



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2017**

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the quarter and three months ended 31 March 2017

	Note	3 months ended 31 March		3 months ended 31 March	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing Operations</b>					
<b>Revenue</b>	8	<b>270,984</b>	<b>256,835</b>	<b>270,984</b>	<b>256,835</b>
Cost of sales		(201,892)	(191,973)	(201,892)	(191,973)
<b>Gross profit</b>		<b>69,092</b>	<b>64,862</b>	<b>69,092</b>	<b>64,862</b>
Distribution costs		(40,897)	(38,559)	(40,897)	(38,559)
Administrative expenses		(30,406)	(29,856)	(30,406)	(29,856)
Other expenses		-	-	-	-
Other income		6,866	6,896	6,866	6,896
<b>Operating profit</b>		<b>4,655</b>	<b>3,343</b>	<b>4,655</b>	<b>3,343</b>
Finance costs		(2,188)	(2,442)	(2,188)	(2,442)
Share of (loss)/profit of equity accounted associates, net of tax		(658)	472	(658)	472
<b>Profit before taxation</b>		<b>1,809</b>	<b>1,373</b>	<b>1,809</b>	<b>1,373</b>
Income tax expense	18	(2,865)	(2,706)	(2,865)	(2,706)
<b>Loss for the period</b>	19	<b>(1,056)</b>	<b>(1,333)</b>	<b>(1,056)</b>	<b>(1,333)</b>
<b>Loss attributable to:</b>					
Owners of the Company		(575)	(2,214)	(575)	(2,214)
Non-controlling interests		(481)	881	(481)	881
<b>Loss for the period</b>		<b>(1,056)</b>	<b>(1,333)</b>	<b>(1,056)</b>	<b>(1,333)</b>
<b>Basic loss per share attributable to owners of the Company (sen)</b>	26	<b>(0.47)</b>	<b>(1.81)</b>	<b>(0.47)</b>	<b>(1.81)</b>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 three months ended 31 March 2017

	Note	3 months ended 31 March		3 months ended 31 March	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Loss for the period</b>		<b>(1,056)</b>	<b>(1,333)</b>	<b>(1,056)</b>	<b>(1,333)</b>
<b>Other comprehensive income/(expense), net of tax</b>					
Foreign currency translation differences for foreign operations		1,005	(7,949)	1,005	(7,949)
<b>Total comprehensive expense for the period</b>		<b>(51)</b>	<b>(9,282)</b>	<b>(51)</b>	<b>(9,282)</b>
<b>Total comprehensive income/(expense) attributable to:</b>					
Owners of the Company		518	(9,979)	518	(9,979)
Non-controlling interests		(569)	697	(569)	697
<b>Total comprehensive expense for the year</b>		<b>(51)</b>	<b>(9,282)</b>	<b>(51)</b>	<b>(9,282)</b>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
 At 31 March 2017

	Note	31 March 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
<b>ASSETS</b>			
Property, plant and equipment		176,186	178,726
Investment in associates		3,706	4,364
Intangible assets			
- Goodwill		37,309	37,309
- Trademarks		21,500	21,500
- Franchise fee		1,166	1,221
Deferred tax assets		649	901
<b>Total non-current assets</b>		<b>240,516</b>	<b>244,021</b>
Trade and other receivables		189,084	188,608
Inventories		89,272	81,365
Current tax assets		1,517	2,095
Cash and cash equivalents		93,185	120,791
Derivative assets		16	-
<b>Total current assets</b>		<b>373,074</b>	<b>392,859</b>
<b>TOTAL ASSETS</b>		<b>613,590</b>	<b>636,880</b>
<b>EQUITY</b>			
Share capital		124,099	124,099
Reserves		159,645	159,276
<b>Total equity attributable to owners of the Company</b>		<b>283,744</b>	<b>283,375</b>
Non-controlling interests		23,475	22,176
<b>TOTAL EQUITY</b>		<b>307,219</b>	<b>305,551</b>
<b>LIABILITIES</b>			
Loans and borrowings	21	26,734	27,100
Deferred tax liabilities		3,649	3,658
Deferred liabilities		3,268	2,780
Provision		5,723	5,560
<b>Total non-current liabilities</b>		<b>39,374</b>	<b>39,098</b>
Trade and other payables		122,995	140,716
Provision		134	171
Loans and borrowings	21	142,749	140,112
Current tax liabilities		973	1,025
Deferred liabilities		146	146
Derivative liabilities		-	6
Dividend payable	7	-	10,055
<b>Total current liabilities</b>		<b>266,997</b>	<b>292,231</b>
<b>TOTAL LIABILITIES</b>		<b>306,371</b>	<b>331,329</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>613,590</b>	<b>636,880</b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the three months ended 31 March 2017

