



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2017**

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the quarter and six months ended 30 June 2017

	Note	3 months ended 30 June		6 months ended 30 June	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing Operations</b>					
<b>Revenue</b>	8	<b>270,926</b>	<b>248,468</b>	<b>541,910</b>	<b>505,303</b>
Cost of sales		(208,505)	(189,340)	(410,397)	(381,313)
<b>Gross profit</b>		<b>62,421</b>	<b>59,128</b>	<b>131,513</b>	<b>123,990</b>
Distribution costs		(39,508)	(38,965)	(80,405)	(77,524)
Administrative expenses		(28,842)	(26,017)	(59,248)	(55,873)
Unusual expenses	4	(5,324)	-	(5,324)	-
Other income		6,865	6,148	13,731	13,044
<b>Operating (loss)/profit</b>		<b>(4,388)</b>	<b>294</b>	<b>267</b>	<b>3,637</b>
Finance costs		(2,234)	(2,902)	(4,422)	(5,344)
Share of (loss)/profit of equity accounted associates, net of tax		(554)	16	(1,212)	488
<b>Loss before taxation</b>		<b>(7,176)</b>	<b>(2,592)</b>	<b>(5,367)</b>	<b>(1,219)</b>
Income tax expense	18	(2,245)	(1,064)	(5,110)	(3,770)
<b>Loss for the period</b>	19	<b>(9,421)</b>	<b>(3,656)</b>	<b>(10,477)</b>	<b>(4,989)</b>
<b>Loss attributable to:</b>					
Owners of the Company		(6,111)	(3,517)	(6,686)	(5,731)
Non-controlling interests		(3,310)	(139)	(3,791)	742
<b>Loss for the period</b>		<b>(9,421)</b>	<b>(3,656)</b>	<b>(10,477)</b>	<b>(4,989)</b>
<b>Basic loss per share attributable to owners of the Company (sen)</b>	26	<b>(5.03)</b>	<b>(2.88)</b>	<b>(5.50)</b>	<b>(4.69)</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 six months ended 30 June 2017

	Note	3 months ended 30 June		6 months ended 30 June	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Loss for the period</b>		<b>(9,421)</b>	<b>(3,656)</b>	<b>(10,477)</b>	<b>(4,989)</b>
<b>Other comprehensive (expense)/income, net of tax</b>					
Foreign currency translation differences for foreign operations		(2,215)	1,918	(1,210)	(6,031)
<b>Total comprehensive expense for the period</b>		<b>(11,636)</b>	<b>(1,738)</b>	<b>(11,687)</b>	<b>(11,020)</b>
<b>Total comprehensive expense attributable to:</b>					
Owners of the Company		<b>(8,310)</b>	<b>(1,597)</b>	<b>(7,792)</b>	<b>(11,576)</b>
Non-controlling interests		(3,326)	(141)	(3,895)	556
<b>Total comprehensive expense for the period</b>		<b>(11,636)</b>	<b>(1,738)</b>	<b>(11,687)</b>	<b>(11,020)</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 30 June 2017

	Note	30 June 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
<b>ASSETS</b>			
Property, plant and equipment		167,923	178,726
Investment in associates		3,152	4,364
Intangible assets			
- Goodwill		37,309	37,309
- Trademarks		21,500	21,500
- Franchise fee		-	1,221
Deferred tax assets		513	901
<b>Total non-current assets</b>		<b>230,397</b>	<b>244,021</b>
Trade and other receivables		194,307	188,608
Inventories		92,969	81,365
Current tax assets		2,124	2,095
Cash and cash equivalents		82,023	120,791
Derivative assets		38	-
Non-current assets held for sale		768	-
<b>Total current assets</b>		<b>372,229</b>	<b>392,859</b>
<b>TOTAL ASSETS</b>		<b>602,626</b>	<b>636,880</b>
<b>EQUITY</b>			
Share capital	6(a)	149,667	124,099
Reserves		125,699	159,276
<b>Total equity attributable to owners of the Company</b>		<b>275,366</b>	<b>283,375</b>
Non-controlling interests		19,112	22,176
<b>TOTAL EQUITY</b>		<b>294,478</b>	<b>305,551</b>
<b>LIABILITIES</b>			
Loans and borrowings	21	27,126	27,100
Deferred tax liabilities		3,523	3,658
Deferred liabilities		2,934	2,780
Provision		5,920	5,560
<b>Total non-current liabilities</b>		<b>39,503</b>	<b>39,098</b>
Trade and other payables		118,394	140,716
Provision		-	171
Loans and borrowings	21	148,675	140,112
Current tax liabilities		1,430	1,025
Deferred liabilities		146	146
Derivative liabilities		-	6
Dividend payable	7	-	10,055
<b>Total current liabilities</b>		<b>268,645</b>	<b>292,231</b>
<b>TOTAL LIABILITIES</b>		<b>308,148</b>	<b>331,329</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>602,626</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 six months ended 30 June 2017

