



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and six months ended 30 June 2016

	Note	3 months ended 30 June		6 months ended 30 June	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing Operations					
Revenue	8	248,468	236,703	505,303	513,792
Cost of sales		(189,340)	(176,763)	(381,313)	(385,193)
Gross profit		59,128	59,940	123,990	128,599
Distribution costs		(38,965)	(35,877)	(77,524)	(73,520)
Administrative expenses		(25,783)	(25,175)	(55,639)	(53,058)
Other expenses		(234)	-	(234)	(1,267)
Other income		6,148	5,623	13,044	13,593
Operating profit		294	4,511	3,637	14,347
Finance costs		(2,902)	(2,672)	(5,344)	(5,623)
Share of profit of equity accounted associates, net of tax		16	1,092	488	2,583
(Loss)/Profit before taxation		(2,592)	2,931	(1,219)	11,307
Income tax expense	18	(1,064)	(1,566)	(3,770)	(4,550)
(Loss)/Profit for the period	19	(3,656)	1,365	(4,989)	6,757
(Loss)/Profit attributable to:					
Owners of the Company		(3,517)	558	(5,731)	5,544
Non-controlling interests		(139)	807	742	1,213
(Loss)/Profit for the period		(3,656)	1,365	(4,989)	6,757
Basic (loss)/earnings per share attributable to owners of the Company (sen)					
	26	(2.88)	0.45	(4.69)	4.47

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	Note	3 months ended 30 June		6 months ended 30 June	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit for the period		(3,656)	1,365	(4,989)	6,757
Other comprehensive (expense)/income, net of tax					
Foreign currency translation differences for foreign operations		1,918	(19)	(6,031)	5,777
Total comprehensive (expense)/income for the period		(1,738)	1,346	(11,020)	12,534
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(1,597)	873	(11,576)	10,684
Non-controlling interests		(141)	473	556	1,850
Total comprehensive (expense)/income for the period		(1,738)	1,346	(11,020)	12,534

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 30 June 2016

	Note	30 June 2016 (Unaudited) RM'000	31 December 2015 (Audited) RM'000
ASSETS			
Property, plant and equipment		169,268	172,609
Investment in associates		67,955	64,800
Intangible assets			
- Goodwill		39,713	34,382
- Trademarks		21,500	21,500
- Franchise fee		1,330	1,439
Deferred tax assets		400	400
Total non-current assets		300,166	295,130
Trade and other receivables		179,556	182,889
Inventories		92,299	96,313
Current tax assets		2,089	1,297
Cash and cash equivalents		50,394	89,526
Total current assets		324,338	370,025
TOTAL ASSETS		624,504	665,155
EQUITY			
Share capital		124,099	124,099
Reserves		155,453	161,468
Total equity attributable to owners of the Company		279,552	285,567
Non-controlling interests		21,004	43,010
TOTAL EQUITY		300,556	328,577
LIABILITIES			
Loans and borrowings	21	39,840	27,952
Deferred tax liabilities		2,861	2,916
Deferred liabilities		2,290	1,939
Provision		4,968	4,850
Total non-current liabilities		49,959	37,657
Trade and other payables		115,895	127,128
Provision		107	107
Loans and borrowings	21	156,276	158,128
Current tax liabilities		1,410	2,200
Deferred liabilities		268	1,120
Derivative liabilities		33	4
Dividend payable		-	10,234
Total current liabilities		273,989	298,921
TOTAL LIABILITIES		323,948	336,578
TOTAL EQUITY AND LIABILITIES		624,504	665,155

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	<--- 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 2016	124,099	35,256	126,212	285,567	43,010	328,577
Other comprehensive expense	-	(5,845)	-	(5,845)	(186)	(6,031)
Loss for the period	-	-	(5,731)	(5,731)	742	(4,989)
Total comprehensive (expense)/income for the period	-	(5,845)	(5,731)	(11,576)	556	(11,020)
Accretion of interest in an existing subsidiary	-	3,335	4,554	7,889	(20,727)	(12,838)
Dilution of interest in an existing subsidiary	-	-	25	25	(25)	-
Issuance of shares to non-controlling interests	-	-	-	-	117	117
Purchase of treasury shares	-	(2,344)	-	(2,344)	-	(2,344)
Transaction costs	-	(9)	-	(9)	-	(9)
Dividend received by non-controlling interests	-	-	-	-	(1,927)	(1,927)
Total transactions with owners of the Company	-	982	4,579	5,561	(22,562)	(17,001)
At 30 June 2016	124,099	30,393	125,060	279,552	21,004	300,556

