



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2016

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and twelve months ended 31 December 2016

	Note	3 months ended 31 December		12 months ended 31 December	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing Operations					
Revenue	8	271,898	279,153	1,035,967	1,055,425
Cost of sales		(204,288)	(212,532)	(783,704)	(806,232)
Gross profit		67,610	66,621	252,263	249,193
Distribution costs		(35,793)	(28,321)	(152,461)	(138,783)
Administrative expenses		(39,985)	(35,132)	(122,523)	(117,534)
Other expenses		-	(169)	(234)	(2,049)
Other income		25,961	7,442	45,267	38,903
Operating profit		17,793	10,441	22,312	29,730
Finance costs		(2,444)	(2,001)	(10,271)	(9,910)
Share of (loss)/profit of equity accounted associates, net of tax		(355)	431	1,456	3,589
Profit before taxation		14,994	8,871	13,497	23,409
Income tax expense	18	(3,305)	(4,408)	(8,507)	(11,399)
Profit for the year	19	11,689	4,463	4,990	12,010
Profit attributable to:					
Owners of the Company		11,351	2,848	3,291	10,039
Non-controlling interests		338	1,615	1,699	1,971
Profit for the year		11,689	4,463	4,990	12,010
Basic earnings per share attributable to owners of the Company (sen)	26	9.31	2.30	2.70	8.09

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 twelve months ended 31 December 2016

	Note	3 months ended 31 December		12 months ended 31 December	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year		11,689	4,463	4,990	12,010
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations		6,586	(1,094)	2,414	16,962
Total comprehensive income for the year		18,275	3,369	7,404	28,972
Total comprehensive income attributable to:					
Owners of the Company		17,511	2,110	5,462	25,749
Non-controlling interests		764	1,259	1,942	3,223
Total comprehensive income for the year		18,275	3,369	7,404	28,972

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 31 December 2016

	Note	31 December 2016 (Unaudited) RM'000	31 December 2015 (Audited) RM'000
ASSETS			
Property, plant and equipment		178,527	172,609
Investment in associates		4,364	64,800
Intangible assets			
- Goodwill		39,713	34,382
- Trademarks		21,500	21,500
- Franchise fee		1,221	1,439
Deferred tax assets		901	400
Total non-current assets		246,226	295,130
Trade and other receivables		189,653	182,889
Inventories		77,512	96,313
Current tax assets		2,006	1,297
Cash and cash equivalents		122,888	89,526
Total current assets		392,059	370,025
TOTAL ASSETS		638,285	665,155
EQUITY			
Share capital		124,099	124,099
Reserves		161,875	161,468
Total equity attributable to owners of the Company		285,974	285,567
Non-controlling interests		22,133	43,010
TOTAL EQUITY		308,107	328,577
LIABILITIES			
Loans and borrowings	21	28,654	27,952
Deferred tax liabilities		3,840	2,916
Deferred liabilities		2,593	1,939
Provision		5,402	4,850
Total non-current liabilities		40,489	37,657
Trade and other payables		137,600	127,128
Provision		171	107
Loans and borrowings	21	140,894	158,128
Current tax liabilities		607	2,200
Deferred liabilities		356	1,120
Derivative liabilities		6	4
Dividend payable		10,055	10,234
Total current liabilities		289,689	298,921
TOTAL LIABILITIES		330,178	336,578
TOTAL EQUITY AND LIABILITIES		638,285	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 twelve months ended 31 December 2016

	<--- Attributable to owners of the Company --->					
	Share Capital RM'000	Non-distributable Share premium & other capital reserves RM'000	Distributable Retained earnings RM'000	Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2016	124,099	35,256	126,212	285,567	43,010	328,577
Other comprehensive income	-	2,171	-	2,171	243	2,414
Profit for the year	-	-	3,291	3,291	1,699	4,990
Total comprehensive income for the year	-	2,171	3,291	5,462	1,942	7,404
Accretion of interest in existing subsidiaries	-	3,335	4,554	7,889	(20,727)	(12,838)
Accretion of interest in an existing associate	-	(20)	150	130	1,180	1,310
Dilution of interest in an existing subsidiary	-	-	25	25	(25)	-
Issuance of shares to non-controlling interests	-	-	-	-	797	797
Purchase of treasury shares	-	(2,475)	-	(2,475)	-	(2,475)
Transaction costs of treasury shares	-	(15)	-	(15)	-	(15)
Transfer of legal reserve	-	(83)	83	-	-	-
Transfer of exchange translation reserve	-	(2,541)	2,541	-	-	-
Dividends	-	-	(10,055)	(10,055)	-	(10,055)
Dividend shared by non-controlling interests of a subsidiary (Note 7)	-	-	(554)	(554)	(4,044)	(4,598)
Total transactions with owners of the Company	-	(1,799)	(3,256)	(5,055)	(22,819)	(27,874)
At 31 December 2016	124,099	35,628	126,247	285,974	22,133	308,107