	Note	<--- Attributable to owners of the Company --->				Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other capital reserves RM'000	Retained earnings RM'000			
<b>At 1 January 2017</b>		124,099	25,568	10,080	123,628	283,375	22,176	305,551
Other comprehensive expense		-	-	(1,106)	-	(1,106)	(104)	(1,210)
Loss for the period		-	-	-	(6,686)	(6,686)	(3,791)	(10,477)
<b>Total comprehensive expense for the period</b>		-	-	<b>(1,106)</b>	<b>(6,686)</b>	<b>(7,792)</b>	<b>(3,895)</b>	<b>(11,687)</b>
Issuance of shares to non-controlling interests		-	-	-	-	-	2,610	2,610
Purchase of treasury shares		-	-	(215)	-	(215)	-	(215)
Transaction costs of treasury shares		-	-	(2)	-	(2)	-	(2)
Dividend received by non-controlling interests		-	-	-	-	-	(1,779)	(1,779)
Transfer to share capital	6(a)	25,568	(25,568)	-	-	-	-	-
<b>Total transactions with owners of the Company</b>		<b>25,568</b>	<b>(25,568)</b>	<b>(217)</b>	-	<b>(217)</b>	<b>831</b>	<b>614</b>
<b>At 30 June 2017</b>		<b>149,667</b>	-	<b>8,757</b>	<b>116,942</b>	<b>275,366</b>	<b>19,112</b>	<b>294,478</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 six months ended 30 June 2016

	<-----Attributable to owners of the Company ----->						Total equity
	<-----Non-distributable----->			Distributable			
	Share capital	Share premium	Other capital reserves	Retained earnings	Sub-total	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2016</b>	124,099	25,568	9,688	126,212	285,567	43,010	328,577
Other comprehensive expense	-	-	(5,845)	-	(5,845)	(186)	(6,031)
(Loss)/profit for the period	-	-	-	(5,731)	(5,731)	742	(4,989)
<b>Total comprehensive (expense)/ income for the period</b>	-	-	<b>(5,845)</b>	<b>(5,731)</b>	<b>(11,576)</b>	<b>556</b>	<b>(11,020)</b>
Accretion of interest in existing subsidiaries	-	-	3,335	4,554	7,889	(20,727)	(12,838)
Dilution of interest in an existing subsidiary	-	-	-	25	25	(25)	-
Issuance of shares to non-controlling interests	-	-	-	-	-	117	117
Purchase of treasury shares	-	-	(2,344)	-	(2,344)	-	(2,344)
Transaction costs of treasury shares	-	-	(9)	-	(9)	-	(9)
Dividend received by non-controlling interests	-	-	-	-	-	(1,927)	(1,927)
<b>Total transactions with owners of the Company</b>	-	-	<b>982</b>	<b>4,579</b>	<b>5,561</b>	<b>(22,562)</b>	<b>(17,001)</b>
<b>At 30 June 2016</b>	124,099	25,568	4,825	125,060	279,552	21,004	300,556

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

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the six months ended 30 June 2017

