



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

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

	Note	3 months ended 30 September		9 months ended 30 September	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing Operations					
Revenue	8	258,766	262,480	764,069	776,272
Cost of sales		(198,103)	(208,507)	(579,416)	(593,700)
Gross profit		60,663	53,973	184,653	182,572
Distribution costs		(39,144)	(36,942)	(116,668)	(110,462)
Administrative expenses		(26,899)	(29,344)	(82,538)	(82,402)
Other expenses		-	(613)	(234)	(1,880)
Other income		6,262	17,868	19,306	31,461
Operating profit		882	4,942	4,519	19,289
Finance costs		(2,483)	(2,286)	(7,827)	(7,909)
Share of profit of equity accounted associates, net of tax		1,323	575	1,811	3,158
(Loss)/Profit before taxation		(278)	3,231	(1,497)	14,538
Income tax expense	18	(1,432)	(2,441)	(5,202)	(6,991)
(Loss)/Profit for the period	19	(1,710)	790	(6,699)	7,547
(Loss)/Profit attributable to:					
Owners of the Company		(2,329)	1,647	(8,060)	7,191
Non-controlling interests		619	(857)	1,361	356
(Loss)/Profit for the period		(1,710)	790	(6,699)	7,547
Basic (loss)/earnings per share attributable to owners of the Company (sen)					
	26	(1.91)	1.33	(6.61)	5.79

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 nine months ended 30 September 2016

	Note	3 months ended 30 September		9 months ended 30 September	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit for the period		(1,710)	790	(6,699)	7,547
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations		1,859	12,279	(4,172)	18,056
Total comprehensive income/(expense) for the period		149	13,069	(10,871)	25,063
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(473)	12,955	(12,049)	23,639
Non-controlling interests		622	114	1,178	1,964
Total comprehensive income/(expense) for the period		149	13,069	(10,871)	25,603

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 September 2016

	Note	30 September 2016 (Unaudited) RM'000	31 December 2015 (Audited) RM'000
ASSETS			
Property, plant and equipment		172,027	172,609
Investment in associates		68,658	64,800
Intangible assets			
- Goodwill		39,713	34,382
- Trademarks		21,500	21,500
- Franchise fee		1,275	1,439
Deferred tax assets		400	400
Total non-current assets		303,573	295,130
Trade and other receivables		184,072	182,889
Inventories		79,670	96,313
Current tax assets		2,851	1,297
Cash and cash equivalents		57,301	89,526
Total current assets		323,894	370,025
TOTAL ASSETS		627,467	665,155
EQUITY			
Share capital		124,099	124,099
Reserves		154,955	161,468
Total equity attributable to owners of the Company		279,054	285,567
Non-controlling interests		20,814	43,010
TOTAL EQUITY		299,868	328,577
LIABILITIES			
Loans and borrowings	21	38,811	27,952
Deferred tax liabilities		2,692	2,916
Deferred liabilities		2,528	1,939
Provision		5,131	4,850
Total non-current liabilities		49,162	37,657
Trade and other payables		118,826	127,128
Provision		58	107
Loans and borrowings	21	157,441	158,128
Current tax liabilities		1,754	2,200
Deferred liabilities		312	1,120
Derivative liabilities		46	4
Dividend payable		-	10,234
Total current liabilities		278,437	298,921
TOTAL LIABILITIES		327,599	336,578
TOTAL EQUITY AND LIABILITIES		627,467	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 nine months ended 30 September 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	-	(3,989)	-	(3,989)	(183)	(4,172)
Loss for the period	-	-	(8,060)	(8,060)	1,361	(6,699)
Total comprehensive (expense)/income for the period	-	(3,989)	(8,060)	(12,049)	1,178	(10,871)
Accretion of interest in existing subsidiaries	-	3,373	4,554	7,927	(19,456)	(11,529)
Dilution of interest in an existing subsidiary	-	-	25	25	(25)	-
Issuance of shares to non-controlling interests	-	-	-	-	705	705
Purchase of treasury shares	-	(2,401)	-	(2,401)	-	(2,401)
Transaction costs	-	(15)	-	(15)	-	(15)
Dividend received by non-controlling interests	-	-	-	-	(4,598)	(4,598)
Total transactions with owners of the Company	-	957	4,579	5,536	(23,374)	(17,838)
At 30 September 2016	124,099	32,224	122,731	279,054	20,814	299,868