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 twelve months ended 31 December 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	-	15,710	-	15,710	1,252	16,962
Profit for the year	-	-	10,039	10,039	1,971	12,010
Total comprehensive income for the year	-	15,710	10,039	25,749	3,223	28,972
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
Purchase of treasury shares	-	(1,670)	-	(1,670)	-	(1,670)
Transaction costs of treasury shares	-	(7)	-	(7)	-	(7)
Dividends	-	-	(25,376)	(25,376)	-	(25,376)
Dividends shared by non-controlling interest of a subsidiary	-	-	(1,464)	(1,464)	1,464	-
Total transactions with owners of the Company	-	1,773	67,309	69,082	14,336	83,418
At 31 December 2015	124,099	35,256	126,212	285,567	43,010	328,577

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 twelve months ended 31 December 2016

	Note	12 months ended 31 December	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		13,497	23,409
Adjustments for:			
Depreciation of property, plant and equipment		29,759	27,649
Provision for Directors' retirement/resignation benefits		655	660
Property, plant and equipment written off		819	672
Amortisation of franchise fee		219	219
Gain on disposal of property, plant and equipment		(822)	(1,665)
Impairment loss on property, plant and equipment		104	177
Loss on liquidation of subsidiaries	A	-	377
Interest income		(741)	(646)
Dividend income from investment in money market fund		(450)	(1,181)
Interest expense		10,271	9,910
Share of profit of equity accounted associates		(1,456)	(3,589)
Gain on disposal of associates		(16,161)	-
Loss on disposal of investment properties		-	1,267
		22,197	33,850
Operating profit before changes in working capital		35,694	57,259
Changes in working capital:			
Inventories		18,889	(17,964)
Trade and other receivables		(4,601)	(16,710)
Trade and other payables		2,046	6,086
		52,028	28,671
Cash generated from operations		52,028	28,671
Dividend received from associate		1,434	559
Income tax paid		(10,375)	(10,330)
Directors' retirement/resignation benefits paid		(764)	(733)
		42,323	18,167
Net cash generated from operating activities		42,323	18,167
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		2,677	2,641
Purchase of property, plant and equipment		(29,031)	(44,639)
Interest received		741	646
Acquisition of subsidiaries, net of cash and cash equivalents acquired	B	456	-
Accretion of interest in an existing subsidiary		(12,838)	(163)
Subscription of shares in associates		(5,080)	(3,400)
Dividend received from money market fund		450	1,181
Proceeds from disposal of associates		80,100	-
Proceeds from disposal of investment properties		-	10,000
Proceeds from disposal of shares in an existing subsidiary		-	102,200
Proceeds from disposal of Company's shares held by a subsidiary		-	8,434
		37,475	76,900
Net cash generated from investing activities		37,475	76,900

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
 for the twelve months ended 31 December 2016 (Cont'd)

	Note	12 months ended 31 December	
		2016	2015
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		20,948	15,000
Repayment of term loans		(10,472)	(22,842)
Repayment of finance lease liabilities		(2,810)	(2,539)
Repayment of borrowings (net)		(28,080)	(20,580)
Proceeds from issuance of shares to non-controlling interests		797	-
Purchase of treasury shares	6	(2,490)	(1,677)
Interest paid		(10,271)	(9,910)
Dividend paid	7	(10,234)	(15,142)
Dividend paid to non-controlling interests		(4,044)	-
Net cash used in financing activities		(46,656)	(57,690)
Net increase in cash and cash equivalents		33,142	37,377
Cash and cash equivalents at 1 January		71,996	31,858
Effects of exchange differences on cash and cash equivalents		872	2,761
Cash and cash equivalents at 31 December	C	106,010	71,996

Note A: Liquidation of subsidiaries

During the last financial year, the Company completed the liquidation of PT Technopia Nomos, and Sushi Ku Sdn. Bhd.. The liquidation had the following effect on the Group's assets and liabilities on liquidation date:

