



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014**

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

	Note	3 months ended 30 September		9 months ended 30 September	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing Operations					
Revenue	8	281,523	232,823	757,987	716,587
Cost of sales		(225,236)	(181,474)	(587,190)	(563,242)
Gross profit		56,287	51,349	170,797	153,345
Distribution costs		(34,426)	(32,943)	(104,763)	(95,989)
Administrative expenses		(23,621)	(22,125)	(72,939)	(72,225)
Other expenses		(2,728)	(9)	(2,728)	(1,625)
Other income		6,454	6,525	18,946	33,070
Operating profit		1,966	2,797	9,313	16,576
Finance costs		(2,844)	(2,694)	(8,463)	(7,288)
Share of (loss)/profit of joint venture, net of tax		(1)	13	37	(8)
Share of profit of equity accounted associates, net of tax		468	1,158	1,559	1,185
(Loss)/Profit before taxation		(411)	1,274	2,446	10,465
Income tax expense	18	(1,295)	(2,999)	(5,097)	(5,873)
(Loss)/Profit for the period	19	(1,706)	(1,725)	(2,651)	4,592
(Loss)/Profit attributable to:					
Owners of the Company		(622)	(505)	571	8,825
Non-controlling interests		(1,084)	(1,220)	(3,222)	(4,233)
(Loss)/Profit for the period		(1,706)	(1,725)	(2,651)	4,592
Basic (loss)/earnings per share attributable to owners of the Company (sen)	26	(0.50)	(0.41)	0.46	7.11

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 nine months ended 30 September 2014

	Note	3 months ended 30 September		9 months ended 30 September	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit for the period		(1,706)	(1,725)	(2,651)	4,592
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		1,521	2,450	126	2,782
Transfer of foreign currency translation differences to income statement		-	8	-	1,846
Total other comprehensive income, net of tax		1,521	2,458	126	4,628
Total comprehensive (expense)/income for the period		(185)	733	(2,525)	9,220
Total comprehensive (expense)/income attributable to:					
Owners of the Company		602	1,611	606	12,764
Non-controlling interests		(787)	(878)	(3,131)	(3,544)
Total comprehensive (expense)/income for the period		(185)	733	(2,525)	9,220

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 September 2014

	Note	30 September 2014 (Unaudited) RM'000	31 December 2013 (Audited) RM'000
ASSETS			
Property, plant and equipment		139,008	141,759
Investment properties		11,267	11,267
Investment in associates		54,969	54,071
Investment in joint venture		-	263
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
Deferred tax assets		44	142
Total non-current assets		261,170	263,384
Trade and other receivables		187,499	148,956
Inventories		79,440	72,007
Current tax assets		1,645	4,458
Cash and cash equivalents		34,971	46,873
Total current assets		303,555	272,294
TOTAL ASSETS		564,725	535,678
EQUITY			
Share capital		124,099	124,099
Reserves		60,949	54,891
Total equity attributable to owners of the Company		185,048	178,990
Non-controlling interests		26,000	27,613
TOTAL EQUITY		211,048	206,603
LIABILITIES			
Loans and borrowings	21	36,337	37,566
Deferred tax liabilities		2,644	2,717
Deferred liabilities		3,010	2,318
Total non-current liabilities		41,991	42,601
Trade and other payables		117,653	117,833
Provision		4,013	3,833
Loans and borrowings	21	187,281	160,660
Current tax liabilities		2,739	3,223
Deferred liabilities		-	925
Total current liabilities		311,686	286,474
TOTAL LIABILITIES		353,677	329,075
TOTAL EQUITY AND LIABILITIES		564,725	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 nine months ended 30 September 2014

	<--- Attributable to owners of the Company --->			Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable	Distributable	Retained earnings RM'000			
	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
At 1 January 2014	124,099	12,553	42,338	178,990	27,613	206,603
Other comprehensive income	-	35	-	35	91	126
Profit/(loss) for the period	-	-	571	571	(3,222)	(2,651)
Total comprehensive income/(expense) for the period	-	35	571	606	(3,131)	(2,525)
Issuance of shares to non-controlling interest	-	-	-	-	980	980
Dilution of interest in an existing subsidiary	-	-	5,452	5,452	538	5,990
Transfer to capital reserve	-	31	(31)	-	-	-
At 30 September 2014	124,099	12,619	48,330	185,048	26,000	211,048