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 nine months ended 30 September 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	-	16,448	-	16,448	1,608	18,056
Profit for the period	-	-	7,191	7,191	356	7,547
Total comprehensive income for the period	-	16,448	7,191	23,639	1,964	25,603
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	-	3,450	3,679	7,129	1,305	8,434
Dividends	-	-	(15,141)	(15,141)	-	(15,141)
Dividends shared by non-controlling interest of a subsidiary	-	-	(910)	(910)	910	-
Total transactions with owners of the Company	-	3,450	78,098	81,548	13,782	95,330
At 30 September 2015	124,099	37,671	134,153	295,923	41,197	337,120

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 nine months ended 30 September 2016

	Note	9 months ended 30 September	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(1,497)	14,538
Adjustments for:			
Depreciation of property, plant and equipment		21,532	20,568
Provision for Directors' retirement/resignation benefits		608	510
Property, plant and equipment written off		310	474
Amortisation of franchise fee		164	164
Gain on disposal of property, plant and equipment		(800)	(1,243)
Interest income		(554)	(419)
Dividend income from investment in money market fund		(96)	(973)
Interest expense		7,827	7,909
Share of profit of equity accounted associates		(1,811)	(3,158)
Impairment loss on investment properties held for sale		-	1,267
		27,180	25,099
Operating profit before changes in working capital		25,683	39,637
Changes in working capital:			
Inventories		16,731	(23,648)
Trade and other receivables		(3,051)	(43,378)
Trade and other payables		(16,099)	22,871
Cash generated from/(used in) operations		23,264	(4,518)
Dividend received from associate		1,434	559
Income tax paid		(7,397)	(6,356)
Directors' retirement/resignation benefits paid		(808)	(662)
Net cash generated from/(used in) operating activities		16,493	(10,977)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,741	2,064
Purchase of property, plant and equipment		(16,225)	(16,924)
Interest received		554	419
Acquisition of subsidiaries, net of cash and cash equivalents acquired		456	-
Accretion of interest in an existing subsidiary	B	(12,838)	(163)
Subscription of shares in associates		(5,080)	(2,200)
Dividend received from money market fund		96	973
Proceeds from disposal of shares in an existing subsidiary		-	102,200
Proceeds from disposal of Company's shares held by a subsidiary		-	8,434
Net cash (used in)/generated from investing activities		(31,296)	94,803

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the nine months ended 30 September 2016 (Cont'd)

	Note	9 months ended 30 September	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		20,802	-
Repayment of term loans		(6,163)	(21,503)
Repayment of finance lease liabilities		(2,127)	(1,823)
Repayment of borrowings (net)		(4,718)	(21,175)
Proceeds from issuance of shares to non-controlling interests		705	-
Purchase of treasury shares	6	(2,416)	-
Interest paid		(7,827)	(7,909)
Dividend paid		(10,234)	(15,141)
Dividend paid to non-controlling interests		(4,598)	-
Net cash used in financing activities		(16,576)	(67,551)
Net (decrease)/increase in cash and cash equivalents		(31,379)	16,275
Cash and cash equivalents at 1 January		71,996	31,858
Effects of exchange differences on cash and cash equivalents		(844)	2,912
Cash and cash equivalents at 30 September	A	39,773	51,045

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 September 2016 RM'000	30 September 2015 RM'000
Short term deposit with licensed banks	-	720
Investment in money market fund	-	21,453
Cash and bank balances	57,301	47,134
Bank overdrafts	(17,528)	(18,262)
	39,773	51,045

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

Note B: Acquisition of subsidiaries

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.

On 1 September 2016, Texchem Restaurant Systems Sdn Bhd ("TRSSB"), a wholly-owned subsidiary of the Company, had acquired additional 11% equity interest in D&N Coffee and Restaurant Malaysia Sdn Bhd ("D&N") for a total purchase consideration of RM673,500. Prior to the acquisition, D&N was an equity-accounted associate with 40% equity interest held by TRSSB. Consequent to this acquisition, D&N became a 51% owned subsidiary of TRSSB.

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

	30 September 2016 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	<u>1,823</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,433
Inventories	88
Trade and other receivables	1,002
Current tax assets	25
Cash and cash equivalents	2,279
Trade and other payables	<u>(7,225)</u>
Net identifiable liabilities	<u>(1,398)</u>
Net cash flow arising from acquisitions of subsidiaries	
Purchase consideration settled in cash and cash equivalents	(1,823)
Cash and cash equivalents acquired	<u>2,279</u>
	<u>456</u>
Goodwill	
Total consideration transferred	1,823
Fair value of identifiable net liabilities	1,398
Non-controlling interests	1,310
Transfer from investment in associate	<u>800</u>
Goodwill	<u>5,331</u>

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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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 cyclical 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 2016.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and nine months ended 30 September 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 nine months ended 30 September 2016 other than 1,416,500 of issued ordinary shares were repurchased from the open market at an average price of RM1.70 per share for the nine months ended 30 September 2016.

