



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2015**

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the quarter and six months ended 30 June 2015

	Note	3 months ended 30 June		6 months ended 30 June	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Continuing Operations</b>					
<b>Revenue</b>	8	<b>235,884</b>	<b>235,230</b>	<b>512,973</b>	<b>476,464</b>
Cost of sales		(176,763)	(179,852)	(385,193)	(361,954)
<b>Gross profit</b>		<b>59,121</b>	<b>55,378</b>	<b>127,780</b>	<b>114,510</b>
Distribution costs		(35,877)	(34,619)	(73,520)	(70,337)
Administrative expenses		(25,175)	(24,319)	(53,058)	(49,318)
Other expenses		-	-	(1,267)	-
Other income		6,442	6,397	14,412	12,492
<b>Operating profit</b>		<b>4,511</b>	<b>2,837</b>	<b>14,347</b>	<b>7,347</b>
Finance costs		(2,672)	(2,907)	(5,623)	(5,619)
Share of profit of joint venture, net of tax		-	39	-	38
Share of profit of equity accounted associates, net of tax		1,092	522	2,583	1,091
<b>Profit before taxation</b>		<b>2,931</b>	<b>491</b>	<b>11,307</b>	<b>2,857</b>
Income tax expense	18	(1,566)	(1,356)	(4,550)	(3,802)
<b>Profit/(Loss) for the period</b>	19	<b>1,365</b>	<b>(865)</b>	<b>6,757</b>	<b>(945)</b>
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		<b>558</b>	<b>266</b>	<b>5,544</b>	<b>1,193</b>
Non-controlling interests		807	(1,131)	1,213	(2,138)
<b>Profit/(Loss) for the period</b>		<b>1,365</b>	<b>(865)</b>	<b>6,757</b>	<b>(945)</b>
<b>Basic earnings per share attributable to owners of the Company (sen)</b>					
	26	<b>0.45</b>	<b>0.21</b>	<b>4.47</b>	<b>0.96</b>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015

	Note	3 months ended 30 June		6 months ended 30 June	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit/(Loss) for the period</b>		<b>1,365</b>	<b>(865)</b>	<b>6,757</b>	<b>(945)</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		(19)	(1,451)	5,777	(1,395)
<b>Total comprehensive income/(expense) for the period</b>		<b>1,346</b>	<b>(2,316)</b>	<b>12,534</b>	<b>(2,340)</b>
<b>Total comprehensive income/(expense) attributable to:</b>					
Owners of the Company		<b>873</b>	<b>(995)</b>	<b>10,684</b>	<b>4</b>
Non-controlling interests		473	(1,321)	1,850	(2,344)
<b>Total comprehensive income/(expense) for the period</b>		<b>1,346</b>	<b>(2,316)</b>	<b>12,534</b>	<b>(2,340)</b>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
 At 30 June 2015

	Note	30 June 2015 (Unaudited) RM'000	31 December 2014 (Audited) RM'000
<b>ASSETS</b>			
Property, plant and equipment		148,785	147,422
Investment properties		-	11,267
Investment in associates		58,918	56,020
Intangible assets			
- Goodwill		34,382	34,382
- Trademarks		21,500	21,500
- Franchise fee		1,549	1,658
Deferred tax assets		69	20
<b>Total non-current assets</b>		<b>265,203</b>	<b>272,269</b>
Trade and other receivables		187,436	156,964
Inventories		98,379	72,669
Current tax assets		895	1,213
Cash and cash equivalents		97,525	49,313
Investment properties classified as held for sale		10,000	-
<b>Total current assets</b>		<b>394,235</b>	<b>280,159</b>
<b>TOTAL ASSETS</b>		<b>659,438</b>	<b>552,428</b>
<b>EQUITY</b>			
Share capital		124,099	124,099
Reserves		160,410	66,637
<b>Total equity attributable to owners of the Company</b>		<b>284,509</b>	<b>190,736</b>
Non-controlling interests		38,868	25,451
<b>TOTAL EQUITY</b>		<b>323,377</b>	<b>216,187</b>
<b>LIABILITIES</b>			
Loans and borrowings	21	16,352	31,980
Deferred tax liabilities		2,659	2,050
Deferred liabilities		2,429	2,629
Provision		4,233	4,127
<b>Total non-current liabilities</b>		<b>25,673</b>	<b>40,786</b>
Trade and other payables		137,398	114,887
Provision		166	202
Loans and borrowings	21	171,100	178,239
Current tax liabilities		1,395	1,005
Deferred liabilities		316	985
Derivative liabilities		13	137
<b>Total current liabilities</b>		<b>310,388</b>	<b>295,455</b>
<b>TOTAL LIABILITIES</b>		<b>336,061</b>	<b>336,241</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>659,438</b>	<b>552,428</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015