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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				
At 1 January 2015	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's shares held by a subsidiary	-	1,380	1,234	2,614	-	2,614
Dividend to owners of the Company	-	-	(9,995)	(9,995)	-	(9,995)
Total transactions with owners of the Company	-	1,380	81,709	83,089	11,567	94,656
At 30 June 2015	124,099	24,293	136,117	284,509	38,868	323,377

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2016

	Note	6 months ended 30 June	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(1,219)	11,307
Adjustments for:			
Depreciation of property, plant and equipment		14,780	13,432
Provision for Directors' retirement/resignation benefits		384	336
Property, plant and equipment written off		186	110
Amortisation of franchise fee		109	109
Gain on disposal of property, plant and equipment		(535)	(848)
Interest income		(502)	(436)
Dividend income from money market fund		(81)	(819)
Interest expense		5,344	5,623
Share of profit of equity accounted associates		(488)	(2,583)
Impairment loss on investment properties held for sale		-	1,267
		19,197	16,191
Operating profit before changes in working capital		17,978	27,498
Changes in working capital:			
Inventories		4,102	(25,710)
Trade and other receivables		(149)	(27,257)
Trade and other payables		(18,879)	22,660
Cash generated from/(used in) operations		3,052	(2,809)
Dividend received from associate		1,434	559
Income tax paid		(5,373)	(3,829)
Directors' retirement/resignation benefits paid		(852)	(669)
Net cash used in operating activities		(1,739)	(6,748)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,167	1,432
Purchase of property, plant and equipment		(9,800)	(11,578)
Interest received		502	436
Acquisition of a subsidiary, net of cash and cash equivalents acquired	B	(968)	-
Accretion of interest in an existing subsidiary		(12,838)	(163)
Subscription of shares in an associate		(4,100)	(920)
Dividend received from money market fund		81	819
Proceeds from disposal of shares in an existing subsidiary		-	102,200
Proceeds from disposal of Company's shares held by a subsidiary		-	2,614
Net cash (used in)/generated from investing activities		(25,956)	94,840

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2016 (Cont'd)

	Note	6 months ended 30 June	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		18,510	-
Repayment of term loans		(3,920)	(20,605)
Repayment of finance lease liabilities		(1,511)	(1,364)
Repayment of borrowings (net)		(5,002)	(2,906)
Proceeds from issuance of shares to non-controlling interests		117	-
Purchase of treasury shares	6	(2,353)	-
Interest paid		(5,344)	(5,623)
Dividend paid		(10,234)	(9,995)
Dividend paid to non-controlling interests		(1,927)	-
Net cash used in financing activities		(11,664)	(40,493)
Net (decrease)/increase in cash and cash equivalents		(39,359)	47,599
Cash and cash equivalents at 1 January		71,996	31,858
Effects of exchange differences on cash and cash equivalents		(1,156)	841
Cash and cash equivalents at 30 June	A	31,481	80,298

Note A: Cash and cash equivalents

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

	30 June	30 June
	2016	2015
	RM'000	RM'000
Short term deposit with licensed banks	-	680
Investment in money market fund	8,297	53,478
Cash and bank balances	42,097	43,367
Bank overdrafts	(18,913)	(17,227)
	31,481	80,298

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2016 (Cont'd)

Note B: Acquisition of a subsidiary – Sushi King Co. Ltd

On 12 April 2016, Sushi Kin Sdn Bhd, a 70.35% owned subsidiary of the Company acquired 100% equity interest in Sushi King Co. Ltd for a total purchase consideration of RM1.15 million.