	Note	6 months ended 30 June	
		2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(5,367)	(1,219)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		16,135	14,780
Provision for Directors' retirement/resignation benefits		843	384
Property, plant and equipment written off		437	186
Amortisation of franchise fee		109	109
Franchise fee written off		1,111	-
Impairment loss on property, plant and equipment		3,315	-
Gain on disposal of property, plant and equipment		(457)	(535)
Interest income		(195)	(502)
Dividend income from money market funds		(363)	(81)
Interest expense		4,422	5,344
Share of loss/(profit) of equity accounted associates		1,212	(488)
		<u>26,569</u>	<u>19,197</u>
Operating profit before changes in working capital		21,202	17,978
Changes in working capital:			
Inventories		(11,603)	4,102
Trade and other receivables		(6,744)	(149)
Trade and other payables		(21,750)	(18,879)
		<u>(18,895)</u>	<u>3,052</u>
Cash (used in)/generated from operations		(18,895)	3,052
Dividend received from an associate		-	1,434
Income tax paid		(4,481)	(5,373)
Directors' retirement/resignation benefits paid		(688)	(852)
		<u>(24,064)</u>	<u>(1,739)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		676	1,167
Purchase of property, plant and equipment		(9,743)	(9,800)
Interest received		195	502
Acquisition of a subsidiary, net of cash and cash equivalents acquired	B	-	(968)
Accretion of interest in an existing subsidiary		-	(12,838)
Subscription of shares in an associate		-	(4,100)
Dividend received from money market funds		363	81
		<u>(8,509)</u>	<u>(25,956)</u>
<b>Net cash used in investing activities</b>		<b>(8,509)</b>	<b>(25,956)</b>

**TEXCHEM RESOURCES BHD**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
 for the six months ended 30 June 2017 (Cont'd)

	Note	6 months ended 30 June	
		2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of term loans		2,730	18,510
Repayment of term loans		(5,147)	(3,920)
Repayment of finance lease liabilities		(1,218)	(1,511)
Drawdown/(repayment) of borrowings (net)		10,975	(5,002)
Proceeds from issuance of shares to non-controlling interests		2,610	117
Purchase of treasury shares	6	(217)	(2,353)
Interest paid		(4,422)	(5,344)
Dividend paid	7	(10,055)	(10,234)
Dividend paid to non-controlling interests		(1,779)	(1,927)
<b>Net cash used in financing activities</b>		<b>(6,523)</b>	<b>(11,664)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(39,096)</b>	<b>(39,359)</b>
Cash and cash equivalents at 1 January		106,250	71,996
Effects of exchange differences on cash and cash equivalents		(569)	(1,156)
<b>Cash and cash equivalents at 30 June</b>	A	<b>66,585</b>	<b>31,481</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:

	30 June 2017 RM'000	30 June 2016 RM'000
Money market funds	18,932	8,297
Cash and bank balances	63,091	42,097
Bank overdrafts	(15,438)	(18,913)
	<b>66,585</b>	<b>31,481</b>



**TEXCHEM RESOURCES BHD**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
 for the six months ended 30 June 2017 (Cont'd)

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

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

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

	<b>30 June 2016 RM'000</b>
<b>Fair value of consideration transferred</b>	
Cash and cash equivalents	<u>1,149</u>
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	2,153
Inventories	88
Trade and other receivables	679
Current tax assets	25
Cash and cash equivalents	181
Trade and other payables	<u>(7,308)</u>
Net identifiable liabilities	<u>(4,182)</u>
<b>Net cash flow arising from acquisition of a subsidiary</b>	
Purchase consideration settled in cash and cash equivalents	(1,149)
Cash and cash equivalents acquired	<u>181</u>
	<u>(968)</u>
<b>Goodwill</b>	
Total consideration transferred	1,149
Fair value of identifiable net liabilities	<u>(4,182)</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 2016 and the accompanying explanatory notes attached to this interim financial report.

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

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**1. Basis of preparation**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, unless otherwise stated.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 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
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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**

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**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 six months ended 30 June 2017 other than the closure costs of RM5.3 million arising from cessation of business by the subsidiary.

**5. Changes in estimates**

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 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 six months ended 30 June 2017 other than the followings:-

(a) Share capital

The new Companies Act 2016 ("CA 2016"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016. Pursuant to subsection 618(3) of the CA 2016, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(b) Treasury shares