	<--- 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				
<b>At 1 January 2015</b>	124,099	17,773	48,864	190,736	25,451	216,187
Other comprehensive income	-	5,140	-	5,140	637	5,777
Profit for the period	-	-	5,544	5,544	1,213	6,757
Total comprehensive income for the period	-	5,140	5,544	10,684	1,850	12,534
Accretion of interest in an existing subsidiary	-	-	-	-	(163)	(163)
Dilution of interest in an existing subsidiary	-	-	90,470	90,470	11,730	102,200
Disposal of company shares held by a subsidiary	-	1,380	1,234	2,614	-	2,614
Dividends (Note 7)	-	-	(9,995)	(9,995)	-	(9,995)
Total transaction with owners of the Company	-	1,380	81,709	83,089	11,567	94,656
<b>At 30 June 2015</b>	<b>124,099</b>	<b>24,293</b>	<b>136,117</b>	<b>284,509</b>	<b>38,868</b>	<b>323,377</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 2014 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				
<b>At 1 January 2014</b>	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 income/(expense) for the period	-	(1,189)	1,193	4	(2,344)	(2,340)
Transfer to capital reserve	-	31	(31)	-	-	-
<b>At 30 June 2014</b>	<b>124,099</b>	<b>11,395</b>	<b>43,500</b>	<b>178,994</b>	<b>25,269</b>	<b>204,263</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 2014 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 2015

	Note	6 months ended 30 June	
		2015	2014
		RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		11,307	2,857
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		13,432	12,425
Provision for Directors' retirement/resignation benefits		336	457
Property, plant and equipment written off		110	159
Amortisation of franchise fee		109	-
Gain on disposal of property, plant and equipment		(848)	(625)
Interest income		(436)	(292)
Dividend income from investment in money market fund		(819)	-
Interest expense		5,623	5,619
Share of profit of equity accounted associates		(2,583)	(1,091)
Share of loss of joint venture		-	(38)
Impairment loss on investment properties held for sale		1,267	-
Gain on deregistration of a subsidiary	A	-	(7)
		16,191	16,607
Operating profit before changes in working capital		27,498	19,464
Changes in working capital:			
Inventories		(25,710)	(6,877)
Trade and other receivables		(27,257)	(20,207)
Trade and other payables		22,660	(1,658)
Cash used in operations		(2,809)	(9,473)
Dividend received from associate		559	661
Income tax paid		(3,829)	(511)
Directors' retirement/resignation benefits paid		(669)	(866)
<b>Net cash used in operating activities</b>		<b>(6,748)</b>	<b>(9,994)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		1,432	855
Purchase of property, plant and equipment		(11,578)	(8,377)
Interest received		436	292
Accretion of interest in an existing subsidiary		(163)	-
Subscription of shares in an associate		(920)	-
Proceeds from disposal of company shares held by a subsidiary		2,614	-
Proceeds from dilution of interest in a subsidiary		102,200	-
<b>Net cash generated from/(used in) investing activities</b>		<b>94,021</b>	<b>(7,230)</b>

**TEXCHEM RESOURCES BHD**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)**  
 for the six months ended 30 June 2015 (Cont'd)

	Note	6 months ended 30 June	
		2015 RM'000	2014 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment)/Drawdown of term loans		(20,605)	141
Repayment of finance lease liabilities		(1,364)	(980)
(Repayment)/Drawdown of borrowings (net)		(2,906)	9,255
Dividend income received from investment in money market fund		819	-
Interest paid		(5,623)	(5,619)
Dividend paid		(9,995)	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(39,674)</b>	<b>2,797</b>
Net increase/(decrease) in cash and cash equivalents		<b>47,599</b>	(14,427)
Cash and cash equivalents at 1 January		31,858	31,312
Effects of exchange differences on cash and cash equivalents		841	(209)
<b>Cash and cash equivalents at 30 June</b>	<b>B</b>	<b>80,298</b>	<b>16,676</b>