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

	30 June 2016 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	1,149
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,153
Inventories	88
Trade and other receivables	679
Current tax assets	25
Cash and cash equivalents	181
Trade and other payables	(7,308)
Net identifiable liabilities	(4,182)
Net cash flow arising from acquisitions of subsidiaries	
Purchase consideration settled in cash and cash equivalents	(1,149)
Cash and cash equivalents acquired	181
	(968)
Goodwill	
Total consideration transferred	1,149
Fair value of identifiable net liabilities	(4,182)
Goodwill	5,331

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

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 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiatives

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

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases

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

Amendments to MFRS 10	Consolidated Financial Statements
MFRS 128	Investment in Associates and Joint Ventures – Sale or Contribution by Assets between an Investor and its Associate or Joint Venture

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, MFRS 15, Revenue from Contracts with Customers and MFRS 16, Leases 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 2015 was not qualified.

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

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 2016.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2016.

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 2016 other than 1,376,600 of issued ordinary shares were repurchased from the open market at an average price of RM1.71 per share.

7. Dividend paid

The Company had declared and paid the following dividends:-

	Sen per share (Single tier)	Amount RM'000	Date of entitlement	Date of payment
First interim 2016	10.0	12,350	30 December 2015	12 January 2016
Less: Dividend received by a subsidiary		<u>(2,116)</u>		
		<u>10,234</u>		

As Texcorp is a 73.81% owned subsidiary of the Company, the dividend shared by non-controlling interests of Texcorp amounted to RM 554,000.



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

8. Operating segments

Segment information is presented in respect of the Group's business segments, which is based on the Company's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)*		(Restated)*						(Restated)*				(Restated)*			
3 months ended 30 June																
Revenue from external customers	100,352	99,210	49,188	50,340	48,015	35,456	49,764	49,975	268	455	881	1,267	-	-	248,468	236,703
Inter-segment revenue	61	135	49	87	1,765	8,264	-	-	1,230	2,085	2,220	2,923	(5,325)	(13,494)	-	-
Total revenue	100,413	99,345	49,237	50,427	49,780	43,720	49,764	49,975	1,498	2,540	3,101	4,190	(5,325)	(13,494)	248,468	236,703
Profit/(Loss) before share of profit of equity accounted associates, net of tax	2,903	1,289	151	(1,049)	(2,165)	441	(236)	2,914	(1,262)	(925)	(1,999)	(831)			(2,608)	1,839
Share of profit of equity accounted associates, net of tax	-	-	-	-	(43)	-	(837)	(59)	-	-	896	1,151			16	1,092
Profit/(Loss) before tax	2,903	1,289	151	(1,049)	(2,208)	441	(1,073)	2,855	(1,262)	(925)	(1,103)	320			(2,592)	2,931

* The comparative figures have been reclassified and restated to conform with the presentation of current quarter.



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

8. Operating segments

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
	(Restated)*		(Restated)*						(Restated)*				(Restated)*			
6 months ended 30 June																
Revenue from external customers	196,837	206,300	97,593	100,351	101,289	94,648	107,636	110,048	510	629	1,438	1,816	-	-	505,303	513,792
Inter-segment revenue	196	346	104	148	4,040	10,328	-	-	2,726	3,986	5,185	5,935	(12,251)	(20,743)	-	-
Total revenue	197,033	206,646	97,697	100,499	105,329	104,976	107,636	110,048	3,236	4,615	6,623	7,751	(12,251)	(20,743)	505,303	513,792
Profit/(Loss) before share of profit of equity accounted associates, net of tax	4,525	3,373	(1,355)	(1,416)	(3,428)	2,698	4,333	9,869	(2,332)	(2,123)	(3,450)	(3,677)			(1,707)	8,724
Share of profit of equity accounted associates, net of tax	-	-	-	-	(57)	-	(1,415)	(131)	-	-	1,960	2,714			488	2,583
Profit/(Loss) before tax	4,525	3,373	(1,355)	(1,416)	(3,485)	2,698	2,918	9,738	(2,332)	(2,123)	(1,490)	(963)			(1,219)	11,307
Segment assets	139,949	137,837	170,660	172,645	101,401	103,907	116,062	109,703	4,142	5,138	92,290	130,208			624,504	659,438

* The comparative figures have been reclassified and restated to conform with the presentation of current quarter.