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 nine months ended 30 September 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	-	3,939	-	3,939	689	4,628
Profit for the period	-	-	8,825	8,825	(4,233)	4,592
Total comprehensive income for the period	-	3,939	8,825	12,764	(3,544)	9,220
Transfer to capital reserve	-	23	(23)	-	-	-
Acquisition of subsidiaries	-	-	-	-	9,117	9,117
Company's shares held by a subsidiary	-	(18,046)	-	(18,046)	-	(18,046)
At 30 September 2013	124,099	13,612	42,664	180,375	29,580	209,955

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 nine months ended 30 September 2014

	Note	9 months ended 30 September	
		2014	2013
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,446	10,465
Adjustments for:			
Depreciation of property, plant and equipment		18,584	18,650
Provision for Directors' retirement/resignation benefits		681	186
Property, plant and equipment written off		2,374	433
Gain on disposal of property, plant and equipment		(449)	(389)
Interest income		(494)	(182)
Interest expense		8,463	7,288
Share of profit of equity accounted associates		(1,559)	(1,185)
Share of (profit)/loss of joint venture		(37)	8
Impairment loss on investment of joint venture		300	-
Gain on deregistration of a subsidiary	A	(7)	-
Fair value gain on re-measurement of an associate	B	-	(10,987)
Bargain purchase gain on acquisition of a subsidiary	B	-	(5,107)
Loss on liquidation of subsidiaries	C	-	625
Cost of warrant written off		-	1,000
		27,856	10,340
Operating profit before changes in working capital		30,302	20,805
Changes in working capital:			
Inventories		(7,433)	1,948
Trade and other receivables		(37,873)	19,412
Trade and other payables		(812)	(21,391)
Cash (used in)/generated from operations		(15,816)	20,774
Dividend received from associate		661	486
Income tax paid		(2,742)	(3,055)
Directors' retirement/resignation benefits paid		(912)	(303)
Net cash (used in)/generated from operating activities		(18,809)	17,902
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,601	850
Purchase of property, plant and equipment		(14,966)	(17,596)
Interest received		494	182
Proceeds from disposal shares in an existing subsidiary		5,990	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	B	-	(7,716)
Liquidation of subsidiaries, net of cash and cash equivalents liquidated	C	-	(2)
Purchase of warrant		-	(1,000)
Net cash used in investing activities		(6,881)	(25,282)

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

	Note	9 months ended 30 September	
		2014	2013
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		7,792	20,941
Repayment of term loans		(9,016)	(6,860)
Repayment of finance lease liabilities		(1,445)	(1,470)
Drawdown/(Repayment) of borrowings (net)		17,362	(15,778)
Interest paid		(8,463)	(7,288)
Proceeds from issuance of shares to non-controlling interest holders		980	-
Net cash generated from/(used in) financing activities		7,210	(10,455)
Net decrease in cash and cash equivalents		(18,480)	(17,835)
Cash and cash equivalents at 1 January		31,312	43,569
Effects of exchange differences on cash and cash equivalents		(122)	475
Cash and cash equivalents at 30 September	D	12,710	26,209

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 September 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 nine months ended 30 September 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 September 2013 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	2,318
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	783
Investment properties	11,267
Intangible assets – trademark	21,500
Other investments	18,046
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	(32)
Deferred liabilities	(306)
Net identifiable assets	39,664
Net cash flow arising from acquisitions of subsidiaries	
Purchase consideration settled in cash and cash equivalents	(2,318)
Cash and cash equivalents acquired	737
	(1,581)
Goodwill and bargain purchase gain	
Total consideration transferred	2,318
Fair value of identifiable net assets	(39,664)
Non-controlling interests of the acquiree at fair value	15,252
Transfer from translation reserve	1,222
Transfer from investment in an associates	4,784
Fair value gain on re-measurement of an associate *	10,987
Goodwill	6
Bargain purchase gain	(5,107)
	(5,101)

* The re-measurement to fair value of the Group's existing 49.88% interest in Texcorp resulted in a gain of RM10,987,000 (fair value of RM16,993,000 less RM4,784,000 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.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
for the nine months ended 30 September 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 September 2013 RM'000
Identifiable assets and liabilities on liquidation	
Trade and other receivables	30
Current tax assets	9
Cash and cash equivalents	2
Trade and other payables	(39)
Net identifiable assets	<u>2</u>
Loss on liquidation	(625)
Transfer from foreign currency translation reserve	623
	<u>-</u>
Cash and cash equivalents liquidated	(2)
Net cash inflow arising from liquidation of subsidiaries	<u>(2)</u>

