



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2014**

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and six months ended 30 June 2014

	Note	3 months ended 30 June		6 months ended 30 June	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing Operations					
Revenue	8	235,230	249,374	476,464	483,764
Cost of sales		(179,852)	(199,265)	(361,954)	(381,768)
Gross profit		55,378	50,109	114,510	101,996
Distribution costs		(34,619)	(32,054)	(70,337)	(63,046)
Administrative expenses		(24,319)	(25,404)	(49,318)	(50,100)
Other expenses		-	(1,616)	-	(1,616)
Other income		6,397	20,953	12,492	26,545
Operating profit		2,837	11,988	7,347	13,779
Finance costs		(2,907)	(2,327)	(5,619)	(4,594)
Share of profit/(loss) of joint venture, net of tax		39	(11)	38	(21)
Share of profit/(loss) of equity accounted associates, net of tax		522	(124)	1,091	27
Profit before taxation		491	9,526	2,857	9,191
Income tax expense	18	(1,356)	(1,930)	(3,802)	(2,874)
(Loss)/Profit for the period	19	(865)	7,596	(945)	6,317
(Loss)/Profit attributable to:					
Owners of the Company		266	9,162	1,193	9,330
Non-controlling interests		(1,131)	(1,566)	(2,138)	(3,013)
(Loss)/Profit for the period		(865)	7,596	(945)	6,317
Basic earnings per share attributable to owners of the Company (sen)	26	0.21	7.38	0.96	7.52

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014

	Note	3 months ended 30 June		6 months ended 30 June	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit for the period		(865)	7,596	(945)	6,317
Other comprehensive (expense)/income, net of tax					
Foreign currency translation differences for foreign operations		(1,451)	(1,747)	(1,395)	332
Transfer of foreign currency translation differences to income statement		-	1,838	-	1,838
Total other comprehensive (expense)/ income, net of tax		(1,451)	91	(1,395)	2,170
Total comprehensive (expense)/income for the period		(2,316)	7,687	(2,340)	8,487
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(995)	9,507	4	11,153
Non-controlling interests		(1,321)	(1,820)	(2,344)	(2,666)
Total comprehensive (expense)/income for the period		(2,316)	7,687	(2,340)	8,487

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

	Note	30 June 2014 (Unaudited) RM'000	31 December 2013 (Audited) RM'000
ASSETS			
Property, plant and equipment		138,682	141,759
Investment properties		11,267	11,267
Investment in associates		54,501	54,071
Investment in joint venture		301	263
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		44	142
Total non-current assets		260,677	263,384
Trade and other receivables		168,625	148,956
Inventories		78,884	72,007
Current tax assets		1,744	4,458
Cash and cash equivalents		38,527	46,873
Total current assets		287,780	272,294
TOTAL ASSETS		548,457	535,678
EQUITY			
Share capital		124,099	124,099
Reserves		54,895	54,891
Total equity attributable to owners of the Company		178,994	178,990
Non-controlling interests		25,269	27,613
TOTAL EQUITY		204,263	206,603
LIABILITIES			
Loans and borrowings	21	36,188	37,566
Deferred tax liabilities		2,678	2,717
Deferred liabilities		2,822	2,318
Total non-current liabilities		41,688	42,601
Trade and other payables		116,599	117,833
Provision		3,859	3,833
Loans and borrowings	21	178,193	160,660
Current tax liabilities		3,855	3,223
Deferred liabilities		-	925
Total current liabilities		302,506	286,474
TOTAL LIABILITIES		344,194	329,075
TOTAL EQUITY AND LIABILITIES		548,457	535,678

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014

	<--- Attributable to owners of the Company --->		Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non-distributable	Distributable				
	Share Capital RM'000	Share premium & other capital reserves RM'000				
At 1 January 2014	124,099	12,553	42,338	178,990	27,613	206,603
Other comprehensive expense	-	(1,189)	-	(1,189)	(206)	(1,395)
Profit/(loss) for the period	-	-	1,193	1,193	(2,138)	(945)
Total comprehensive (expense)/income for the period	-	(1,189)	1,193	4	(2,344)	(2,340)
Transfer to capital reserve	-	31	(31)	-	-	-
At 30 June 2014	124,099	11,395	43,500	178,994	25,269	204,263