	<--- 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
<b>At 1 January 2017</b>	124,099	35,648	123,628	283,375	22,176	305,551
Other comprehensive income/(expense)	-	1,093	-	1,093	(88)	1,005
Loss for the period	-	-	(575)	(575)	(481)	(1,056)
<b>Total comprehensive income/(expense) for the period</b>	-	<b>1,093</b>	<b>(575)</b>	<b>518</b>	<b>(569)</b>	<b>(51)</b>
Dilution of interest in an existing subsidiary	-	-	(1)	(1)	1	-
Issuance of shares to non-controlling interest	-	-	-	-	1,867	1,867
Purchase of treasury shares	-	(147)	-	(147)	-	(147)
Transaction costs of treasury shares	-	(1)	-	(1)	-	(1)
<b>Total transactions with owners of the Company</b>	-	<b>(148)</b>	<b>(1)</b>	<b>(149)</b>	<b>1,868</b>	<b>1,719</b>
<b>At 31 March 2017</b>	<b>124,099</b>	<b>36,593</b>	<b>123,052</b>	<b>283,744</b>	<b>23,475</b>	<b>307,219</b>

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

	<--- Attributable to owners of the Company --->					Total equity RM'000
	Non-distributable		Distributable		Non- controlling interests RM'000	
	Share Capital RM'000	Share premium & other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000		
<b>At 1 January 2016</b>	124,099	35,256	126,212	285,567	43,010	328,577
Other comprehensive expense	-	(7,765)	-	(7,765)	(184)	(7,949)
Loss for the period	-	-	(2,214)	(2,214)	881	(1,333)
<b>Total comprehensive (expense)/ income for the period</b>	-	<b>(7,765)</b>	<b>(2,214)</b>	<b>(9,979)</b>	<b>697</b>	<b>(9,282)</b>
Accretion of interest in existing subsidiaries	-	3,315	5,519	8,834	(20,707)	(11,873)
Issuance of shares to non-controlling interests	-	-	-	-	117	117
Purchase of treasury shares	-	(1,961)	-	(1,961)	-	(1,961)
Transaction costs of treasury shares	-	(9)	-	(9)	-	(9)
Dividends received by non-controlling interests	-	-	-	-	(1,927)	(1,927)
<b>Total transactions with owners of the Company</b>	-	<b>1,345</b>	<b>5,519</b>	<b>6,864</b>	<b>(22,517)</b>	<b>(15,653)</b>
<b>At 31 March 2016</b>	124,099	28,836	129,517	282,452	21,190	303,642

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the three months ended 31 March 2017