**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
<b>Identifiable liabilities on deregistration</b>	
Trade and other payables	(7)
Gain on deregistration	7
<b>Net cash inflow arising from deregistration of a subsidiary</b>	<b>-</b>

**Note B: 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 2015 RM'000	30 June 2014 RM'000
Short term deposit with licensed banks	680	1,872
Investment in money market fund	53,478	-
Cash and bank balances	43,367	36,655
Bank overdrafts	(17,227)	(21,851)
	<b>80,298</b>	<b>16,676</b>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.



**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 2014. 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 2014.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2015.

**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)

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 January 2016**

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments MFRS 101	Presentation of Financial Statements: Disclosures Initiative

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

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

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

Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

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 and MFRS 15, Revenue from Contracts with Customers 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 2014 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 2015 except for the impairment loss on investment properties held for sale of RM1.3 million in Q1 2015.

**5. Changes in estimates**

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2015.

**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 2015.

**7. Dividend paid**

The Company had declared an interim single tier dividend of 10 sen per share amounting to approximately RM12.41 million on 2 March 2015 for the financial year ending 31 December 2015 and paid on 1 April 2015. The dividend received by subsidiary, Texchem Corporation Sdn Bhd was RM2.41 million due to the cross-shareholding as disclosed in Note 20(E).



**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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>3 months ended 30 June</b>														
Revenue from external customers	101,279	107,719	48,726	44,834	35,456	31,709	49,975	50,463	448	505	-	-	235,884	235,230
Inter-segment revenue	140	403	76	83	8,264	2,284	-	-	2,923	2,874	(11,405)	(5,644)	-	-
<b>Total revenue</b>	<b>101,419</b>	<b>108,122</b>	<b>48,802</b>	<b>44,917</b>	<b>43,720</b>	<b>33,993</b>	<b>49,975</b>	<b>50,463</b>	<b>3,371</b>	<b>3,379</b>	<b>(11,405)</b>	<b>(5,644)</b>	<b>235,884</b>	<b>235,230</b>
Profit/(Loss) before share of profit/(loss) of equity accounted joint venture and associates, net of tax	1,328	1,496	(2,013)	(4,173)	441	177	2,914	4,267	(831)	(1,837)			1,839	(70)
Share of profit of joint venture, net of tax	-	-	-	39	-	-	-	-	-	-			-	39
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	1,092	522			1,092	522
<b>Profit/(Loss) before tax</b>	<b>1,328</b>	<b>1,496</b>	<b>(2,013)</b>	<b>(4,134)</b>	<b>441</b>	<b>177</b>	<b>2,914</b>	<b>4,267</b>	<b>261</b>	<b>(1,315)</b>			<b>2,931</b>	<b>491</b>



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

	Industrial		Polymer Engineering		Food		Restaurant		Others		Eliminations		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>6 months ended 30 June</b>														
Revenue from external customers	210,337	208,370	96,943	88,449	94,648	75,742	110,048	102,569	997	1,334	-	-	512,973	476,464
Inter-segment revenue	379	1,032	118	128	10,328	4,406	-	-	5,935	5,770	(16,760)	(11,336)	-	-
<b>Total revenue</b>	<b>210,716</b>	<b>209,402</b>	<b>97,061</b>	<b>88,577</b>	<b>104,976</b>	<b>80,148</b>	<b>110,048</b>	<b>102,569</b>	<b>6,932</b>	<b>7,104</b>	<b>(16,760)</b>	<b>(11,336)</b>	<b>512,973</b>	<b>476,464</b>
Profit/(Loss) before share of profit/(loss) of equity accounted joint venture and associates, net of tax	3,412	2,603	(3,578)	(8,185)	2,698	1,259	9,869	9,323	(3,677)	(3,272)			8,724	1,728
Share of profit of joint venture, net of tax	-	-	-	38	-	-	-	-	-	-			-	38
Share of profit of equity accounted associates, net of tax	-	-	-	-	-	-	-	-	2,583	1,091			2,583	1,091
Profit/(Loss) before tax	3,412	2,603	(3,578)	(8,147)	2,698	1,259	9,869	9,323	(1,094)	(2,181)			11,307	2,857
<b>Segment assets</b>	<b>144,882</b>	<b>138,859</b>	<b>170,738</b>	<b>158,192</b>	<b>103,907</b>	<b>81,120</b>	<b>108,783</b>	<b>98,337</b>	<b>131,128</b>	<b>71,949</b>			<b>659,438</b>	<b>548,457</b>