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 --->		Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non-distributable	Distributable				
	Share Capital RM'000	Share premium & other capital reserves RM'000				
At 1 January 2013	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
Company's shares held by a subsidiary	-	(13,600)	-	(13,600)	-	(13,600)
At 30 June 2013	124,099	15,919	43,192	183,210	36,593	219,803

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014

	Note	6 months ended 30 June	
		2014	2013
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,857	9,191
Adjustments for:			
Depreciation of property, plant and equipment		12,425	12,197
Provision/(Reversal) for Directors' retirement/resignation benefits		457	(28)
Property, plant and equipment written off		159	211
Gain on disposal of property, plant and equipment		(625)	(267)
Interest income		(292)	(117)
Interest expense		5,619	4,594
Share of profit of equity accounted associates		(1,091)	(27)
Share of (profit)/loss of joint venture		(38)	21
Gain on deregistration of a subsidiary	A	(7)	-
Fair value gain on re-measurement of an associate	B	-	(13,005)
Bargain purchase gain on acquisition of a subsidiary	B	-	(1,062)
Loss on liquidation of subsidiaries	C	-	616
Cost of warrant written off		-	1,000
		16,607	4,133
Operating profit before changes in working capital		19,464	13,324
Changes in working capital:			
Inventories		(6,877)	8,343
Trade and other receivables		(20,207)	(4,361)
Trade and other payables		(1,658)	(13,635)
Cash (used in)/generated from operations		(9,278)	3,671
Dividend received from associate		661	486
Income tax paid		(511)	(1,325)
Directors' retirement/resignation benefits paid		(866)	(149)
Net cash (used in)/generated from operating activities		(9,994)	2,683
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		855	611
Purchase of property, plant and equipment		(8,377)	(7,955)
Interest received		292	117
Acquisition of subsidiaries, net of cash and cash equivalents acquired	B	-	(1,581)
Liquidation of subsidiaries, net of cash and cash equivalents liquidated	C	-	-
Purchase of warrant		-	(1,000)
Net cash used in investing activities		(7,230)	(9,808)

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
for the six months ended 30 June 2014 (Cont'd)

	Note	6 months ended 30 June	
		2014 RM'000	2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		5,737	12,101
Repayment of term loans		(5,596)	(3,946)
Repayment of finance lease liabilities		(980)	(981)
Drawdown of borrowings (net)		9,255	1,302
Interest paid		(5,619)	(4,594)
Net cash generated from financing activities		2,797	3,882
Net decrease in cash and cash equivalents		(14,427)	(3,243)
Cash and cash equivalents at 1 January		31,312	43,569
Effects of exchange differences on cash and cash equivalents		(209)	160
Cash and cash equivalents at 30 June	D	16,676	40,486

Note A: Deregistration of a subsidiary

On 27 February 2014, Texchem-Pack Holdings (S) Ltd., a 70.48% owned subsidiary of the Company has completed the deregistration of its wholly-owned subsidiary, Texchem-Pack (HK) Limited. The deregistration had the following effect on the Group's liabilities on deregistered date:

	30 June 2014 RM'000
Identifiable liabilities on deregistration	
Trade and other payables	(7)
Gain on deregistration	7
Net cash inflow arising from deregistration of a subsidiary	-

Note B: 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") for a total purchase consideration of RM2,018,000. Prior to the acquisition, Texcorp was an equity-accounted associate with 49.88% equity interest held by the Company. Consequent from this acquisition, Texcorp became a 55.80% owned subsidiary of the Company.

On 31 May 2013, Sea Master (Malaysia) Sdn Bhd (formerly known as 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") for a total purchase consideration of RM300,000.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
for the six months ended 30 June 2014 (Cont'd)

Note B: Acquisition of subsidiaries – Texchem Corporation Sdn Bhd and Sea Master Retail Sdn Bhd (Cont'd)