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 September 2014 RM'000	30 September 2013 RM'000
Short term deposit with licensed banks	1,973	4,962
Cash and bank balances	32,998	37,285
Bank overdrafts	(22,261)	(16,038)
	<u>12,710</u>	<u>26,209</u>

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 119	Defined Benefit Plans: Employee Contributions
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 nine months ended 30 September 2014 except for the closure cost of approximately RM2.4 million incurred by a subsidiary and impairment loss on investment in joint venture of RM300,000. During the last financial period, the Group recognised the fair value gain of RM11.0 million on re-measurement of an associate when it became a subsidiary of the Group in Q2 2013, bargain purchase gain of RM5.1 million, loss on liquidation of subsidiaries of RM0.6 million and cost of warrant written off of RM1.0 million.

5. Changes in estimates

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

7. Dividend paid

No dividend has been recommended by the Directors during the quarter and nine months ended 30 September 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 September														
Revenue from external customers	102,318	102,617	49,359	46,018	81,024	41,059	48,330	42,634	492	495	-	-	281,523	232,823
Inter-segment revenue	360	377	92	8	2,202	2,676	-	-	2,858	2,688	(5,512)	(5,749)	-	-
Total revenue	102,678	102,994	49,451	46,026	83,226	43,735	48,330	42,634	3,350	3,183	(5,512)	(5,749)	281,523	232,823
Profit/(Loss) before share of profit/(loss) of equity accounted joint venture and associates, net of tax	1,605	1,328	(2,779)	(3,696)	618	(469)	1,027	2,980	(1,349)	(40)			(878)	103
Share of (loss)/profit of joint venture, net of tax	-	-	(1)	13	-	-	-	-	-	-			(1)	13
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	468	1,158			468	1,158
Profit/(Loss) before tax	1,605	1,328	(2,780)	(3,683)	618	(469)	1,027	2,980	(881)	1,118			(411)	1,274



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
9 months ended 30 September														
Revenue from external customers	310,688	299,858	137,808	128,231	156,766	158,652	150,899	129,167	1,826	679	-	-	757,987	716,587
Inter-segment revenue	1,392	889	220	31	6,608	9,134	-	-	8,628	3,582	(16,848)	(13,636)	-	-
Total revenue	312,080	300,747	138,028	128,262	163,374	167,786	150,899	129,167	10,454	4,261	(16,848)	(13,636)	757,987	716,587
Profit/(Loss) before share of profit/(loss) of equity accounted joint venture and associates, net of tax	4,208	3,457	(10,964)	(12,444)	1,877	(466)	10,350	9,591	(4,621)	9,150			850	9,288
Share of profit/(loss) of joint venture, net of tax	-	-	37	(8)	-	-	-	-	-	-			37	(8)
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	1,559	1,185			1,559	1,185
Profit/(Loss) before tax	4,208	3,457	(10,927)	(12,452)	1,877	(466)	10,350	9,591	(3,062)	10,335			2,446	10,465
Segment assets	139,974	132,540	170,652	168,433	84,236	69,568	93,352	89,502	76,511	76,129			564,725	536,172

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 nine months ended 30 September 2014

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the nine months ended 30 September 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 September 2014.

13. Commitments

	30 September 2014 RM'000	31 December 2013 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	8,491	3,557
Approved but not contracted for	776	-
	<u>9,267</u>	<u>3,557</u>

14. Operating Segments Analysis

- (a) Current quarter compared with previous corresponding quarter

Continuing Operations

The Group recorded revenue of RM281.5 million in Q3 2014 as compared to RM232.8 million in Q3 2013. The Group reported a pre-tax loss of RM0.4 million in Q3 2014 against pre-tax profit of RM1.3 million in Q3 2013 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q3 2014 was RM102.7 million as compared to RM103.0 million in Q3 2013. The Division reported a higher pre-tax profit of RM1.6 million in Q3 2014 against RM1.3 million in Q3 2013 mainly due to improved 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 Q3 2014 was RM49.5 million against RM46.0 million in Q3 2013. The Division managed to reduce the pre-tax loss to RM2.8 million compared to pre-tax loss of RM3.7 million incurred in Q3 2013 mainly due to higher sales contribution from higher profit margin products.

(iii) Food Division

The revenue recorded for Q3 2014 was RM83.2 million against RM43.7 million in Q3 2013. The Division recorded a pre-tax profit of RM618,000 compared to a pre-tax loss of RM469,000 in Q3 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 Q3 2014 was RM48.3 million against RM42.6 million in Q3 2013 mainly contributed by the existing and new outlets of Sushi King Restaurants. Despite higher revenue achieved, the Division only achieved pre-tax profit of RM1.0 million in Q3 2014 as compared to RM3.0 million in Q3 2013 mainly attributable to closure cost of approximately RM2.4 million incurred by a subsidiary.