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 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)*			
3 months ended 30																
September																
Revenue from external customers	94,023	113,512	50,588	52,816	57,111	45,082	56,616	49,870	209	386	219	814	-	-	258,766	262,480
Inter-segment revenue	128	83	84	50	1,273	1	-	-	1,833	1,485	2,923	2,904	(6,241)	(4,523)	-	-
Total revenue	94,151	113,595	50,672	52,866	58,384	45,083	56,616	49,870	2,042	1,871	3,142	3,718	(6,241)	(4,523)	258,766	262,480
Profit/(Loss) before share of profit of equity accounted associates, net of tax	2,102	1,709	847	1,579	(3,136)	975	1,906	1,147	(1,112)	(1,254)	(2,208)	(1,500)			(1,601)	2,656
Share of profit of equity accounted associates, net of tax	-	-	-	-	(16)	-	(551)	(246)	-	-	1,890	821			1,323	575
Profit/(Loss) before tax	2,102	1,709	847	1,579	(3,152)	975	1,355	901	(1,112)	(1,254)	(318)	(679)			(278)	3,231

* 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)*			
9 months ended 30																
September																
Revenue from external customers	290,860	319,812	148,181	153,167	158,400	139,730	164,252	159,918	719	1,015	1,657	2,630	-	-	764,069	776,272
Inter-segment revenue	324	429	188	198	5,313	10,329	-	-	4,559	5,471	8,108	8,839	(18,492)	(25,266)	-	-
Total revenue	291,184	320,241	148,369	153,365	163,713	150,059	164,252	159,918	5,278	6,486	9,765	11,469	(18,492)	(25,266)	764,069	776,272
Profit/(Loss) before share of profit of equity accounted associates, net of tax	6,627	5,082	(508)	163	(6,564)	3,673	6,239	11,016	(3,444)	(3,377)	(5,658)	(5,177)			(3,308)	11,380
Share of profit of equity accounted associates, net of tax	-	-	-	-	(73)	-	(1,966)	(377)	-	-	3,850	3,535			1,811	3,158
Profit/(Loss) before tax	6,627	5,082	(508)	163	(6,637)	3,673	4,273	10,639	(3,444)	(3,377)	(1,808)	(1,642)			(1,497)	14,538
Segment assets	137,958	147,892	175,473	178,116	94,881	121,477	123,732	105,207	3,710	4,704	91,713	100,850			627,467	658,246

* 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 nine months ended 30 September 2016

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

13. Commitments

	30 September 2016 RM'000	31 December 2015 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	6,853	4,202
Approved but not contracted for	710	659
	<u>7,563</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 RM258.8 million in Q3 2016 as compared to RM262.5 million in Q3 2015. The Group reported a pre-tax loss of RM0.28 million in Q3 2016 against pre-tax profit of RM3.2 million in Q3 2015 mainly due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q3 2016 was RM94.2 million as compared to RM113.6 million in Q3 2015. The pre-tax profit of RM2.1 million achieved in Q3 2016 was higher than RM1.7 million in Q3 2015 mainly contributed by favorable sales mix of higher margin products even though the revenue was lower by RM19.4 million.

- (ii) Polymer Engineering Division

The revenue recorded in Q3 2016 was RM50.7 million against RM52.9 million in Q3 2015. The pre-tax profit achieved in Q3 2016 was RM0.85 million as compared to pre-tax profit of RM1.6 million in Q3 2015.

- (iii) Food Division

The revenue recorded for Q3 2016 was RM58.4 million against RM45.1 million in Q3 2015. The Division incurred pre-tax loss of RM3.1 million against pre-tax profit of RM0.98 million in Q3 2015 mainly due to reduction of global selling prices of key products.

- (iv) Restaurant Division

The revenue recorded for Q3 2016 was RM56.6 million against RM49.9 million in Q3 2015. However, the Division achieved slightly higher pre-tax profit of RM1.4 million against pre-tax profit of RM0.9 million mainly due to losses incurred by certain subsidiaries.