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

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 2015.

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 2016

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 2016, 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 2016.

13. Commitments

	30 June 2016 RM'000	31 December 2015 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	7,580	4,202
Approved but not contracted for	921	659
	<u>8,501</u>	<u>4,861</u>

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

- (a) Current quarter compared with previous corresponding quarter

Continuing Operations

The Group recorded revenue of RM248.5 million in Q2 2016 as compared to RM236.7 million in Q2 2015. The Group reported a pre-tax loss of RM2.6 million in Q2 2016 against pre-tax profit of RM2.9 million in Q2 2015 mainly due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q2 2016 was RM100.4 million as compared to RM99.3 million in Q2 2015. The pre-tax profit of RM2.9 million achieved in Q2 2016 was higher than RM1.3 million in Q2 2015 mainly contributed by favorable sales mix even though the revenue was marginally higher by RM1.1 million.

- (ii) Polymer Engineering Division

The revenue recorded in Q2 2016 was RM49.2 million against RM50.4 million in Q2 2015. The pre-tax profit achieved in Q2 2016 was RM0.15 million as compared to pre-tax loss of RM1.0 million in Q2 2015 as the Division steadily turned around.

- (iii) Food Division

The revenue recorded for Q2 2016 was RM49.8 million against RM43.7 million in Q2 2015. The Division incurred pre-tax loss of RM2.2 million against pre-tax profit of RM0.4 million in Q2 2015 mainly due to poor landing of raw materials while selling prices was pressured down due to weaker global demand.

- (iv) Restaurant Division

The revenue recorded for Q2 2016 was RM49.8 million against RM50.0 million in Q2 2015. The Division incurred pre-tax loss of RM0.2 million against pre-tax profit of RM2.9 million mainly due to temporary closure of 10 outlets for refurbishment in June 2016, lower sales recorded due to soft retail market condition in Malaysia and losses consolidated for newly acquired subsidiary, Sushi King Co. Ltd.

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

Continuing Operations

The Group recorded revenue of RM505.3 million as compared to RM513.8 million in H1 2015. The Group reported a pre-tax loss of RM1.2 million in H1 2016 against RM11.3 million in H1 2015 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in H1 2016 was RM197.0 million as compared to RM206.6 million in H1 2015. Higher pre-tax profit of RM4.5 million was achieved in H1 2016 against RM3.4 million in H1 2015 mainly contributed by favorable sales mix of higher margin products even though the revenue was lower by RM9.6 million.

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 H1 2016 was RM97.7 million against RM100.5 million in H1 2015. The Division incurred pre-tax loss of approximately RM1.4 million for both H1 2016 and H1 2015 mainly due to slow down in the hard disk drive and data storage industry, while medical and life science sector which draws higher gross margins picked up in Q2 2016.

(iii) Food Division

The revenue recorded for H1 2016 was RM105.3 million against RM105.0 million in H1 2015. The Division incurred pre-tax loss of RM3.4 million against pre-tax profit of RM2.7 million in H1 2015 mainly due to foreign exchange loss of RM1.6 million incurred in H1 2016 compared with foreign exchange gain of RM0.8 million in H1 2015. The losses in H1 2016 was also due to low raw materials landing experienced in H1 2016 coupled with soft selling price of finished products arising from weak global market condition.

(iv) Restaurant Division

The revenue recorded for H1 2016 was RM107.6 million against RM110.0 million in H1 2015. The Division achieved pre-tax profit of RM4.3 million against pre-tax profit of RM9.9 million in H1 2015 mainly due to temporary closure of 10 outlets for refurbishment in June 2016, lower sales recorded due to soft retail market condition in Malaysia and losses consolidated for newly acquired subsidiary, Sushi King Co. Ltd.