During the quarter and six months ended 30 June 2017, 150,600 of issued ordinary shares were repurchased from the open market at an average price of RM1.44 per share for the six months ended 30 June 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	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 30 June</b>																
Revenue from external customers	111,248	100,352	42,649	46,087	54,651	48,015	58,669	49,764	781	268	2,928	3,982	-	-	270,926	248,468
Inter-segment revenue	907	61	135	36	1,200	1,765	14	-	979	1,230	2,442	1,321	(5,677)	(4,413)	-	-
<b>Total revenue</b>	<b>112,155</b>	<b>100,413</b>	<b>42,784</b>	<b>46,123</b>	<b>55,851</b>	<b>49,780</b>	<b>58,683</b>	<b>49,764</b>	<b>1,760</b>	<b>1,498</b>	<b>5,370</b>	<b>5,303</b>	<b>(5,677)</b>	<b>(4,413)</b>	<b>270,926</b>	<b>248,468</b>
Profit/(Loss) before share of (loss)/profit of equity accounted associates, net of tax	2,646	2,903	731	298	(738)	(2,165)	(6,872)	(236)	(974)	(1,262)	(1,415)	(2,146)			(6,622)	(2,608)
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	(43)	(554)	(837)	-	-	-	896			(554)	16
<b>Profit/(Loss) before tax</b>	<b>2,646</b>	<b>2,903</b>	<b>731</b>	<b>298</b>	<b>(738)</b>	<b>(2,208)</b>	<b>(7,426)</b>	<b>(1,073)</b>	<b>(974)</b>	<b>(1,262)</b>	<b>(1,415)</b>	<b>(1,250)</b>			<b>(7,176)</b>	<b>(2,592)</b>

\* 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	
	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	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>6 months ended 30 June</b>																
Revenue from external customers	<b>216,681</b>	196,837	<b>90,364</b>	91,590	<b>101,518</b>	101,289	<b>125,859</b>	107,636	<b>1,434</b>	510	<b>6,054</b>	7,441	-	-	<b>541,910</b>	505,303
Inter-segment revenue	<b>1,612</b>	196	<b>243</b>	76	<b>2,694</b>	4,040	<b>14</b>	-	<b>2,397</b>	2,726	<b>4,989</b>	4,326	<b>(11,949)</b>	(11,364)	-	-
<b>Total revenue</b>	<b>218,293</b>	197,033	<b>90,607</b>	91,666	<b>104,212</b>	105,329	<b>125,873</b>	107,636	<b>3,831</b>	3,236	<b>11,043</b>	11,767	<b>(11,949)</b>	(11,364)	<b>541,910</b>	505,303
Profit/(Loss) before share of (loss)/profit of equity accounted associates, net of tax	<b>4,375</b>	4,525	<b>1,786</b>	(678)	<b>(2,300)</b>	(3,428)	<b>(3,531)</b>	4,333	<b>(1,990)</b>	(2,332)	<b>(2,495)</b>	(4,127)			<b>(4,155)</b>	(1,707)
Share of (loss)/profit of equity accounted associates, net of tax	-	-	-	-	-	(57)	<b>(1,212)</b>	(1,415)	-	-	-	1,960			<b>(1,212)</b>	488
Profit/(Loss) before tax	<b>4,375</b>	4,525	<b>1,786</b>	(678)	<b>(2,300)</b>	(3,485)	<b>(4,743)</b>	2,918	<b>(1,990)</b>	(2,332)	<b>(2,495)</b>	(2,167)			<b>(5,367)</b>	(1,219)
<b>Segment assets</b>	<b>154,747</b>	139,949	<b>165,623</b>	163,527	<b>100,911</b>	101,401	<b>123,759</b>	114,647	<b>3,830</b>	4,142	<b>53,756</b>	100,838			<b>602,626</b>	624,504

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

**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**

Other than as disclosed in Note 20, there were no material events which occurred subsequent to the end of the reporting period until the date of this announcement.

**11. Changes in composition of the Group for the six months ended 30 June 2017**

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 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 30 June 2017.

**13. Commitments**

	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Property, plant and equipment		
Contracted but not provided for in the financial statements	5,078	6,039
Approved but not contracted for	<u>1,898</u>	<u>1,761</u>
	<u>6,976</u>	<u>7,800</u>

**TEXCHEM RESOURCES BHD****PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF  
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**14. Operating Segments Analysis**

- (a) Current quarter compared with previous corresponding quarter

**Continuing Operations**

The Group recorded revenue of RM270.9 million in Q2 2017 as compared to RM248.5 million in Q2 2016. The Group reported a pre-tax loss of RM7.2 million in Q2 2017 as compared to a pre-tax loss of RM2.6 million in Q2 2016 mainly due to various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in Q2 2017 was RM112.2 million as compared to RM100.4 million in Q2 2016. The pre-tax profit of RM2.6 million achieved in Q2 2017 was slightly lower than RM2.9 million in Q2 2016. Despite higher revenue achieved, pre-tax profit has decreased by RM0.3 million mainly due to unfavorable sales mix.