	Note	3 months ended 31 March	
		2017	2016
		RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		1,809	1,373
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		7,805	7,183
Provision for Directors' retirement/resignation benefits		478	197
Property, plant and equipment written off		102	14
Amortisation of franchise fee		55	55
Gain on disposal of property, plant and equipment		(240)	(271)
Interest income		(108)	(15)
Dividend income from investment in money market fund		(230)	(6)
Interest expense		2,188	2,442
Share of loss/(profit) of equity accounted associates		658	(472)
		10,708	9,127
Operating profit before changes in working capital		12,517	10,500
Changes in working capital:			
Inventories		(7,907)	7,655
Trade and other receivables		(200)	(2,624)
Trade and other payables		(17,033)	(20,248)
Cash used in operations		(12,623)	(4,717)
Income tax paid		(2,112)	(2,798)
Directors' retirement/resignation benefits paid		-	(759)
<b>Net cash used in operating activities</b>		<b>(14,735)</b>	<b>(8,274)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		439	627
Purchase of property, plant and equipment		(5,229)	(5,328)
Interest received		108	15
Accretion of interest in an existing subsidiary		-	(11,873)
Subscription of shares in an associate		-	(1,500)
Dividend received from money market fund		230	6
<b>Net cash used in investing activities</b>		<b>(4,452)</b>	<b>(18,053)</b>

**TEXCHEM RESOURCES BHD**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
 for the three months ended 31 March 2017 (Cont'd)

	Note	3 months ended 31 March	
		2017	2016
		RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of term loans		2,000	17,500
Repayment of term loans		(2,878)	(1,792)
Repayment of finance lease liabilities		(691)	(850)
Drawdown/(repayment) of borrowings (net)		403	(2,959)
Proceeds from issuance of shares to non-controlling interests		1,867	117
Purchase of treasury shares	6	(148)	(1,970)
Interest paid		(2,188)	(2,442)
Dividend paid	7	(10,055)	(10,234)
Dividend paid to non-controlling interests		-	(1,927)
<b>Net cash used in financing activities</b>		<b>(11,690)</b>	<b>(4,557)</b>
Net decrease in cash and cash equivalents		<b>(30,877)</b>	<b>(30,884)</b>
Cash and cash equivalents at 1 January		106,250	71,996
Effects of exchange differences on cash and cash equivalents		87	(1,242)
<b>Cash and cash equivalents at 31 March</b>	A	<b>75,460</b>	<b>39,870</b>

**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:

	31 March	31 March
	2017	2016
	RM'000	RM'000
Investment in money market fund	29,432	8,297
Cash and bank balances	63,753	52,865
Bank overdrafts	(17,725)	(21,292)
	<b>75,460</b>	<b>39,870</b>

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

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 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
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
---------	--------

**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 2016 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 three months ended 31 March 2017.

**5. Changes in estimates**

There were no changes in estimates that have a material effect during the quarter and three months ended 31 March 2017.

**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 three months ended 31 March 2017 other than 101,300 of issued ordinary shares were repurchased from the open market at an average price of RM1.46 per share for the three months ended 31 March 2017.

**7. Dividend paid**

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 2017	10.0	12,171	28 December 2016	10 January 2017
Less: Dividend received by a subsidiary		(2,116)		
		<u>10,055</u>		

As Texcorp is a 73.81% owned subsidiary of the Company, the dividend shared by the non-controlling interests of Texcorp amounted to RM554,000.