(v) Others

The pre-tax loss of RM0.9 million achieved in Q3 2014 against pre-tax profit of RM1.1 million in Q3 2013 mainly due to share of profit of equity accounted associates during the quarter.

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

Continuing Operations

The Group recorded revenue of RM758.0 million in YTD Q3 2014 as compared to RM716.6 million in YTD Q3 2013. The Group reported a pre-tax profit of RM2.4 million in YTD Q3 2014 against RM10.5 million in YTD Q3 2013 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in YTD Q3 2014 was RM312.1 million as compared to RM300.7 million in YTD Q3 2013. Pre-tax profit achieved in YTD Q3 2014 was RM4.2 million compared to RM3.5 million in YTD Q3 2013 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 nine (9) months financial period compared with previous corresponding financial period (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for YTD Q3 2014 was RM138.0 million against RM128.3 million in YTD Q3 2013. The Division managed to reduce the pre-tax loss to RM11.0 million compared to pre-tax loss of RM12.5 million incurred in YTD Q3 2013 mainly due to higher sales contribution from higher profit margin products.

(iii) Food Division

The revenue recorded for YTD Q3 2014 was RM163.4 million against RM167.8 million in YTD Q3 2013. The Division managed to record a pre-tax profit of RM1.9 million compared to pre-tax loss of RM466,000 in YTD Q3 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 Q3 2014 was RM150.9 million against RM129.2 million in YTD Q3 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. The Division recorded a pre-tax profit of RM10.4 million compared to RM9.6 million in YTD Q3 2013 despite the profit was reduced by closure cost of approximately RM2.4 million incurred by a subsidiary.

(vi) Others

The pre-tax loss of RM3.1 million achieved in YTD Q3 2014 against pre-tax profit of RM10.3 million in YTD Q3 2013 was mainly due to fair value gain of RM11.0 million on re-measurement of an associate when it became a subsidiary of the Group in Q3 2013.

15. Variation of results against preceding quarter

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

	Quarter 3 2014 RM'000	Quarter 2 2014 RM'000	Variance RM'000	%
Revenue from continuing operations	281,523	235,230	46,293	19.7%
(Loss)/Profit before taxation from continuing operations	(411)	491	(902)	-183.7%

The pre-tax loss of RM411,000 incurred in Q3 2014 was mainly due to the closure cost of approximately RM2.4 million incurred by a subsidiary of Restaurant Division as explained in Note 14(b)(iv).

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 Q4 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		9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
- current period	2,242	3,785	6,062	3,892
- prior period	(963)	(987)	(1,166)	(987)
Foreign tax expense				
- current period	49	24	175	428
	<u>1,328</u>	<u>2,822</u>	<u>5,071</u>	<u>3,333</u>
Deferred tax expense				
- current period	(33)	177	89	673
- prior period	-	-	(63)	1,867
	<u>1,295</u>	<u>2,999</u>	<u>5,097</u>	<u>5,873</u>

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		9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(202)	(65)	(494)	(182)
Interest expense	2,844	2,694	8,463	7,288
Depreciation of property, plant and equipment	6,159	6,453	18,584	18,650
Impairment loss/(reversal) of impairment loss on trade receivables	32	(174)	37	(154)
Inventories (written back)/written down	(34)	30	(116)	63
Loss/(Gain) on disposal of property, plant and equipment	176	(122)	(449)	(389)
Property, plant and equipment written off	2,215	222	2,374	433
(Gain)/Loss on foreign exchange	(1,076)	531	(329)	636
Gain on deregistration of a subsidiary	-	-	(7)	-
Provision for Directors' retirement/resignation benefits	224	214	681	186
Reversal of fair value gain/(Fair value gain) on re-measurement of an associate	-	2,018	-	(10,987)
Bargain purchase gain on acquisition of a subsidiary	-	(4,045)	-	(5,107)
Loss on liquidation of subsidiaries	-	9	-	625
Impairment loss on investment of joint venture	300	-	300	-
Cost of warrant written off	-	-	-	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.

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 todote.

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 todote.

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 and the SGX-ST had on 3 June 2014 granted TXPHS a an extension of time to 7 October 2014 for the Company to make the Exit Offer to TXPHS's shareholders

Subsequently, TXPHS had on 2 October 2014 made an application to the SGX-ST to seek a further extension of time for the Company to make the Exit Offer and the SGX-ST had on 7 October 2014 granted TXPHS a futher extension of time to 7 April 2015 for the Company to make the Exit Offer to TXPHS's shareholders.