- (ii) Polymer Engineering Division

The revenue recorded in Q2 2017 was RM42.8 million against RM46.1 million in Q2 2016. The pre-tax profit achieved in Q2 2017 was RM0.73 million as compared to RM0.3 million in Q2 2016. The lower revenue and higher pre-tax profit achieved during the quarter was mainly due to cessation of a loss making subsidiary in China in Q4 2016.

- (iii) Food Division

The revenue recorded for Q2 2017 was RM55.9 million against RM49.8 million in Q2 2016. The Division incurred lower pre-tax loss of RM0.74 million against the pre-tax loss of RM2.2 million in Q2 2016 mainly due to better operating environment and cost management.

- (iv) Restaurant Division

The revenue recorded for Q2 2017 was RM58.7 million against RM49.8 million in Q2 2016. However, the Division incurred higher pre-tax loss of RM7.4 million in Q2 2017 as compared to a pre-tax loss of RM1.1 million in Q2 2016 mainly due to closure costs of RM5.3 million arising from cessation of business by a subsidiary and losses from new concept restaurants.

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

**Continuing Operations**

The Group recorded revenue of RM541.9 million as compared to RM505.3 million in H1 2016. The Group reported a pre-tax loss of RM5.4 million in H1 2017 against RM1.2 million in H1 2016 due to the various factors as explained in the respective operating business segments as follows:

- (i) Industrial Division

The revenue recorded in H1 2017 was RM218.3 million as compared to RM197.0 million in H1 2016. Despite higher revenue achieved, a slightly lower pre-tax profit of RM4.4 million was achieved in H1 2017 against RM4.5 million in H1 2016 mainly due to sales mix factor.

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

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

(ii) Polymer Engineering Division

The revenue recorded for H1 2017 was RM90.6 million against RM91.7 million in H1 2016. The Division achieved pre-tax profit of RM1.8 million in H1 2017 against pre-tax loss of RM0.68 million in H1 2016. The lower revenue achieved in H1 2017 was mainly due to the cessation of operation of a subsidiary in China in Q4 2016. Higher pre-tax profit achieved in H1 2017 was mainly due to the better performance of certain subsidiaries.

(iii) Food Division

The revenue recorded for H1 2017 was RM104.2 million against RM105.3 million in H1 2016. The Division incurred a lower pre-tax loss of RM2.3 million as compared to RM3.5 million in H1 2016 mainly due to better operating environment and cost management.

(iv) Restaurant Division

The revenue recorded for H1 2017 was RM125.9 million against RM107.6 million in H1 2016. The Division incurred pre-tax loss of RM4.7 million against pre-tax profit of RM2.9 million in H1 2016 mainly due to closure costs of RM5.3 million arising from cessation of business by a subsidiary and losses from new concept 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 2 2017 RM'000</b>	<b>Quarter 1 2017 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Revenue from continuing operations	270,926	270,984	(58)	(0.02)
(Loss)/profit before taxation from continuing operations	(7,176)	1,809	(8,985)	(496.68)

The pre-tax loss of RM7.72 million incurred in Q2 2017 was mainly due to various factors as explained above.



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**16. Prospects for 2017**

The business environment for 2017 continues to remain challenging. The Restaurant Division is expected to improve its performance in H2 2017 through customer activation programs as well as expansion in the local and regional market. The performance of Food Division is expected to continue to improve though it would still depend on the continual improvement of landing of marine products. 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>6 months ended</b>	
	<b>30 June</b>		<b>30 June</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	1,363	379	3,254	2,343
- prior period	(5)	-	(5)	-
<b>Foreign tax expense</b>				
- current period	877	783	1,609	1,481
	<b>2,235</b>	<b>1,162</b>	<b>4,858</b>	<b>3,824</b>
<b>Deferred tax expense</b>				
- current period	(5)	(98)	237	(54)
- prior period	15	-	15	-
	<b>2,245</b>	<b>1,064</b>	<b>5,110</b>	<b>3,770</b>

The effective tax rates were higher than the statutory tax rate mainly due to the losses which cannot be set-off against taxable profits made by subsidiaries and certain expenses which are not tax deductible.