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

	30 June 2013 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	<u>2,318</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	783
Investment properties	11,267
Intangible assets – trademark	21,500
Other investments	13,600
Trade and other receivables	8,184
Cash and cash equivalents	737
Loans and borrowings	(15,124)
Trade and other payables	(5,391)
Current tax assets	370
Deferred liabilities	(306)
Net identifiable assets	<u>35,620</u>
Net cash flow arising from acquisitions of subsidiaries	
Purchase consideration settled in cash and cash equivalents	(2,318)
Cash and cash equivalents acquired	737
	<u>(1,581)</u>
Goodwill and bargain purchase gain	
Total consideration transferred	2,318
Fair value of identifiable net assets	(35,620)
Non-controlling interests of the acquiree at fair value	15,252
Transfer from translation reserve	1,222
Transfer from investment in an associates	2,767
Fair value gain on re-measurement of an associate *	13,005
Goodwill	<u>6</u>
Bargain purchase gain	<u>(1,062)</u>
	<u>(1,056)</u>

* The re-measurement to fair value of the Group's existing 49.88% interest in Texcorp resulted in a gain of RM13,005,000 (fair value of RM16,994,000 less RM2,767,000 carrying value of equity-accounted investee at acquisition date and RM1,222,000 of translation reserve transferred to profit or loss), which has been recognised in other operating income in the Group's consolidated statement of profit or loss and other comprehensive income.

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

During last financial period, the Company has completed the liquidation of subsidiaries, Eye Graphic (Vietnam) Co., Ltd. and Texchem Trading (Wuxi) Co., Ltd..

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

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

Note D: Cash and cash equivalents

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

	30 June 2014 RM'000	30 June 2013 RM'000
Short term deposit with licensed banks	1,872	2,531
Cash and bank balances	36,655	56,892
Bank overdrafts	(21,851)	(15,854)
	<hr/>	<hr/>
	16,676	43,569
	<hr/>	<hr/>

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

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 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
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount disclosures for Non-Financial Assets

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

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.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

1. Basis of preparation (Cont'd)**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
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 other than MFRS 9, Financial Instruments which the Group is currently assessing the financial impact.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 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 2014.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2014.

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 2014.

7. Dividend paid

No dividend has been recommended by the Directors during the quarter and six months ended 30 June 2014.



TEXCHEM RESOURCES BHD

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

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
3 months ended 30 June														
Revenue from external customers	107,719	103,085	44,834	44,704	31,709	58,139	50,463	43,262	505	184	-	-	235,230	249,374
Inter-segment revenue	403	249	83	-	2,284	4,436	-	-	2,874	894	(5,644)	(5,579)	-	-
Total revenue	108,122	103,334	44,917	44,704	33,993	62,575	50,463	43,262	3,379	1,078	(5,644)	(5,579)	235,230	249,374
Profit/(Loss) before share of profit of equity accounted joint venture and associates, net of tax	1,496	930	(4,173)	(4,400)	177	(42)	4,267	2,128	(1,837)	11,045			(70)	9,661
Share of profit/(loss) of joint venture, net of tax	-	-	39	(11)	-	-	-	-	-	-			39	(11)
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	522	(124)			522	(124)
Profit/(Loss) before tax	1,496	930	(4,134)	(4,411)	177	(42)	4,267	2,128	(1,315)	10,921			491	9,526



TEXCHEM RESOURCES BHD

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

8. Operating segments (Cont'd)

	Industrial		Polymer Engineering		Food		Restaurant		Others		Eliminations		Consolidated	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
6 months ended 30 June														
Revenue from external customers	208,370	197,241	88,449	82,213	75,742	117,593	102,569	86,533	1,334	184	-	-	476,464	483,764
Inter-segment revenue	1,032	512	128	23	4,406	6,458	-	-	5,770	894	(11,336)	(7,887)	-	-
Total revenue	209,402	197,753	88,577	82,236	80,148	124,051	102,569	86,533	7,104	1,078	(11,336)	(7,887)	476,464	483,764
Profit/(Loss) before share of profit of equity accounted joint venture and associates, net of tax	2,603	2,129	(8,185)	(8,748)	1,259	3	9,323	6,611	(3,272)	9,190			1,728	9,185
Share of profit/(loss) of joint venture, net of tax	-	-	38	(21)	-	-	-	-	-	-			38	(21)
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	1,091	27			1,091	27
Profit/(Loss) before tax	2,603	2,129	(8,147)	(8,769)	1,259	3	9,323	6,611	(2,181)	9,217			2,857	9,191
Segment assets	138,859	144,774	158,192	165,044	81,120	86,524	98,337	59,444	71,949	115,958			548,457	571,744

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

9. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2013.