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 2016 RM'000	Quarter 1 2016 RM'000	Variance RM'000	%
Revenue from continuing operations	248,468	256,835	(8,367)	(3.26%)
(Loss)/Profit before taxation from continuing operations	(2,592)	1,373	(3,965)	(288.78%)

The pre-tax loss of RM2.6 million in Q2 2016 was lower than the preceding quarter by RM4.0 million mainly due to various factors as explained above.

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 2016

The business environment for 2016 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 after suffering the negative impact of Goods and Services Tax in the second half of 2015. Similarly, the Food Division is expected to operate in a more favorable environment moving forward as seafood landing and demand influence the business positively in the following months. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
- current period	379	1,491	2,343	4,168
Foreign tax expense				
- current period	783	136	1,481	403
	1,162	1,627	3,824	4,571
Deferred tax expense				
- current period	(98)	(61)	(54)	(21)
	1,064	1,566	3,770	4,550

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	
	2016	30 June	2016	30 June
	RM'000	2015	RM'000	2015
		RM'000		RM'000
Interest income	(487)	(53)	(502)	(436)
Interest expense	2,902	2,672	5,344	5,623
Depreciation of property, plant and equipment	7,597	6,839	14,780	13,432
Impairment/(Reversal) of impairment loss on trade receivables	60	(21)	48	(36)
Inventories written down	239	289	37	476
Gain on disposal of property, plant and equipment	(264)	(110)	(535)	(848)
Property, plant and equipment written off	172	107	186	110
(Gain)/Loss on foreign exchange	(663)	285	2,839	704
Impairment loss on investment properties held for sale	-	-	-	1,267
Amortisation of franchise fee	54	54	109	109
Provision for Directors' retirement/resignation benefits	187	140	384	336
Dividend income from investment in money market fund	(75)	(819)	(81)	(819)
Insurance claim	(288)	-	(345)	-

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.

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**B. 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.

C. An extension of time granted by the Penang High Court to Texchem Corporation Sdn. Bhd. ("Texcorp"), a 73.81% owned subsidiary of the Company, 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 17.31% 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 an extension of time of twelve (12) months from 17 May 2015 to 16 May 2016 to dispose of all its shareholding in the Company in order to comply with the requirement of Section 17 of the Act.

On 29 April 2016, 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 2016 to dispose of the TRB Shares 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 2017. 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.

D. Restructuring Exercise of the Polymer Engineering Division of Texchem Resources Bhd. Group

On 8 June 2016, the Company announced that the Company had entered into Share Sale Agreements with Texchem-Pack Holdings (S) Ltd. ("TXPHS"), a wholly-owned subsidiary of the Company, to acquire:

(a) The entire equity interest in Texchem-Pack (M) Bhd. ("TXPM"), Texchem Life Sciences Sdn. Bhd. ("TLS"), Eye Graphic Sdn. Bhd. ("EG"), Texchem Polymer Sdn. Bhd. ("TXPO") and Texchem Polymer Engineering Sdn. Bhd. ("TPE"); and

(b) 50% equity interest and 50% of 7% cumulative redeemable preference shares in GMMI Texchem Sdn. Bhd.

for a total consideration of RM35,331,655.00 only.

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
D. Restructuring Exercise of the Polymer Engineering Division of Texchem Resources Bhd. Group (Cont'd)

TLS, a wholly-owned subsidiary of TXPHS, had on 8 June 2016 also entered into a Share Sale Agreement (“SSA”) with Texchem Materials Sdn. Bhd. (“Texmat”), a wholly-owned subsidiary of the Company, to dispose of the entire equity interest in Lifeon Asia Sdn. Bhd., a wholly-owned subsidiary of TLS, to Texmat for a total cash consideration of RM2.00 only.

On 21 June 2016, the Company issued a Nomination Letter to TXPHS nominating TPE to be the purchaser of the entire equity interest in TLS based on the same terms and conditions of the SSA. TPE had agreed to accept the Company’s nomination and agreed to be bound by the terms and conditions under the SSA. TXPHS had confirmed acceptance of the aforesaid nomination.