**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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**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 2014.

**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 2015**

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2015, 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 2015.

**13. Commitments**

	<b>30 June 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Property, plant and equipment		
Contracted but not provided for in the financial statements	6,180	1,571
Approved but not contracted for	1,204	2,182
	<u>7,384</u>	<u>3,753</u>

**14. Operating Segments Analysis**

- (a) Current quarter compared with previous corresponding quarter

**Continuing Operations**

The Group recorded revenue of RM235.9 million in Q2 2015 as compared to RM235.2 million in Q2 2014. The Group reported a pre-tax profit of RM2.9 million in Q2 2015 against pre-tax profit of RM0.5 million in Q2 2014 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q2 2015 was RM101.4 million as compared to RM108.1 million in Q2 2014. As a result, the Division reported a slightly lower pre-tax profit of RM1.3 million in Q2 2015 against RM1.5 million 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**

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

Current quarter compared with previous corresponding quarter (cont'd)

(ii) Polymer Engineering Division

The revenue recorded in Q2 2015 was RM48.8 million against RM44.9 million in Q2 2014. The Division managed to reduce the pre-tax loss to RM2.0 million compared to pre-tax loss of RM4.1 million incurred in Q2 2014 mainly due to higher sales contribution from higher profit margin products and lower operating expenses.

(iii) Food Division

The revenue recorded for Q2 2015 was RM43.7 million against RM34.0 million in Q2 2014. The Division recorded a slightly higher pre-tax profit of RM0.4 million compared to a pre-tax profit of RM0.2 million in Q2 2014.

(iv) Restaurant Division

The revenue recorded for Q2 2015 was RM50.0 million against RM50.5 million in Q2 2014. However, pre-tax profit has decreased by RM1.4 million in Q2 2015 compared to Q2 2014 mainly due to the anticipated short term slow down upon implementation of Goods and Services Tax on 1 April 2015.

(v) Others

The pre-tax profit of RM0.3 million incurred in Q2 2015 against pre-tax loss of RM1.3 million in Q2 2014 mainly due to higher interest income and dividend income from investment in money market fund.

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

**Continuing Operations**

The Group recorded revenue of RM513.0 million in H1 2015 as compared to RM476.5 million in H1 2014. The Group reported a pre-tax profit of RM11.3 million in H1 2015 against RM2.9 million in H1 2014 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in H1 2015 was RM210.7 million as compared to RM209.4 million in H1 2014. Pre-tax profit achieved RM3.4 million in H1 2015 against RM2.6 million in H1 2014 mainly due to improved results by some of the subsidiaries.

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**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 H1 2015 was RM97.1 million against RM88.6 million in H1 2014. The Division managed to reduce the pre-tax loss to RM3.6 million compared to pre-tax loss of RM8.1 million incurred in H1 2014 mainly due to higher revenue and lower operating expenses.

(iii) Food Division

The revenue recorded for H1 2015 was RM105.0 million against RM80.1 million in H1 2014. The pre-tax profit recorded for H1 2015 was RM2.7 million against RM1.3 million in H1 2014 mainly due to higher sales, improved margins, favourable foreign exchange rates and lower crude oil price.

(iv) Restaurant Division

The revenue recorded for H1 2015 was RM110.0 million against RM102.6 million in H1 2014. In spite of increase in revenue, pre-tax profit has only increased by RM0.6 million to RM9.9 million in H1 2015 against RM9.3 million in H1 2014 mainly due to the anticipated short term slow down upon implementation of Goods and Services Tax on 1 April 2015.

