. The Division managed to break even at the pre-tax profit level at pre-tax profit of RM3,000 as compared to pre-tax loss RM1.7 million in YTD Q2 2012 mainly attributable to better sales mix and higher profit margin of certain products.

- (iv) Restaurant Division

The revenue recorded for YTD Q2 2013 was RM86.5 million against RM72.0 million in YTD Q2 2012 mainly due to opening of new outlets and higher sales achieved by certain existing outlets during the period. Despite higher sales achieved, a lower pre-tax profit of RM6.6 million was achieved in YTD Q2 2013 as compared to RM7.7 million pre-tax profit in YTD Q2 2012 mainly due to the initial losses incurred by the new concept restaurants.

- (vi) Others

The pre-tax profit of RM9.2 million achieved in YTD Q2 2013 against pre-tax loss of RM6.4 million mainly due to fair value gain of RM13 million on remeasurement of an associate when it became a subsidiary of the Group during the quarter.

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**16. Variation of results against preceding quarter**

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

	<b>2013</b> <b>Quarter 2</b> <b>RM'000</b>	<b>2013</b> <b>Quarter 1</b> <b>RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue from continuing operations	249,374	234,390	14,984	6.4
Profit/(Loss) before taxation				
- from continuing operations	9,191	(335)	9,526	2,843.6
- from discontinued operation	-	-	-	-
	<u>9,191</u>	<u>(335)</u>	<u>9,526</u>	<u>(2,843.6)</u>

The pre-tax profit of RM9.2 million achieved in Q2 2013 was mainly due to fair value gain of RM13 million on re-measurement of an associate when it became a subsidiary of the Group during the quarter.

**17. Prospects for 2013**

The business environment for the remaining quarters of 2013 remains challenging due to the prevailing global economic condition. As the Group's business is diversified, the Restaurant Division is expected to continue its good performance as domestic consumer demand remains strong. Similarly, the Food Division is expected to continue operating in a favorable environment as exchange rates, seafood landing and demand continues to be positive influence to the business. Meanwhile, the Industrial Division and Polymer Engineering Division continue to be influenced by global demand and their performance would be dependent on the expected gradual recovery of the global economy.

**18. Profit forecast**

Not applicable as no profit forecast was published.

**19. Income tax expense**

The income tax expense for continuing operations comprises:

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense				
- current period	(376)	1,625	107	3,599
- prior period	-	(784)	-	(784)
- Overseas current period	242	793	404	1,057
	<u>(134)</u>	<u>1,634</u>	<u>511</u>	<u>3,872</u>
Deferred tax expense				
- current period	197	246	496	467
- prior period	1,867	-	1,867	-
	<u>1,930</u>	<u>1,880</u>	<u>2,874</u>	<u>4,339</u>

Other than effective tax rate for 3 months ended 30 June 2013 was lower than the statutory tax rate mainly due to fair value gain on remeasurement of an associate which is not taxable, 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.

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**20. Profit for the period**

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

	3 months ended		6 months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair value gain on remeasurement of an associate	(13,005)	-	(13,005)	-
Negative goodwill	(1,062)	-	(1,062)	-
Interest income	-	(128)	(117)	(1,231)
Interest expense	2,327	4,657	4,594	8,911
Depreciation of property, plant and equipment	5,978	7,281	12,197	13,916
Provision/(Reversal) of impairment loss on trade receivables	96	15	21	(33)
Inventories written down	42	161	33	160
Gain on disposal of property, plant and equipment	(167)	(225)	(267)	(296)
Property, plant and equipment written off	188	-	211	76
Loss/(Gain) on foreign exchange	304	(1,094)	394	89
Loss on liquidation of subsidiaries	616	-	616	-
Cost of warrant written off	1,000	-	1,000	-
(Reversal)/Provision for directors' retirement/resignation benefits	(119)	(144)	(28)	393

**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., a wholly-owned subsidiary of Eye Graphic Sdn. Bhd. which in turn is a wholly-owned subsidiary of Texchem-Pack Holdings (S) Ltd., an approximately 70.48% owned subsidiary of the Company, had on 24 September 2010 commenced voluntary liquidation proceedings in accordance with the Laws/Rules and Regulations of Vietnam ("Voluntary Liquidation").

The Voluntary Liquidation was completed on 3 May 2013.

**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"), a wholly-owned subsidiary of the Company, had 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.

**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, had on 30 September 2011 commenced voluntary liquidation proceedings in accordance with the Laws of the People's Republic of China ("Voluntary Liquidation").

The Voluntary Liquidation was completed on 13 June 2013.

**D. Member's Voluntary Winding Up of New Material Hong Kong Limited**

On 15 April 2013, the Company announced that New Material Hong Kong Limited, a wholly-owned subsidiary of New Material (Malaysia) Sdn. Bhd. which in turn is a wholly-owned subsidiary of Texchem Materials Sdn. Bhd., a wholly-owned subsidiary of the Company, has on 15 April 2013 commenced winding up proceedings voluntarily in accordance with Section 228 of the Hong Kong Companies Ordinance ("Voluntary Winding Up"). The completion of the Voluntary Winding Up is still pending as at todate.