	31 December 2015 RM'000
Identifiable assets and liabilities on liquidation	
Other receivables	240
Other payables	(28)
Net assets	212
Reversal of foreign currency translation reserve	165
Loss on liquidation	377

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the twelve months ended 31 December 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:

	31 December 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>

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the twelve months ended 31 December 2016 (Cont'd)

Note C: 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:

	31 December 2016 RM'000	31 December 2015 RM'000
Short term deposit with licensed banks	-	2,500
Investment in money market fund	47,570	24,823
Cash and bank balances	75,318	62,203
Bank overdrafts	(16,878)	(17,530)
	<u>106,010</u>	<u>71,996</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 12	Disclosure of Interests in Other Entities
Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Tax - Recognition of Deferred Tax Assets for Unrealised Losses

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
Clarifications to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property - Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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.

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

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.

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 twelve months ended 31 December 2016 other than the gain on disposal of 30% equity interest in Fumakilla Asia Bhd. and 26.36% equity interest in PT Fumakilla Nomos amounting to RM16.2 million and cost incurred on cessation of operation by a subsidiary in China amounting to RM6.3 million.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and twelve months ended 31 December 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 twelve months ended 31 December 2016 other than 1,465,600 of issued ordinary shares were repurchased from the open market at an average price of RM1.69 per share for the twelve months ended 31 December 2016.

7. Dividend paid/payable

The Company had declared and paid the following dividend:-

	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
First interim 2017	10.0	12,171	28 December 2016	10 January 2017
		<u>24,521</u>		
Less: Dividend received /receivable by a subsidiary				
- 2016 interim*		(2,116)		
- 2017 interim		(2,116)		
		<u>4,232</u>		
		<u>20,289</u>		

As Texcorp is a 73.81% owned subsidiary of the Company, the dividend shared by the non-controlling interests of Texcorp are as follows :-

	RM’000
First interim 2016	554
First interim 2017	554
	<u>1,108</u>

* The net dividend paid in 2016 was amounted to RM10,234,000 as disclosed in the Condensed Consolidated Statement of Cash Flows.

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)*		(Restated)*		
3 months ended 31																
December																
Revenue from external customers	99,467	101,738	51,928	52,182	54,591	64,004	63,633	57,023	422	187	1,857	4,019	-	-	271,898	279,153
Inter-segment revenue	145	101	10	111	1,150	(1,434)	-	-	1,489	2,091	1,994	1,652	(4,788)	(2,521)	-	-
Total revenue	99,612	101,839	51,938	52,293	55,741	62,570	63,633	57,023	1,911	2,278	3,851	5,671	(4,788)	(2,521)	271,898	279,153
Profit/(Loss) before share of profit/(loss) of equity accounted associates, net of tax	2,485	2,206	(4,048)	2,187	(1,129)	999	3,954	6,033	(1,387)	(991)	15,474	(1,994)			15,349	8,440
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	-	(91)	-	(499)	(310)	-	-	235	741			(355)	431
Profit/(Loss) before tax	2,485	2,206	(4,048)	2,187	(1,220)	999	3,455	5,723	(1,387)	(991)	15,709	(1,253)			14,994	8,871

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

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)*		(Restated)*		
12 months ended 31 December																
Revenue from external customers	390,327	421,550	200,109	205,349	212,991	203,735	227,885	216,940	1,141	1,202	3,514	6,649	-	-	1,035,967	1,055,425
Inter-segment revenue	469	530	198	309	6,463	8,894	-	-	6,048	7,562	10,102	10,491	(23,280)	(27,786)	-	-
Total revenue	390,796	422,080	200,307	205,658	219,454	212,629	227,885	216,940	7,189	8,764	13,616	17,140	(23,280)	(27,786)	1,035,967	1,055,425
Profit/(Loss) before share of profit/(loss) of equity accounted associates, net of tax	9,112	7,288	(4,556)	2,350	(7,693)	4,672	10,193	17,049	(4,831)	(4,368)	9,816	(7,171)			12,041	19,820
Share of profit/(loss) of equity accounted associates, net of tax	-	-	-	-	(164)	-	(2,465)	(687)	-	-	4,085	4,276			1,456	3,589
Profit/(Loss) before tax	9,112	7,288	(4,556)	2,350	(7,857)	4,672	7,728	16,362	(4,831)	(4,368)	13,901	(2,895)			13,497	23,409
Segment assets	141,233	145,769	180,920	173,849	97,801	107,354	135,099	113,754	3,752	4,306	79,480	120,123			638,285	665,155

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

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 twelve months ended 31 December 2016

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the twelve months ended 31 December 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 31 December 2016.