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

Continuing Operations

The Group recorded revenue of RM764.1 million as compared to RM776.3 million in YTD Q3 2015. The Group reported a pre-tax loss of RM1.5 million in YTD Q3 2016 against pre-tax profit of RM14.5 million in YTD Q3 2015 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in YTD Q3 2016 was RM291.2 million as compared to RM320.2 million in YTD Q2 2015. Higher pre-tax profit of RM6.6 million was achieved in YTD Q3 2016 against RM5.1 million in YTD Q3 2015 mainly contributed by favorable sales mix of higher margin products even though the revenue was lower by RM29 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 nine (9) months financial period compared with previous corresponding financial period (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for YTD Q3 2016 was RM148.4 million against RM153.4 million in YTD Q3 2015. The Division incurred pre-tax loss of RM0.5 million for YTD Q3 2016 against pre-tax profit of RM0.16 million in YTD Q3 2015.

(iii) Food Division

The revenue recorded for YTD Q3 2016 was RM163.7 million against RM150.1 million in YTD Q3 2015. The Division incurred pre-tax loss of RM6.6 million against pre-tax profit of RM3.7 million in YTD Q3 2015 mainly due to reduction of global selling prices of key products.

(iv) Restaurant Division

The revenue recorded for YTD Q3 2016 was RM164.3 million against RM159.9 million in YTD Q3 2015. The Division achieved pre-tax profit of RM4.3 million against pre-tax profit of RM10.6 million in YTD Q3 2015 mainly due to losses incurred by certain subsidiaries.

15. Variation of results against preceding quarter

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

	Quarter 3 2016 RM'000	Quarter 2 2016 RM'000	Variance RM'000	%
Revenue from continuing operations	258,766	248,468	10,298	4.14%
Loss before taxation from continuing operations	(278)	(2,592)	2,314	89.27%

The pre-tax loss of RM0.3 million in Q3 2016 was lower than the preceding quarter by RM2.6 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 in tandem with approaching festive seasons. 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		9 months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
- current period	1,818	1,434	4,161	5,602
- prior period	(978)	490	(978)	490
Foreign tax expense				
- current period	761	324	2,242	727
- prior period	-	28	-	28
	1,601	2,276	5,425	6,847
Deferred tax expense				
- current period	(169)	69	(223)	48
- prior period		96		96
	1,432	2,441	5,202	6,991

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 30 September		9 months ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	(52)	-	(554)	(419)
Interest expense	2,483	2,286	7,827	7,909
Depreciation of property, plant and equipment	6,752	7,136	21,532	20,568
Impairment on trade receivables	9	625	57	589
Inventories written down	73	189	110	665
Gain on disposal of property, plant and equipment	(265)	(395)	(800)	(1,243)
Property, plant and equipment written off	124	364	310	474
(Gain)/Loss on foreign exchange	(924)	(481)	1,915	223
Impairment loss on investment properties held for sale	-	-	-	1,267
Amortisation of franchise fee	55	55	164	164
Provision for Directors' retirement/ resignation benefits	224	174	608	510
Dividend income from investment in money market fund	(15)	(154)	(96)	(973)
Insurance claim	(25)	(9,453)	(370)	(9,453)

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").

TXPKL will be dissolved on 28 October 2016.

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 ("Corporate Exercise"). Pending the disposal of the TRB Shares, Texcorp shall have no right to vote at meetings of the Company or any class of the Company's members.

There is no further development on the Corporate Exercise 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**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.

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.

The completion of the PED Restructuring is pending as at todate.

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.

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**E. Joint Venture between Texchem Restaurant Systems Sdn. Bhd., a wholly-owned subsidiary of Texchem Resources Bhd., and Kokubu Group Corporation (Cont'd)**

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.

On 24 August 2016, the Company announced that TRSSB had subscribed for an additional 611,999 ordinary shares of RM1 each in KFLM at par value for cash at a total consideration of RM611,999.00 ("Subscription").

The Subscription was completed on 24 August 2016 upon which KFLM became a 51% owned subsidiary of TRSSB.

F. Acquisition of the entire charter capital of Sushi King Company Limited by Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of TRSSB

On 22 August 2016, the Company announced that Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of TRSSB which in turn is a 100% owned subsidiary of the Company, was on 22 August 2016 notified by its agent in Vietnam that the Department of Planning and Investment of Ho Chi Minh had on 12 August 2016 issued an Investment Registration Certificate to Sushi Kin Sdn. Bhd., being the sole foreign investor in Sushi King Company Limited.

The registration process of the aforesaid acquisition was completed on 12 August 2016.