**TEXCHEM RESOURCES BHD**  
**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**
**8. Operating segments**

	Industrial		Polymer Engineering		Food		Restaurant		Venture Business		Others		Eliminations		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 (Restated)*	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 (Restated)*	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 (Restated)*	2017 RM'000	2016 RM'000 (Restated)*	2017 RM'000	2016 RM'000
<b>3 months ended 31</b>																
<b>March</b>																
Revenue from external customers	105,433	96,485	47,715	45,503	46,867	53,274	67,190	57,872	653	242	3,126	3,459	-	-	270,984	256,835
Inter-segment revenue	705	135	108	40	1,494	2,275	-	-	1,418	1,496	2,547	3,005	(6,272)	(6,951)	-	-
<b>Total revenue</b>	<b>106,138</b>	<b>96,620</b>	<b>47,823</b>	<b>45,543</b>	<b>48,361</b>	<b>55,549</b>	<b>67,190</b>	<b>57,872</b>	<b>2,071</b>	<b>1,738</b>	<b>5,673</b>	<b>6,464</b>	<b>(6,272)</b>	<b>(6,951)</b>	<b>270,984</b>	<b>256,835</b>
Profit/(Loss) before share of (loss)/profit of equity accounted associates, net of tax	1,729	1,622	1,055	(976)	(1,562)	(1,263)	3,341	4,569	(1,016)	(1,070)	(1,080)	(1,981)			2,467	901
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	(14)	(658)	(578)	-	-	-	1,064			(658)	472
<b>Profit/(Loss) before tax</b>	<b>1,729</b>	<b>1,622</b>	<b>1,055</b>	<b>(976)</b>	<b>(1,562)</b>	<b>(1,277)</b>	<b>2,683</b>	<b>3,991</b>	<b>(1,016)</b>	<b>(1,070)</b>	<b>(1,080)</b>	<b>(917)</b>			<b>1,809</b>	<b>1,373</b>
<b>Segment assets</b>	<b>144,046</b>	<b>139,725</b>	<b>167,102</b>	<b>157,415</b>	<b>101,239</b>	<b>101,089</b>	<b>133,019</b>	<b>107,978</b>	<b>3,798</b>	<b>4,472</b>	<b>64,386</b>	<b>113,517</b>			<b>613,590</b>	<b>624,196</b>

\* 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 2016.

**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 three months ended 31 March 2017**

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the three months ended 31 March 2017, 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 March 2017.

**13. Commitments**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Property, plant and equipment		
Contracted but not provided for in the financial statements	5,376	6,039
Approved but not contracted for	<u>1,608</u>	<u>1,761</u>
	<u>6,984</u>	<u>7,800</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 RM271.0 million in Q1 2017 as compared to RM256.8 million in Q1 2016. The Group reported a pre-tax profit of RM1.8 million in Q1 2017 against pre-tax profit of RM1.4 million in Q1 2016 mainly due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q1 2017 was RM106.1 million as compared to RM96.6 million in Q1 2016. The pre-tax profit of RM1.7 million achieved in Q1 2017 was higher than RM1.6 million in Q1 2016. Despite higher sales achieved, pre-tax profit only increased by RM0.1 million mainly due to unfavorable sales mix.

- (ii) Polymer Engineering Division

The revenue recorded in Q1 2017 was RM47.8 million against RM45.5 million in Q1 2016. The pre-tax profit achieved in Q1 2017 was RM1.1 million as compared to pre-tax loss incurred of RM1.0 million in Q1 2016 due to higher sales recorded by the business segments in wafer shipper, hard disk drive and telecommunication.

- (iii) Food Division

The revenue recorded for Q1 2017 was RM48.4 million against RM55.5 million in Q1 2016. The Division incurred higher pre-tax loss of RM1.6 million against RM1.3 million in Q1 2016 mainly due to low landing of marine products.

- (iv) Restaurant Division

The revenue recorded for Q1 2017 was RM67.2 million against RM57.9 million in Q1 2016. However, the Division achieved lower pre-tax profit of RM2.7 million against pre-tax profit of RM4.0 million mainly due to losses incurred by newly established restaurants.

**15. Variation of results against preceding quarter**

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

	<b>Quarter 1 2017 RM'000</b>	<b>Quarter 4 2016 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Revenue from continuing operations	270,984	271,898	(914)	(0.34)
Profit before taxation from continuing operations	1,809	14,994	(13,185)	(87.94)

The pre-tax profit of RM1.81 million achieved in Q1 2017 was lower than Q4 2016 mainly due to exceptional gain on disposal of associates amounted to RM18.7 million recognised in Q4 2016.

**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 2017**

The business environment for 2017 remains challenging. 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 and Polymer Engineering Divisions are expected to perform better.

**17. Profit forecast**

Not applicable as no profit forecast was published.