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.**

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.

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. Striking Off of Texa Protection Sdn. Bhd.

On 22 July 2014, the Company announced that Texa Protection Sdn. Bhd. (“TPSB”), a wholly-owned subsidiary of the Company, had on 21 July 2014 submitted an application to the Companies Commission of Malaysia to strike off TPSB from the register in accordance with Section 308 of the Companies Act, 1965.

G. Subscription of Shares in Dim Sum Delight Sdn. Bhd.

On 13 August 2014, the Company announced the following in accordance with Paragraph 9.19(23) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

- (i) On 22 April 2014, the Company had announced the incorporation of Dim Sum Delight Sdn. Bhd. (“DSD”), a wholly-owned subsidiary of the Company with the initial issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.
- (ii) On 4 August 2014, the Company had further subscribed for a total of 1,019,998 ordinary shares of RM1.00 each in DSD for a total cash consideration of RM1,019,998.00. DSD remained a wholly-owned subsidiary of the Company.
- (iii) On 13 August 2014, Tim Ho Wan Malaysia Sdn. Bhd. (“THWM”), an unrelated third party, had subscribed for a total of 980,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital of DSD at par value for cash (“Subscription by THWM”).

Consequent to the Subscription by THWM, the Company’s shareholding in DSD was diluted from 100% to 51% with effect from 13 August 2014.

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)
H. Joint Venture between Texchem Food Sdn. Bhd. and Mascot Industries Company Limited

On 15 August 2014, the Company announced that Texchem Food Sdn. Bhd. (“TFSB”), a wholly-owned subsidiary of the Company, had on 15 August 2014 entered in a Joint Venture Agreement with Mascot Industries Company Limited (“Mascot”) whereby TFSB and Mascot have agreed to co-operate and collaborate with each other in a joint venture company, namely Texchem Food (Myanmar) Limited (“TFML”) for the primary purpose of manufacturing seafood value-added products (VAP) and contract processing (CP) of seafood.

On 5 September 2014, the Company announced the completion of the registration process of the joint venture company, TFML in Myanmar.

I. Member’s Voluntary Winding Up of Sushi Ku Sdn. Bhd.

On 12 September 2014, the Company announced that Sushi Ku Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 12 September 2014 commenced voluntary winding up proceedings 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 todote.

21. Loans and borrowings

	30 September 2014 RM’000	31 December 2013 RM’000
Unsecured		
Current:		
Bank overdrafts	22,261	15,561
Bankers’ acceptances	61,038	44,164
Revolving credit	72,050	74,170
Term loans	12,174	12,450
Trust receipts	3,749	1,854
Finance lease liabilities	2,057	1,473
Other borrowings	13,952	10,988
Total	187,281	160,660
Non-current:		
Term loans	20,304	21,254
Other borrowings	11,665	13,250
Finance lease liabilities	4,368	3,062
Total	36,337	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 September 2014 RM'000	31 December 2013 RM'000
Unsecured		
Current:		
Thai Baht	5,977	4,357
Singapore Dollar	591	417
United States Dollar	19,837	18,205
	<u>26,405</u>	<u>22,979</u>
Non-current:		
Thai Baht	139	43
Singapore Dollar	-	15
	<u>139</u>	<u>58</u>

22. Derivative financial instruments

As at 30 September 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 losses RM'000
Forward exchange contracts - Receivables	4,007	4,070	<u>(63)</u>

For nine months ended 30 September 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 September 2014.

25. Dividend

No dividend has been proposed or declared for the quarter ended 30 September 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 (loss)/earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing the (loss)/profit 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit for the period attributable to owners of the Company	(622)	(505)	571	8,825
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic (loss)/earnings per share (sen)	(0.50)	(0.41)	0.46	7.11

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 September 2014 RM'000	31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	22,396	17,630
Unrealised	14,387	14,483
	36,783	32,113
Total share of retained earnings/(accumulated losses) from associates and joint venture:		
Realised	(4,721)	(6,043)
Unrealised	28,397	28,397
	23,676	22,354
	60,459	54,467
Add: Consolidation adjustments	(12,129)	(12,129)
Total Group retained earnings	48,330	42,338

BY ORDER OF THE BOARD

TAN PENG LAM
CHIEF FINANCIAL OFFICER
Date: 30 October 2014