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**19. Loss for the period**

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

	3 months ended		6 months ended	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(87)	(487)	(195)	(502)
Interest expense	2,234	2,902	4,422	5,344
Depreciation of property, plant and equipment	8,330	7,597	16,135	14,780
(Reversal of impairment loss)/ impairment loss on trade receivables	(23)	60	(14)	48
Inventories (written back)/written down	(1,024)	239	(776)	37
Gain on disposal of property, plant and equipment	(217)	(264)	(457)	(535)
Property, plant and equipment written off	335	172	437	186
Impairment loss on property, plant and equipment	3,315	-	3,315	-
Loss/(gain) on foreign exchange	591	(663)	1,432	2,839
Amortisation of franchise fee	54	54	109	109
Franchise fee written off	1,111	-	1,111	-
Provision for Directors' retirement/ resignation benefits	365	187	843	384
Dividend income from money market funds	(133)	(75)	(363)	(81)

**20. Status of corporate proposals**

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

**A. An extension of time granted by the Companies Commission of Malaysia to Texchem Corporation Sdn. Bhd. ("Texcorp"), a 73.81% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act, 2016**

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.

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**20. Status of corporate proposals (Cont'd)****A. An extension of time granted by the Companies Commission of Malaysia to Texchem Corporation Sdn. Bhd. ("Texcorp"), a 73.81% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act, 2016 (Cont'd)**

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.

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.

On 15 May 2017, the Company announced that Texcorp has been granted an approval by the Registrar of Companies for a further extension of time of six (6) months to comply with Section 22 of the Companies Act, 2016 namely the new deadline for Texcorp to dispose of the TRB Shares is 15 November 2017. 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.

**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.

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

**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.

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**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. 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.

**F. 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.

**G. Incorporation of Texchem Hatchery Sdn. Bhd.**

On 29 May 2017, the Company announced that Texchem Aquaculture Sdn. Bhd., a wholly-owned subsidiary of Texchem Food Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had on 29 May 2017 incorporated a wholly-owned subsidiary known as Texchem Hatchery Sdn. Bhd. under the Companies Act, 2016.

**H. Internal Re-organisation of Texchem Resources Bhd. Group's Structure**

On 9 June 2017, the Company announced that the Company had acquired 2 ordinary shares, representing 100% of the equity interest in Texchem Aquaculture Sdn. Bhd. ("Texchem Aquaculture") from Texchem Food Sdn. Bhd. ("TFSB") at a total cash consideration of RM2.00 only being the total investment cost of TFSB in Texchem Aquaculture ("Re-organisation").

The Re-organisation was completed on 9 June 2017 and Texchem Aquaculture is now a wholly-owned subsidiary of the Company.

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**20. Status of corporate proposals (Cont'd)****I. Proposed Disposal by Ocean Pioneer Food Sdn. Bhd., a 94.87% owned indirect subsidiary of the Company to SHT Marine Frozen Sdn. Bhd. of the following:**

- i) All that piece of leasehold land together with buildings erected thereon; and**
- ii) Machinery**

**For a total cash consideration of RM2.65 million only (inclusive of Goods and Services Tax of RM150,000) (collectively referred to as the “Proposed Disposal”)**

On 3 July 2017, the Company announced that Ocean Pioneer Food Sdn. Bhd. (“OPF”), a 94.87% owned subsidiary of Sea Master (Malaysia) Sdn. Bhd. which in turn is a wholly-owned subsidiary of Texchem Food Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 3 July 2017 entered into the following agreements with SHT Marine Frozen Sdn. Bhd. (Company No. 1232681-K) of 160-1B, Taman Desa Bintang II, Jalan Lumut, 32000 Setiawan, Perak:

- (a) a Sale and Purchase Agreement (“SPA”) to dispose of all that piece of leasehold land (sixty years lease which is expiring on 28 November 2054) situated in Mukim of Pengkalan Baharu, District of Manjung, State of Perak known as Lot 7235 held under Pajakan Negeri No. 123153 together with buildings erected thereon and bearing the postal address of No. 12P, Jalan Pelantar, Pekan Baru, 34900 Pantai Remis, Perak at a total cash consideration of RM2,279,000 only (inclusive of Goods and Services Tax of RM129,000) on the terms and subject to the conditions as stipulated in the SPA; and
- (b) a Machinery Purchase Agreement (“MPA”) to dispose of freezers, cold room, chilled room, ice makers and all related components at a total cash consideration of RM371,000 only (inclusive of Goods and Services Tax of RM21,000) on the terms and subject to the conditions as stipulated in the MPA.
- (c) The Proposed Disposal is pending for the following consents:
  - (i) The Chief Minister of Perak’s Consent to Transfer;
  - (ii) The approval from the shareholders of OPF; and
  - (iii) The approval from the shareholders of TRB.