(vi) Others

The pre-tax loss of RM3.7 million was incurred in H1 2015 against pre-tax loss of RM3.3 million in H1 2014 mainly due to impairment loss on investment properties.

**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:

	<b>Quarter 2 2015 RM'000</b>	<b>Quarter 1 2015 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Revenue from continuing operations	235,884	277,089	(41,205)	-14.8%
Profit before taxation from continuing operations	2,931	8,376	(5,445)	-65.0%

The pre-tax profit of RM2.9 million in Q2 2015 was lower than the preceding quarter by RM5.4 million mainly due to lower pre-tax profit recorded by all Divisions in Q2 2015.

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**16. Prospects for 2015**

The business environment for 2015 remains challenging due to the prevailing global economic condition. As the Group's business is diversified, the Restaurant Division is expected to improve its performance as we expect the domestic consumer demand to improve in the 2nd half of this year. 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:

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Malaysian tax expense</b>				
- current period	1,491	1,460	4,168	3,820
- prior period	-	(208)	-	(203)
<b>Foreign tax expense</b>				
- current period	136	26	403	126
	1,627	1,278	4,571	3,743
<b>Deferred tax expense</b>				
- current period	(61)	78	(21)	122
- prior period	-	-	-	(63)
	1,566	1,356	4,550	3,802

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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**19. Profit/(Loss) for the period**

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

	3 months ended		6 months ended	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(53)	(272)	(436)	(292)
Interest expense	2,672	2,907	5,623	5,619
Depreciation of property, plant and equipment	6,839	6,193	13,432	12,425
(Reversal of Impairment loss)/impairment loss on trade receivables	(21)	2	(36)	5
Inventories written down/(written back)	289	(168)	476	(82)
Gain on disposal of property, plant and equipment	(110)	(390)	(848)	(625)
Property, plant and equipment written off	107	17	110	159
Loss/(Gain) on foreign exchange	285	(220)	704	747
Impairment loss on investment properties held for sale	-	-	1,267	-
Gain on deregistration of a subsidiary	-	-	-	(7)
Amortisation of franchise fee	54	-	109	-
Provision for Directors' retirement/resignation benefits	140	237	336	457
Dividend income from investment in money market fund	(819)	-	(819)	-

**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 TFSB's sole importer of marine products such as soft shell crab and fishmeal in the People's Republic of China.

On 1 December 2014, the Company announced that TFSB had received a letter dated 21 November 2014 from Sinofiber to seek TFSB's agreement to renew the MoU for a further term of two (2) years until 21 November 2016 and it has been mutually agreed by TFSB.

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

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**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 and 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.

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 further extension of time to 7 April 2015 for the Company to make the Exit Offer to TXPHS's shareholders.

TXPHS has on 2 April 2015 applied to the SGX-ST seeking for an extension of a further 3 months for the Company to submit a reasonable Exit Offer to the SGX-ST.

On 25 June 2015, the Company had announced that the SGX-ST had granted TXPHS a further extension of time to 7 August 2015 for the Company to make a reasonable Exit Offer to TXPHS's shareholders.

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**20. Status of corporate proposals (Cont'd)****E. An extension of time granted by the Penang High Court to Texchem Corporation Sdn. Bhd. (“Texcorp”), a 73,81% owned subsidiary of TRB, in order to comply with the requirement of Section 17 of the Companies Act, 1965**

Texcorp is a 73.81% owned subsidiary of the Company since 12 July 2013.

As at todate, Texcorp still holds 21,153,109 ordinary shares of RM1.00 each in the Company, representing 17.04% of the total issued and paid-up share capital in the Company (“TRB Shares”).

Pursuant to Section 17 of the Companies Act, 1965 (“Act”), Texcorp is required to dispose of all its shareholding 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.

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 16 May 2015 to dispose of all its shareholding in the Company in order to comply with the requirement of Section 17 of the Act.

On 12 May 2015, the Company announced that Texcorp had been granted an Order by the Penang High Court for a further extension of time of twelve (12) months from 17 May 2015 to dispose of all its shareholding in the Company in order to comply with the requirement of Section 17 of the Act, namely the new deadline for Texcorp to dispose of the TRB Shares is 16 May 2016. Pending the disposal of the TRB Shares, Texcorp shall have no rights to vote at meetings of the Company or any class of the Company’s members.