10. 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.

11. Changes in composition of the Group for the six months ended 30 June 2014

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2014, there are no changes to the composition of the Group since the last quarter.

12. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets in the Group since the end of the last reporting period as at 30 June 2014.

13. Commitments

	30 June 2014 RM'000	31 December 2013 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	9,799	3,557
Approved but not contracted for	26	-
	<u>9,835</u>	<u>3,557</u>

14. Operating Segments Analysis

- (a) Current quarter compared with previous corresponding quarter

Continuing Operations

The Group recorded revenue of RM235.2 million in Q2 2014 as compared to RM249.4 million in Q2 2013. The Group reported a pre-tax profit of RM0.5 million in Q2 2014 against RM9.5 million in Q2 2013 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q2 2014 was RM108.1 million as compared to RM103.3 million in Q2 2013. Although revenue increased by 5%, pre-tax profit increased by RM0.6 million equivalent to 61% mainly due to better results of some subsidiaries.

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

14. Operating Segments Analysis (Cont'd)**(a) Current quarter compared with previous corresponding quarter (cont'd)****(ii) Polymer Engineering Division**

The revenue recorded in Q2 2014 was RM44.9 million against RM44.7 million in Q2 2013. The Division managed to reduce the pre-tax loss to RM4.1 million compared to pre-tax loss of RM4.4 million incurred in Q2 2013.

(iii) Food Division

The revenue recorded for Q2 2014 was RM34.0 million against RM62.6 million in Q2 2013. The reduction in revenue was mainly due to lower contribution from its shrimp sector during the quarter. The Division recorded a pre-tax profit of RM177,000 compared to a pre-tax loss of RM42,000 in Q2 2013 and profitability improved mainly due to higher margin of its fishmeal and surimi business and favourable exchange rates while the lower shrimp exports did not materially affect overall gross margins.

(iv) Restaurant Division

The revenue recorded for Q2 2014 was RM50.5 million against RM43.3 million in Q2 2013. The increase in revenue was mainly contributed by the existing and new outlets of Sushi King restaurant with a corresponding increase in pre-tax profit and this was augmented by the reduction in losses of new concept restaurants.

(v) Others

The pre-tax loss of RM1.3 million achieved in Q2 2013 against pre-tax profit of RM10.9 million mainly due to fair value gain of RM13 million on re-measurement of an associate when it became a subsidiary of the Group in Q2 2013.

(b) Current six (6) months financial period compared with previous corresponding financial period**Continuing Operations**

The Group recorded revenue of RM476.5 million in YTD Q2 2014 as compared to RM483.8 million in YTD Q2 2013. The Group reported a pre-tax profit of RM2.9 million in YTD Q2 2014 against RM9.2 million in YTD Q2 2013 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in YTD Q2 2014 was RM209.4 million as compared to RM197.8 million in YTD Q2 2013. As revenue increased by 6%, pre-tax profit increased by RM474,000 equivalent to 22% mainly due to improved results by some subsidiaries.

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
14. Operating Segments Analysis (Cont'd)

(b) Current six (6) months financial period compared with previous corresponding financial period (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for YTD Q2 2014 was RM88.6 million against RM82.2 million in YTD Q2 2013. As revenue increased by 8%, the Division managed to reduce the pre-tax loss to RM8.2 million compared to pre-tax loss of RM8.8 million incurred in YTD Q2 2013.

(iii) Food Division

The revenue recorded for YTD Q2 2014 was RM80.1 million against RM124.1 million in YTD Q2 2013. The lower revenue was mainly due to a decline in contribution from its shrimp sector during the period under review. However, the Division managed to record a pre-tax profit of RM1.3 million compared to breakeven level in YTD Q2 2013 mainly due to higher margin of its fishmeal and surimi business and favourable exchange rates whilst the shrimp sector decline did not affect its overall gross margins.

(iv) Restaurant Division

The revenue recorded for YTD Q2 2014 was RM102.6 million against RM86.5 million in YTD Q2 2013. The increase in revenue was mainly contributed by the existing and new outlets of Sushi King restaurant with a corresponding increase in pre-tax profit and this was augmented by the reduction in losses of new concept restaurants.