The completion of the Proposed Disposal is pending as at todote.

**J. Cessation of Business Operations and Creditors’ Voluntary Winding Up of Dim Sum Delight Sdn. Bhd.**

- (a) On 3 July 2017, the Company announced that Dim Sum Delight Sdn. Bhd., a 51% owned subsidiary of the Company, had ceased business operations in the sales of food and beverages with effect from 3 July 2017.
- (b) On 17 July 2017, the Company announced that Dim Sum Delight Sdn. Bhd. (“Dim Sum Delight”), a 51% owned subsidiary of the Company, had on 17 July 2017 appointed an Interim Liquidator to commence creditors’ voluntary winding up proceedings of Dim Sum Delight in accordance with Section 440(1) of the Companies Act, 2016. The Members’ and Creditors’ meetings of Dim Sum Delight are scheduled to be held on 10 August 2017.

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**21. Loans and borrowings**

	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Bank overdrafts	15,438	14,541
Bankers' acceptances	53,712	45,309
Revolving credit	44,225	51,670
Term loans	7,504	10,124
Trust receipts	14,520	8,696
Finance lease liabilities	2,669	2,541
Other borrowings	10,607	7,231
<b>Total</b>	<b>148,675</b>	<b>140,112</b>
<b>Non-current:</b>		
Term loans	21,854	21,677
Finance lease liabilities	5,272	5,423
<b>Total</b>	<b>27,126</b>	<b>27,100</b>

Loans and borrowings denominated in foreign currencies are as follows:

	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Unsecured</b>		
<b>Current:</b>		
Thai Baht	6,370	2,005
Singapore Dollar	266	239
Vietnamese Dong	8,350	6,368
United States Dollar	20,408	16,779
	<b>35,394</b>	<b>25,391</b>
<b>Non-current:</b>		
Thai Baht	59	22
Singapore Dollar	-	23
United States Dollar	373	288
	<b>432</b>	<b>333</b>

**22. Derivative financial instruments**

As at 30 June 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	3,658	3,620	38
			<b>38</b>

For six months ended 30 June 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.

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**23. Gains and Losses arising from fair value changes of financial liabilities**

There are no material gains and losses arising from changes on the fair values of financial liabilities as all financial liabilities are measured at the amortised cost using the effective interest method.

**24. Changes in material litigation**

There was no material litigation against the Group as at 30 June 2017.

**25. Dividends**

No dividend has been proposed or declared for the quarter ended 30 June 2017.

**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.

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30 June</b>		<b>30 June</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>
Loss for the period attributable to owners of the Company	(6,111)	(3,517)	(6,686)	(5,731)
Weighted average number of ordinary shares in issue*	121,580	122,315	121,580	122,315
Basic loss per share (sen)	(5.03)	(2.88)	(5.50)	(4.69)

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

<b>In thousands of shares</b>	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>
Issued ordinary shares at 1 January	121,928	124,099
Effect of treasury shares held	(348)	(1,964)
Weighted average number of ordinary shares	<u>121,580</u>	<u>122,315</u>



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27. Realised and Unrealised Profits/(Losses)

	30 June 2017 RM'000	31 December 2016 RM'000
<b>Total retained earnings of the Company and its subsidiaries:</b>		
Realised	106,813	110,546
Unrealised	16,291	20,794
	123,104	131,340
<b>Total share of accumulated losses from associates:</b>		
Realised	(4,128)	(2,916)
Unrealised	-	-
	(4,128)	(2,916)
	118,976	128,424
Less: Consolidation adjustments	(2,034)	(4,796)
<b>Total Group retained earnings</b>	<b>116,942</b>	<b>123,628</b>

BY ORDER OF THE BOARD

TAN PENG LAM  
 GROUP CHIEF FINANCIAL OFFICER  
 Date: 31 July 2017