**F. Investment by subscribing for a total of 120,000 ordinary shares of RM1.00 each in D&N Coffee and Restaurant Malaysia Sdn. Bhd.**

On 10 June 2015, the Company announced that the Company has invested by subscribing for a total of 120,000 ordinary shares of RM1.00 each representing 40% of the total issued and paid-up share capital of D&N Coffee and Restaurant Malaysia Sdn. Bhd. for a total cash consideration of RM120,000.00.

**G. Disposal of (i) 1.5 million ordinary shares of RM1.00 each in the Company, representing 1.21% of the issued and paid-up share capital of the Company, by Texcorp, its 73.81% owned subsidiary, to Inspire Corporation for a total cash consideration of RM2.91 million; and (ii) 1.5 million ordinary shares of RM1.00 each in the Company, representing 1.21% of the issued and paid-up share capital of the Company, by Texcorp, its 73.81% owned subsidiary, to Inspire Investment Corporation for a total cash consideration of RM2.91 million (collectively referred to as the “Disposals”)**

On 10 July 2015, the Company announced that Texcorp had entered into Share Sale Agreements with Inspire Corporation and Inspire Investment Corporation, in relation to the Disposals for a total cash consideration of RM5.82 million.

The Disposals were completed on 15 July 2015.

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**21. Loans and borrowings**

	<b>30 June 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Bank overdrafts	17,227	17,455
Bankers' acceptances	55,619	54,735
Revolving credit	72,807	72,804
Term loans	3,059	11,846
Trust receipts	5,972	3,706
Finance lease liabilities	1,998	1,998
Other borrowings	14,418	15,695
<b>Total</b>	<u>171,100</u>	<u>178,239</u>
<b>Non-current:</b>		
Term loans	5,115	16,933
Other borrowings	7,000	11,000
Finance lease liabilities	4,237	4,047
<b>Total</b>	<u>16,352</u>	<u>31,980</u>

Loans and borrowings denominated in foreign currencies are as follows:

	<b>30 June 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Thai Baht	6,514	5,693
Singapore Dollar	2,584	675
United States Dollar	21,341	20,744
	<u>30,439</u>	<u>27,112</u>
<b>Non-current:</b>		
Thai Baht	85	96
	<u>85</u>	<u>96</u>

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**22. Derivative financial instruments**

As at 30 June 2015, the Group has the following outstanding derivative financial instrument:

<b>Type of Derivative</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Fair Value-Net losses RM'000</b>
Forward exchange contracts - Receivables	5,398	5,573	(175)

For six months ended 30 June 2015, 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 2015.

**25. Dividends**

No dividend has been proposed or declared during the quarter ended 30 June 2015.

An interim single tier dividend of 10 sen per share amounting to approximately RM12.41 million in respect of the financial year ending 31 December 2015 was declared on 2 March 2015 and paid on 1 April 2015.

A second interim single tier dividend of 5 sen per share amounting to approximately RM6.20 million in respect of the financial year ending 31 December 2015 was declared on 30 July 2015. The entitlement date and payment date were fixed on 19 August 2015 and 10 September 2015 respectively.

Year to-date, the total dividends declared for the financial year ending 31 December 2015 was 15 sen per share. There was no dividend declared for the financial year ended 31 December 2014.

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**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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company	558	266	5,544	1,193
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings per share (sen)	0.45	0.21	4.47	0.96

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

	30 June 2015 RM'000	31 December 2014 RM'000
<b>Total retained earnings of the Company and its subsidiaries:</b>		
Realised	109,540	22,322
Unrealised	12,552	15,079
	122,092	37,401
<b>Total share of retained earnings/(accumulated losses) from associates and joint venture:</b>		
Realised	(2,346)	(4,929)
Unrealised	28,500	28,521
	26,154	23,592
	148,246	60,993
Less: Consolidation adjustments	(12,129)	(12,129)
<b>Total Group retained earnings</b>	<b>136,117</b>	<b>48,864</b>

**BY ORDER OF THE BOARD**

**TAN PENG LAM**  
**CHIEF FINANCIAL OFFICER**  
**Date: 30 July 2015**