**E. Proposed Acquisition of 40 Warrants and 1,208,630 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd.**

On 9 May 2013, the Company announced that it had entered into a Sale and Purchase Agreement with Texchem Holdings Sdn. Bhd., a major shareholder of the Company, for the proposed acquisition of 40 warrants and 1,208,630 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd. ("Texcorp") at the purchase consideration of RM1,000,000.00 and RM2,018,412.10 (at RM1.67 per share) respectively, amounting to a total purchase consideration of RM3,018,412.10 ("The Proposed Acquisition").

The Proposed Acquisition was completed on 17 May 2013 resulting in Texcorp became a 55.80% owned subsidiary of the Company.

Texcorp currently holds 21.07% equity interest in the Company. Pursuant to Section 17 of the Companies Act, 1965, Texcorp is required to dispose of all the existing shares held by Texcorp in the Company within twelve (12) months or such longer period as the High Court of Malaya may allow after Texcorp becomes a subsidiary of the Company. Pending the disposal of the shares held by Texcorp in the Company, Texcorp shall have no right to vote at meetings of the Company or any class of the Company's members.

**F. Investment by Acquiring and Subscribing for a total of 300,000 ordinary shares of RM1.00 each representing 60% of the total issued and paid-up share capital of Sea Master Retail Sdn. Bhd. by Sea Master Trading Co. Sdn. Bhd.**

On 31 May 2013, the Company announced that Sea Master Trading Co. Sdn. Bhd., a wholly-owned subsidiary of Texchem Food Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, acquired and subscribed for a total of 300,000 ordinary shares of RM1.00 each representing 60% of the total issued and paid-up share capital of Sea Master Retail Sdn. Bhd. for a total cash consideration of RM300,000.00.

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21. **Status of corporate proposals (Cont'd)**

G. **Acquisition of Additional 3,667,339 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd. by the Company from various shareholders and Texchem Holdings Sdn. Bhd. at a total purchase consideration of RM6,124,455.70 (at RM1.67 per share)**

On 1 July 2013, the Company announced that it had issued a Letter of Offer to Texchem Holdings Sdn. Bhd. (“THSB”), a major shareholder of the Company, to acquire 2,931,169 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd. (“Texcorp”) at a total purchase consideration of RM4,895,052.20 (“Offer”), which Offer was duly accepted by THSB. On 17 June 2013, the Company had also issued Letters of Offer to various shareholders of Texcorp, all of whom are unrelated parties, to purchase the shares held by such shareholders in Texcorp. The aforesaid transactions are collectively referred to as “Acquisition”. Further details of the Acquisition are set out on the Company’s announcements released to Bursa Malaysia Securities Berhad on 1 July 2013.

The Acquisition was completed on 3 July 2013 and Texcorp became a 73.78% owned subsidiary of the Company.

22. **Loans and borrowings**

	<b>30 June 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Current:</b>		
Unsecured		
Bank overdrafts	10,842	15,854
Bankers’ acceptances	59,669	53,015
Revolving credit	74,276	78,070
Term loans	10,719	8,192
Trust receipts	6,640	4,566
Finance lease liabilities	1,446	1,571
Other borrowings	7,617	10,033
Total	<u>171,209</u>	<u>171,301</u>
<b>Non-current:</b>		
Unsecured		
Term loans	17,885	12,255
Revolving credit	13,750	-
Finance lease liabilities	2,973	2,981
Total	<u>34,608</u>	<u>15,236</u>

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**22. Loans and borrowings (Cont'd)**

Loans and borrowings denominated in foreign currencies are as follows:

	<b>30 June 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Current:</b>		
Unsecured		
Thai Baht	6,932	7,124
Singapore Dollar	4,295	72
United States Dollar	16,939	15,722
Hong Kong Dollar	3	3
	<u>28,169</u>	<u>22,921</u>
<b>Non-current:</b>		
Unsecured		
Thai Baht	133	132
Singapore Dollar	-	48
United States Dollar	52	66
	<u>185</u>	<u>246</u>

**23. Derivative financial instruments**

As at 30 June 2013, there was no outstanding derivative financial instrument.

For six months ended 30 June 2013, 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 2013.

**26. Dividend**

No dividend has been proposed or declared for the quarter ended 30 June 2013.

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**27. Basic earnings per share**

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

	3 months ended		6 months ended	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company				
- from continuing operations	9,162	227	9,330	262
- from discontinued operation	-	1,618	-	401
	<b>9,162</b>	<b>1,845</b>	<b>9,330</b>	<b>663</b>
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings per share (sen)				
- from continuing operations	7.38	0.18	7.52	0.21
- from discontinued operation	-	1.30	-	0.32
	<b>7.38</b>	<b>1.48</b>	<b>7.52</b>	<b>0.53</b>

**28. Realised and Unrealised Profits/(Losses)**

The breakdown of retained earnings 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 2013 RM'000	31 December 2012 RM'000
<b>Total retained earnings of the Company and its subsidiaries:</b>		
Realised	17,118	18,031
Unrealised	10,073	(3,258)
	27,191	14,773
<b>Total share of retained earnings/(accumulated losses) from associates and jointly controlled entity:</b>		
Realised	(5,279)	(26,438)
Unrealised	28,635	28,285
	23,356	1,847
	50,547	16,220
Add: Consolidation adjustments	(7,355)	17,242
<b>Total Group retained earnings</b>	<b>43,192</b>	<b>33,862</b>

**BY ORDER OF THE BOARD**

**TAN PENG LAM**  
**CHIEF FINANCIAL OFFICER**  
**Date: 31 July 2013**