**18. Income tax expense**

The income tax expense for continuing operations comprises:

	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Malaysian tax expense</b>				
- current period	1,891	1,964	1,891	1,964
<b>Foreign tax expense</b>				
- current period	732	698	732	698
	2,623	2,662	2,623	2,662
<b>Deferred tax expense</b>				
- current period	242	44	242	44
	2,865	2,706	2,865	2,706

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 for the period**

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

	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(108)	(15)	(108)	(15)
Interest expense	2,188	2,442	2,188	2,442
Depreciation of property, plant and equipment	7,805	7,183	7,805	7,183
Impairment/(reversal) of Impairment loss on trade receivables	9	(12)	9	(12)
Inventories written down/(written back)	248	(202)	248	(202)
Gain on disposal of property, plant and equipment	(240)	(271)	(240)	(271)
Property, plant and equipment written off	102	14	102	14
Loss on foreign exchange	841	3,502	841	3,502
Amortisation of franchise fee	55	55	55	55
Provision for Directors' retirement/ resignation benefits	478	197	478	197
Dividend income from investment in money market fund	(230)	(6)	(230)	(6)
Insurance claim	(2)	(57)	(2)	(57)

**20. Status of corporate proposals**

The status of the Group's corporate proposals is as follows:

**A. 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.

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

---

**20. Status of corporate proposals (Cont'd)****A. 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 (Cont'd)**

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.

On 31 January 2017, the Companies Act 1965 has been replaced with the Companies Act, 2016. Accordingly, Section 17 of the Companies Act, 1965 has been replaced with Section 22 of the Companies Act, 2016.

On 18 April 2017 and in compliance with Section 22 of the Companies Act, 2016, Texcorp has submitted to the Registrar of Companies an application for extension of time to dispose of the TRB Shares. The same is pending for approval from the Registrar of Companies.

**B. 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.

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.



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

---

**20. Status of corporate proposals (Cont'd)****B. Restructuring Exercise of the Polymer Engineering Division of Texchem Resources Bhd. Group (Cont'd)**

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.

**C. 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.

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

---

**20. Status of corporate proposals (Cont'd)****D. 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.

**E. Incorporation of Sushi Kin (B) Sdn. Bhd.**

On 10 March 2017, the Company announced that the Company had on 10 March 2017 been notified by the agent in Brunei Darussalam that they have received the Certificate of Incorporation of Private Company evidencing the incorporation of Sushi Kin (B) Sdn. Bhd. on 9 March 2017 by the following subsidiaries:

- (a) Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of Texchem Restaurant Systems Sdn. Bhd. ("TRSSB") which in turn is a wholly-owned subsidiary of the Company; and
- (b) Sushi Kin (East Malaysia) Sdn. Bhd. ("SKEM"), a wholly-owned subsidiary of Sushi Kin Sdn. Bhd. which in turn is a 70.35% owned subsidiary of TRSSB, a wholly-owned subsidiary of the Company.

**F. Member's Voluntary Winding Up of Texchem-Pack Holdings (S) Pte. Ltd. ("TXPHS")**

On 30 March 2017, the Company announced that TXPHS, a wholly-owned subsidiary of the Company, had on 30 March 2017 commenced winding up proceedings voluntarily in accordance with Section 290 of the Singapore Companies Act, (Cap 50) ["Member's Voluntary Winding Up"].

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

**G. Member's Voluntary Winding Up of Texchem-Pack (Wuxi) Co., Ltd.**

On 3 April 2017, the Company announced that Texchem-Pack (Wuxi) Co., Ltd., a wholly-owned subsidiary of TXPM, which in turn is a wholly-owned subsidiary of Texchem Polymer Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 3 April 2017 commenced liquidation proceedings voluntarily in accordance with the Laws of the People's Republic of China ["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**
**20. Status of corporate proposals (Cont'd)**
**H. Incorporation of PT Sushi King Group Indonesia**

On 26 April 2017, the Company announced that the Company had on 26 April 2017 received from the agent the Letter dated 10 March 2017 from the Ministry of Justice and Human Rights of the Republic of Indonesia and the “Tanda Daftar Perusahaan Perseroan Terbatas” dated 17 April 2017 evidencing the incorporation of PT Sushi King Group Indonesia on 10 March 2017 by the following subsidiaries of the Company:

- (a) Sushi Kin Sdn. Bhd., a 70.35% owned subsidiary of TRSSB which in turn is a wholly-owned subsidiary of the Company; and
- (b) SKEM, a wholly-owned subsidiary of Sushi Kin Sdn. Bhd. which in turn is a 70.35% owned subsidiary of TRSSB, a wholly-owned subsidiary of the Company.