13. Commitments

	31 December 2016 RM'000	31 December 2015 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	6,039	4,202
Approved but not contracted for	<u>1,761</u>	<u>659</u>
	<u>7,800</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 RM271.9 million in Q4 2016 as compared to RM279.2 million in Q4 2015. The Group reported a pre-tax profit of RM15.0 million in Q4 2016 against pre-tax profit of RM8.9 million in Q4 2015 mainly due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q4 2016 was RM99.6 million as compared to RM101.8 million in Q4 2015. The pre-tax profit of RM2.5 million achieved in Q4 2016 was higher than RM2.2 million in Q4 2015 mainly contributed by favorable sales mix of higher margin products even though the revenue was slightly lower.

- (ii) Polymer Engineering Division

The revenue recorded in Q4 2016 was RM51.9 million against RM52.3 million in Q4 2015. The pre-tax loss incurred in Q4 2016 was RM4.0 million as compared to pre-tax profit of RM2.2 million in Q4 2015 mainly due to cost incurred on cessation of operation by a subsidiary in China amounting to RM6.3 million.

- (iii) Food Division

The revenue recorded for Q4 2016 was RM55.7 million against RM62.6 million in Q4 2015. The Division incurred pre-tax loss of RM1.2 million against pre-tax profit of RM1.0 million in Q4 2015 mainly due to low landing.

- (iv) Restaurant Division

The revenue recorded for Q4 2016 was RM63.6 million against RM57.0 million in Q4 2015. However, the Division achieved lower pre-tax profit of RM3.5 million against pre-tax profit of RM5.7 million mainly due to losses incurred by newly established restaurants.

- (v) Others

During the quarter, the Group has completed the disposal of 30% equity interest in Fumakilla Asia Bhd. and 26.36% equity interest in PT Fumakilla Nomos and recognised a gain on disposal of RM16.2 million.

- (b) Current twelve (12) months financial year compared with previous corresponding financial year

Continuing Operations

The Group recorded revenue of RM1,036.0 million as compared to RM1,055.4 million in YTD Q4 2015. The Group reported a pre-tax profit of RM13.5 million in YTD Q4 2016 against pre-tax profit of RM23.4 million in YTD Q4 2015 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in YTD Q4 2016 was RM390.8 million as compared to RM422.1 million in YTD Q4 2015. Higher pre-tax profit of RM9.1 million was achieved in YTD Q4 2016 against RM7.3 million in YTD Q4 2015 mainly contributed by favorable sales mix of higher margin products even though the revenue was lower by RM31.3 million. The lower pre-tax profit achieved in 2015 was also due to foreign exchange loss of RM1.9 million compared to foreign exchange gain of RM0.3 million in 2016.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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14. Operating Segments Analysis (Cont'd)

(b) Current twelve (12) months financial year compared with previous corresponding financial year (Cont'd)

(ii) Polymer Engineering Division

The revenue recorded for YTD Q4 2016 was RM200.3 million against RM205.7 million in YTD Q4 2015. The Division incurred pre-tax loss of RM4.6 million for YTD Q4 2016 against pre-tax profit of RM2.4 million in YTD Q4 2015 mainly due to cost incurred on cessation of operation by a subsidiary in China amounting to RM6.3 million.

(iii) Food Division

The revenue recorded for YTD Q4 2016 was RM219.5 million against RM212.6 million in YTD Q4 2015. The Division incurred pre-tax loss of RM7.9 million against pre-tax profit of RM4.7 million in YTD Q4 2015 mainly due to poor landing and drop of global selling prices of key products.

(iv) Restaurant Division

The revenue recorded for YTD Q4 2016 was RM227.9 million against RM216.9 million in YTD Q4 2015. The Division achieved pre-tax profit of RM7.7 million against pre-tax profit of RM16.3 million in YTD Q4 2015 mainly due to losses incurred by certain subsidiaries.

(v) Others

During the year, the Group has completed the disposal of 30% equity interest in Fumakilla Asia Bhd. and 26.36% equity interest in PT Fumakilla Nomos and recognised a gain on disposal of RM16.2 million.