(vi) Others

The pre-tax loss of RM2.2 million achieved in YTD Q2 2014 against pre-tax profit of RM9.2 million in YTD 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 in Q2 2013.

15. Variation of results against preceding quarter

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

	Quarter 2 2014 RM'000	Quarter 1 2014 RM'000	Variance RM'000	%
Revenue from continuing operations	235,230	241,234	(6,004)	-2.5%
Profit before taxation from continuing operations	491	2,366	(1,875)	-79.2%

The pre-tax profit of RM491,000 achieved in Q2 2014 was lower than the preceding quarter by RM1.9 million mainly due to lower pre-tax profit recorded by Food and Restaurant Divisions in Q2 2014.

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

16. Prospects for 2014

The business environment for remaining quarters of 2014 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.

17. Profit forecast

Not applicable as no profit forecast was published.

18. Income tax expense

The income tax expense for continuing operations comprises:

	3 months ended		6 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
- current period	1,460	624	3,820	1,107
- prior period	(208)	(1,000)	(203)	(1,000)
Foreign tax expense				
- current period	26	242	126	404
	1,278	(134)	3,743	511
Deferred tax expense				
- current period	78	197	122	496
- prior period	-	1,867	(63)	1,867
	1,356	1,930	3,802	2,874

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.

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
19. (Loss)/Profit for the period

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

	3 months ended		6 months ended	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(272)	-	(292)	(117)
Interest expense	2,907	2,327	5,619	4,594
Depreciation of property, plant and equipment	6,193	5,978	12,425	12,197
Impairment loss on trade receivables	2	96	5	21
Inventories (written back)/written down	(168)	42	(82)	33
Gain on disposal of property, plant and equipment	(390)	(167)	(625)	(267)
Property, plant and equipment written off	17	188	159	211
(Gain)/Loss on foreign exchange	(220)	304	747	394
Gain on deregistration of a subsidiary	-	-	(7)	-
Provision/(Reversal) for Directors' retirement/resignation benefits	237	(119)	457	(28)
Fair value gain on re-measurement of an associate	-	(13,005)	-	(13,005)
Bargain purchase gain on acquisition of a subsidiary	-	(1,062)	-	(1,062)
Loss on liquidation of subsidiaries	-	616	-	616
Cost of warrant written off	-	1,000	-	1,000

20. Status of corporate proposals

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

A. 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 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.

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

20. Status of corporate proposals (Cont'd)**B. Member's Voluntary Winding Up of PT. Technopia Nomos (formerly known as PT. Technopia Lever)**

On 23 August 2013, the Company announced that it had been notified by our agent on 23 August 2013 that they have on 21 August 2013 submitted a Notarial Deed No. 15 dated 21 August 2013 for and on behalf of PT. Technopia Nomos (formerly known as PT. Technopia Lever) ["PTTN"], a wholly-owned subsidiary of the Company, for the purposes of commencing a voluntary winding up proceedings against PTTN ("Member's Voluntary Winding Up") to the Minister of Law And Human Rights of the Republic of Indonesia in accordance with the Company Law of Indonesia.

The completion of the Member's Voluntary Winding Up is still pending as at todate.

C. Member's Voluntary Winding Up of Texchem-Pack (KL) Sdn. Bhd.

On 13 February 2014, the Company announced that Texchem-Pack (KL) Sdn. Bhd., a wholly-owned subsidiary of Texchem-Pack (M), which in turn is a wholly-owned subsidiary of Texchem-Pack Holdings (S) Ltd., a 70.48% owned subsidiary of the Company, had on 13 February 2014 commenced winding up proceedings voluntarily in accordance with Section 254 of the Companies Act, 1965 ("Member's Voluntary Winding Up").

The completion of the Member's Voluntary Winding Up is still pending as at todate.

D. Delisting Notification to Texchem-Pack Holdings (S) Ltd. pursuant to Rule 1315 of the Singapore Exchange Securities Trading Limited's Listing Manual

On 6 March 2014, the Company announced that Singapore Exchange Securities Trading Limited ("SGX-ST") had on 5 March 2014 issued a delisting notification to Texchem-Pack Holdings (S) Ltd. ("TXPHS"), a 70.48% owned subsidiary of the Company, under Rule 1315 of the Listing Manual of SGX-ST ("Listing Manual") ["Delisting Notification"].