**I. Incorporation of Texchem Aquaculture Sdn. Bhd.**

On 27 April 2017, the Company announced that Texchem Food Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 27 April 2017 incorporated a wholly-owned subsidiary known as Texchem Aquaculture Sdn. Bhd. under the Malaysian Companies Act, 2016.

**J. Incorporation of Texchem Food Services Sdn. Bhd.**

On 3 May 2017, the Company announced that Texchem Food Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 3 May 2017 incorporated a wholly-owned subsidiary known as Texchem Food Services Sdn. Bhd. under the Malaysian Companies Act, 2016.

**21. Loans and borrowings**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Bank overdrafts	17,725	14,541
Bankers' acceptances	48,607	45,309
Revolving credit	44,632	51,670
Term loans	9,100	10,124
Trust receipts	13,044	8,696
Finance lease liabilities	2,693	2,541
Other borrowings	6,948	7,231
<b>Total</b>	<b>142,749</b>	<b>140,112</b>
<b>Non-current:</b>		
Term loans	21,813	21,677
Finance lease liabilities	4,921	5,423
<b>Total</b>	<b>26,734</b>	<b>27,100</b>

**TEXCHEM RESOURCES BHD**
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**
**21. Loans and borrowings (Cont'd)**

Loans and borrowings denominated in foreign currencies are as follows:

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Thai Baht	3,007	2,005
Singapore Dollar	754	239
Vietnamese Dong	8,552	6,368
United States Dollar	18,372	16,779
Myanmar Kyat	19	-
	<u>30,704</u>	<u>25,391</u>
<b>Non-current:</b>		
Thai Baht	12	22
Singapore Dollar	-	23
United States Dollar	256	288
	<u>268</u>	<u>333</u>

**22. Derivative financial instruments**

As at 31 March 2017, the Group has the following outstanding derivative financial instrument:

<b>Type of Derivative</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Fair Value-Net Gain RM'000</b>
Forward exchange contracts			
- Receivables	6,253	6,237	<u>16</u>
			<u>16</u>

For three months ended 31 March 2017, 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 31 March 2017.

**25. Dividends**

No dividend has been proposed or declared for the quarter ended 31 March 2017.

**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 per share**

Basic loss per share of the Group is calculated by dividing the loss 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loss for the period attributable to owners of the Company	(575)	(2,214)	(575)	(2,214)
Weighted average number of ordinary shares in issue*	121,612	122,402	121,612	122,402
Basic loss per share (sen)	(0.47)	(1.81)	(0.47)	(1.81)

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

In thousands of shares	31 March 2017	31 March 2016
Issued ordinary shares at 1 January	121,928	124,099
Effect of treasury shares held	(316)	(1,697)
Weighted average number of ordinary shares	121,612	122,402

**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)**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Total retained earnings of the Company and its subsidiaries:</b>		
Realised	114,680	110,546
Unrealised	16,740	20,794
	131,420	131,340
<b>Total share of accumulated losses from associates:</b>		
Realised	(3,574)	(2,916)
Unrealised	-	-
	(3,574)	(2,916)
	127,846	128,424
Less: Consolidation adjustments	(4,794)	(4,796)
<b>Total Group retained earnings</b>	<b>123,052</b>	<b>123,628</b>

BY ORDER OF THE BOARD

TAN PENG LAM  
GROUP CHIEF FINANCIAL OFFICER  
Date: 8 May 2017