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 4 2016 RM'000	Quarter 3 2016 RM'000	Variance RM'000	%
Revenue from continuing operations	271,898	258,766	13,132	5.07%
Profit/(loss) before taxation from continuing operations	14,994	(278)	15,272	5,493.53%

The pre-tax profit of RM15 million achieved in Q4 2016 was mainly due to various factors as explained above.

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16. Prospects for 2017

The business environment for 2017 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 through expansion in local and regional market. The performance of Food Division would depend on the landing of marine products and selling price. 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		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian tax expense				
- current period	1,749	2,981	5,910	8,583
- prior period	(212)	(174)	(1,190)	316
Foreign tax expense				
- current period	1,123	1,883	3,365	2,610
- prior period	-	(37)	-	(9)
	2,660	4,653	8,085	11,500
Deferred tax expense				
- current period	534	75	311	123
- prior period	111	(320)	111	(224)
	3,305	4,408	8,507	11,399

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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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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19. Profit for the year

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

	3 months ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(187)	(227)	(741)	(646)
Interest expense	2,444	2,001	10,271	9,910
Depreciation of property, plant and equipment	8,227	7,081	29,759	27,649
Impairment loss on trade receivables	26	(52)	83	537
Inventories written down	844	481	954	1,146
Inventories written off	-	-	-	7,395
Gain on disposal of property, plant and equipment	(22)	(422)	(822)	(1,665)
Property, plant and equipment written off	509	198	819	672
Impairment loss on property, plant and equipment	104	177	104	177
Gain on foreign exchange	(2,427)	(1,006)	(512)	(783)
Loss on liquidation of subsidiaries	-	377	-	377
Loss on disposal of investment properties	-	1,267	-	1,267
Amortisation of franchise fee	55	55	219	219
Provision for Directors' retirement/resignation benefits	47	150	655	660
Dividend income from investment in money market fund	(354)	(208)	(450)	(1,181)
Insurance claim	(35)	(172)	(405)	(9,625)
Gain on disposal of associates	(16,161)	-	(16,161)	-
Bad debts recovered	-	-	-	(6)

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.

On 21 November 2016, the Company announced that TFSB and Sinofiber had mutually agreed not to renew the MOU which expired on 21 November 2016.

TEXCHEM RESOURCES BHD**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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20. Status of corporate proposals (Cont'd)**B. 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 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 (now under Section 22 of the Companies Act 2016) [“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 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 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 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.

C. 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) Pte. 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. (“GMMI”).

for a total consideration of RM35,331,655.00 only (the above transactions are collectively referred to as “PED Restructuring”).

The PED Restructuring save for TLS was duly completed on the same day resulting in the following formation:

- (a) The Company became the holding company of TXPM, EG, TXPO and TPE; and
- (b) The Company owns 50% equity interest comprising of 100,000 ordinary shares and 850,000 7% cumulative redeemable preference shares in GMMI.

TEXCHEM RESOURCES BHD**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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20. Status of corporate proposals (Cont'd)**C. 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. (“LA”), a wholly-owned subsidiary of TLS, to Texmat for a total cash consideration of RM2.00 only. The SSA was completed on the same date resulting in Texmat becoming the immediate holding company of LA.

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. Save for TXPM, the disposal of the entire equity interest in EG by the Company to TPE was completed on the same day resulting in EG becoming a wholly-owned subsidiary of TPE.

On 30 June 2016, 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. (“TXPJ”), Texchem-Pack (PP) Sdn. Bhd. (“TXPPG”), Texchem-Pack (Thailand) Co. Ltd. (“TXPT”) and Texchem-Pack (Vietnam) Co., Ltd. (“TXPV”) for a total consideration of RM40,370,357.00. Save for TXPJ, TXPPG and TXPV, the acquisition of the entire equity interest of TXPT by TPE from TXPM was completed on the same date resulting in TPE becoming the immediate holding company of TXPT.

On 25 November 2016, the Company announced that the following subsidiaries of the Company had received the approvals from the Ministry of International Trade and Industry approving the following transactions:

- (i) The transfer of the entire equity interest of TLS by TXPHS to TPE;
- (ii) The transfer of the entire equity interest of TXPM by the Company to TPE;
- (iii) The transfer of the entire equity interest of TXPJ by TXPM to TPE; and
- (iv) The transfer of the entire equity interest of TXPPG by TXPM to TPE.

The transactions (i), (iii) and (iv) were completed on 25 November 2016 upon which TLS, TXPJ and TXPPG became wholly-owned subsidiaries of TPE.