On 30 June 2016, the Company further announced that the Company had entered into Share Sale Agreements with TPE, to dispose of the entire equity interest of its subsidiaries, namely TXPM and EG, to TPE for a total consideration of RM24,200,000.00. On the same date, TPE had entered into Share Sale Agreements with TXPM to acquire the entire equity interest of the subsidiaries of TXPM, namely Texchem-Pack (Johor) Sdn. Bhd., Texchem-Pack (PP) Sdn. Bhd., Texchem-Pack (Thailand) Co. Ltd. and Texchem-Pack (Vietnam) Co., Ltd. for a total consideration of RM40,370,357.00.

E. Joint Venture between Texchem Restaurant Systems Sdn. Bhd., a wholly-owned subsidiary of Texchem Resources Bhd., and Kokubu Group Corporation

On 31 March 2016, the Company announced that Texchem Restaurant Systems Sdn. Bhd. (“TRSSB”), a wholly-owned subsidiary of the Company, had entered into a Joint Venture Agreement with Kokubu Group Corp. (“Kokubu”), a company incorporated in Japan, to establish and operate a joint venture company, namely Kokubu Food Logistics Malaysia Sdn. Bhd. (“KFLM”), in Malaysia for the primary purpose of undertaking food logistics, inventory management, handling of sales orders and warehouses operations.

On 23 June 2016, the Company announced that TRSSB had received the Certificate of Incorporation of Private Company (Form 9) dated 21 June 2016 evidencing the incorporation of KFLM under the Companies Act, 1965 on 21 June 2016.

Upon incorporation of KFLM, TRSSB and Kokubu had subscribed for one share each in the initial paid-up share capital of KFLM. The intended equity participation in KFLM shall be in the following ratio:

<u>Shareholder</u>	<u>Ratio</u>
TRSSB	51%
Kokubu	49%

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

	30 June 2016 RM'000	31 December 2015 RM'000
Unsecured		
Current:		
Bank overdrafts	18,913	17,530
Bankers' acceptances	50,489	53,312
Revolving credit	51,952	54,354
Term loans	7,944	6,248
Trust receipts	12,495	9,367
Finance lease liabilities	2,167	2,152
Other borrowings	12,316	15,165
Total	156,276	158,128
Non-current:		
Term loans	27,584	14,689
Finance lease liabilities	5,256	4,929
Other borrowings	7,000	8,334
Total	39,840	27,952

Loans and borrowings denominated in foreign currencies are as follows:

	30 June 2016 RM'000	31 December 2015 RM'000
Unsecured		
Current:		
Thai Baht	5,274	6,736
Singapore Dollar	2,342	106
Vietnamese Dong	7,394	8,285
United States Dollar	11,689	15,275
	26,699	30,402
Non-current:		
Thai Baht	44	64
Vietnamese Dong	253	97
	297	161

22. Derivative financial instruments

As at 30 June 2016, the Group has the following outstanding derivative financial instrument:

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value-Net Gains RM'000
Forward exchange contracts			
- Receivables	4,817	4,850	33
			33

For six months ended 30 June 2016, 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.

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**
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 2016.

25. Dividends

No dividend has been proposed or declared for the quarter ended 30 June 2016.

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		3 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period attributable to owners of the Company	(3,517)	558	(5,731)	5,544
Weighted average number of ordinary shares in issue*	122,135	124,099	122,135	124,099
Basic (loss)/earnings per share (sen)	(2.88)	0.45	(4.69)	4.47

***Weighted average number of ordinary shares:**

In thousands of shares	30 June 2016	30 June 2015
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(1,964)	-
Weighted average number of ordinary shares	<u>122,135</u>	<u>124,099</u>

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**
27. Realised and Unrealised Profits/(Losses)

	30 June 2016 RM'000	31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	85,920	93,874
Unrealised	17,428	16,557
	103,348	110,431
 Total share of retained earnings/(accumulated losses) from associates and joint venture:		
Realised	224	(1,970)
Unrealised	28,592	28,592
	28,816	26,622
	132,164	137,053
Less: Consolidation adjustments	(7,104)	(10,841)
 Total Group retained earnings	125,060	126,212

BY ORDER OF THE BOARD

**TAN PENG LAM
CHIEF FINANCIAL OFFICER
Date: 27 July 2016**