In the Delisting Notification, the SGX-ST has advised that TXPHS or its controlling shareholder(s) must comply with the Listing Manual which requires TXPHS or its controlling shareholder(s), i.e. the Company, to make a reasonable exit offer to shareholders. The SGX-ST has given TXPHS one month from the date of the Delisting Notification to make an exit offer proposal ("Exit Offer").

TXPHS had on 4 April 2014 made an application to the SGX-ST to seek an extension of time for the Company to make the Exit Offer.

On 4 June 2014, the Company announced that the SGX-ST had on 3 June 2014 granted TXPHS an extension of time to 7 October 2014 for the Company to make the Exit Offer to TXPHS's shareholders.

E. Acquisition of a total of 4,882,211 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd.

Texchem Corporation Sdn. Bhd. ("Texcorp") is a 73.81% owned subsidiary of the Company since 12 July 2013 upon the completion of the aforesaid acquisition.

As Texcorp currently holds 21.07% equity interest in the Company ("TRB Shares") being Texcorp's holding company, the 21.07% of equity interest in the Company is disclosed as capital reserves.

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
20. Status of corporate proposals (Cont'd)
E. Acquisition of a total of 4,882,211 ordinary shares of RM1.00 each in Texchem Corporation Sdn. Bhd. (Cont'd)

Pursuant to Section 17 of the Companies Act, 1965, Texcorp is required to dispose of all the TRB 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.

On 6 May 2014, the Company announced that Texcorp had been granted an Order by the Penang High Court for an extension of time of twelve (12) months from 17 May 2014 to dispose of the TRB Shares in order to comply with the requirement of Section 17 of the Companies Act, 1965, namely the new deadline for Texcorp to dispose of the TRB Shares is 16 May 2015.

F. Incorporation of a Subsidiary

On 22 April 2014, the Company announced the Incorporation of Dim Sum Delight Sdn. Bhd. on 21 April 2014 under the Malaysia Companies Act, 1965.

21. Loans and borrowings

	30 June 2014 RM'000	31 December 2013 RM'000
Unsecured		
Current:		
Bank overdrafts	21,851	15,561
Bankers' acceptances	53,585	44,164
Revolving credit	74,240	74,170
Term loans	13,427	12,450
Trust receipts	3,425	1,854
Finance lease liabilities	1,736	1,473
Other borrowings	9,929	10,988
Total	178,193	160,660
Non-current:		
Term loans	20,418	21,254
Other borrowings	12,333	13,250
Finance lease liabilities	3,437	3,062
Total	36,188	37,566

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

21. Loans and borrowings (Cont'd)

Loans and borrowings denominated in foreign currencies are as follows:

	30 June 2014 RM'000	31 December 2013 RM'000
Unsecured		
Current:		
Thai Baht	6,562	4,357
Singapore Dollar	1,421	417
United States Dollar	15,592	18,205
	<u>23,575</u>	<u>22,979</u>
Non-current:		
Thai Baht	116	43
Singapore Dollar	-	15
	<u>116</u>	<u>58</u>

22. Derivative financial instruments

As at 30 June 2014, 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 RM'000
Forward exchange contracts - Receivables	1,861	1,856	5

For six months ended 30 June 2014, 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.

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

There are no material 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.

24. Changes in material litigation

There was no material litigation against the Group as at 30 June 2014.

25. Dividend

No dividend has been proposed or declared for the quarter ended 30 June 2014.

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

26. 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company	266	9,162	1,193	9,330
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings per share (sen)	0.21	7.38	0.96	7.52

27. 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 2014 RM'000	31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	19,327	17,630
Unrealised	13,479	14,483
	<u>32,806</u>	<u>32,113</u>
Total share of retained earnings/(accumulated losses) from associates and joint venture:		
Realised	(5,574)	(6,043)
Unrealised	28,397	28,397
	<u>22,823</u>	<u>22,354</u>
	<u>55,629</u>	<u>54,467</u>
Add: Consolidation adjustments	(12,129)	(12,129)
Total Group retained earnings	<u>43,500</u>	<u>42,338</u>

BY ORDER OF THE BOARD

TAN PENG LAM
CHIEF FINANCIAL OFFICER
Date: 24 July 2014