G. Member's Voluntary Winding Up of Alaya Asia Sdn. Bhd.

On 30 August 2016 and 30 September 2016, the Company announced that Alaya Asia Sdn. Bhd., a wholly-owned subsidiary of Eye Graphic Sdn. Bhd. which in turn is wholly-owned by Texchem Polymer Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 31 August 2016 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 pending as at todate.

H. Further Subscription of 673,500 ordinary shares of RM1.00 each in D&N Coffee and Restaurant Malaysia Sdn. Bhd. by TRSSB, a wholly-owned subsidiary of the Company

On 1 September 2016, the Company announced that TRSSB, a wholly-owned subsidiary of the Company, had on 1 September 2016 subscribed for an additional 673,500 ordinary shares of RM1.00 each in D&N Coffee and Restaurant Malaysia Sdn. Bhd., at par value for cash at a total consideration of RM673,500.00 ("Further Subscription").

The Further Subscription was completed on 1 September 2016 upon which D&N Coffee and Restaurant Malaysia Sdn. Bhd. became a 51% owned subsidiary of TRSSB.

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
I. Proposed Disposal to Fumakilla Limited (“FJ”) of the following:

- (I) **22,704,640 ordinary shares of RM1.00 each in Fumakilla Asia Sdn. Bhd. (“FASB”), representing 30% equity interest in FASB (“FASB Sale Shares”), for a cash consideration of RM61.5 million; and**
- (II) **441 ordinary shares of USD5,000 each in PT Fumakilla Nomos (“PTFN”), representing 26.36% equity interest in PTFN (“PTFN Sale Shares”), for a cash consideration of RM19 million (collectively referred to as “Proposed Disposal”)**

On 13 October 2016, the Company announced that the Company had on 13 October 2016 entered into the following two share sale agreements with FJ:

- (a) A Shares Sale Agreement in relation to the proposed disposal of the FASB Sale Shares, for a cash consideration of RM61.5 million; and
- (b) A Conditional Sale and Purchase of Shares Agreement in relation to the proposed disposal of the PTFN Sale Shares, for a cash consideration of RM19 million,

for a total cash consideration of RM80.5 million.

On 18 October 2016 and 21 October 2016, the Company made further announcement providing additional information in relation to the Proposed Disposal.

A circular to the shareholders setting out the details of the Proposed Disposal and the notice to convene an Extraordinary General Meeting of the Company will be dispatched to the shareholders in due course.

21. Loans and borrowings

	30 September 2016 RM’000	31 December 2015 RM’000
Unsecured		
Current:		
Bank overdrafts	17,528	17,530
Bankers’ acceptances	47,749	53,312
Revolving credit	56,703	54,354
Term loans	8,912	6,248
Trust receipts	12,483	9,367
Finance lease liabilities	2,426	2,152
Other borrowings	11,640	15,165
Total	157,441	158,128
Non-current:		
Term loans	26,665	14,689
Finance lease liabilities	5,813	4,929
Other borrowings	6,333	8,334
Total	38,811	27,952

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

Loans and borrowings denominated in foreign currencies are as follows:

	30 September 2016 RM'000	31 December 2015 RM'000
Unsecured		
Current:		
Thai Baht	3,828	6,736
Singapore Dollar	4,010	106
Vietnamese Dong	5,744	8,285
United States Dollar	12,601	15,275
	<u>26,183</u>	<u>30,402</u>
Non-current:		
Thai Baht	34	64
Vietnamese Dong	256	97
	<u>290</u>	<u>161</u>

22. Derivative financial instruments

As at 30 September 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	3,172	3,218	46
			<u>46</u>

For nine months ended 30 September 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.

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 2016.

25. Dividends

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

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		9 months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period attributable to owners of the Company	(2,329)	1,647	(8,060)	7,191
Weighted average number of ordinary shares in issue*	122,000	124,099	122,000	124,099
Basic (loss)/earnings per share (sen)	(1.91)	1.33	(6.61)	5.79

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

In thousands of shares	30 September 2016	30 September 2015
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(2,099)	-
Weighted average number of ordinary shares	122,000	124,099

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 September 2016 RM'000	31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	75,662	93,874
Unrealised	18,438	16,557
	94,100	110,431
 Total share of retained earnings/(accumulated losses) from associates and joint venture:		
Realised	1,548	(1,970)
Unrealised	28,592	28,592
	30,140	26,622
	124,240	137,053
Less: Consolidation adjustments	(1,509)	(10,841)
 Total Group retained earnings	122,731	126,212

BY ORDER OF THE BOARD

TAN PENG LAM
GROUP CHIEF FINANCIAL OFFICER
Date: 27 October 2016