The transaction (ii) was completed on 23 December 2016 upon which TXPM became a wholly-owned subsidiary of TPE.

The Share Sale Agreement entered into between TPE and TXPM in relation to TXPV is still pending as at todate.

D. Member’s Voluntary Winding Up of Alaya Asia Sdn. Bhd.

On 30 August 2016 and 30 December 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 (now under Section 439 of the Companies Act 2016) [“Member’s Voluntary Winding Up”].

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

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20. Status of corporate proposals (Cont'd)**E. 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 announcements 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 had been dispatched to the shareholders of the Company on 10 November 2016.

On 25 November 2016, the Company announced that it had obtained its shareholders’ approval for the Proposed Disposal.

On 5 December 2016, the Company announced that PTFN had on 5 December 2016 obtained the written approval from Badan Koordinasi Penanaman Modal of the Republic of Indonesia in respect of the change in shareholding in PTFN arising from the proposed disposal of the PTFN Sale Shares by the Company to FJ.

On 6 December 2016, the Company announced that PTFN had received confirmation and acknowledgement from all its financiers for the change of shareholding in PTFN arising from the proposed disposal of the PTFN Sale Shares by the Company to FJ to be carried out. With that, all the conditions precedent as set out in the Conditional Sale and Purchase of Shares Agreement dated 13 October 2016 have been met.

The Proposed Disposal was duly completed on 9 December 2016 upon which the Put Option Agreement has been terminated accordingly.

F. Member’s Voluntary Winding Up of Texchem Management Services Sdn. Bhd.

On 23 December 2016, the Company announced that Texchem Management Services Sdn. Bhd., a wholly- owned subsidiary of Texchem Corporation Sdn. Bhd., a 73.81% owned subsidiary of the Company, had on 23 December 2016 commenced winding up proceedings voluntarily in accordance with Section 254 of the Companies Act, 1965 (now under Section 439 of the Companies Act 2016) [“Member’s Voluntary Winding Up”].

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

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

	31 December 2016 RM'000	31 December 2015 RM'000
Unsecured		
Current:		
Bank overdrafts	16,878	17,530
Bankers' acceptances	45,933	53,312
Revolving credit	47,127	54,354
Term loans	7,943	6,248
Trust receipts	8,696	9,367
Finance lease liabilities	2,781	2,152
Other borrowings	11,536	15,165
Total	140,894	158,128
Non-current:		
Term loans	23,471	14,689
Finance lease liabilities	5,183	4,929
Other borrowings	-	8,334
Total	28,654	27,952

Loans and borrowings denominated in foreign currencies are as follows:

	31 December 2016 RM'000	31 December 2015 RM'000
Unsecured		
Current:		
Thai Baht	2,003	6,736
Singapore Dollar	2,190	106
Vietnamese Dong	6,368	8,285
United States Dollar	14,821	15,275
	25,382	30,402
Non-current:		
Thai Baht	24	64
Vietnamese Dong	-	97
	24	161

22. Derivative financial instruments

As at 31 December 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 Loss RM'000
Forward exchange contracts - Payables	1,230	1,236	6
			6

For twelve months ended 31 December 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 31 December 2016.

25. Dividends

A first interim single tier dividend of 10 sen per share amounting to approximately RM12.17 million in respect of the financial year ending 31 December 2017 was declared on 9 December 2016 and to be paid on 10 January 2017.

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		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the year attributable to owners of the Company	11,351	2,848	3,291	10,039
Weighted average number of ordinary shares in issue*	121,928	124,069	121,928	124,069
Basic earnings per share (sen)	9.31	2.30	2.70	8.09

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

In thousands of shares	31 December	31 December
	2016	2015
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(2,171)	(30)
Weighted average number of ordinary shares	121,928	124,069

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**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)

	31 December 2016 RM'000	31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	110,909	93,874
Unrealised	20,629	16,557
	131,538	110,431
 Total share of retained earnings/(accumulated losses) from associates and joint venture:		
Realised	(2,916)	(1,970)
Unrealised	-	28,592
	(2,916)	26,622
	128,622	137,053
Less: Consolidation adjustments	(2,375)	(10,841)
 Total Group retained earnings	126,247	126,212

BY ORDER OF THE BOARD

TAN PENG LAM
GROUP CHIEF FINANCIAL OFFICER
Date: 23 February 2017