



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and three months ended 31 March 2018

| | Note | 3 months ended 31 March | | | 3 months ended 31 March | | |
|--|------|----------------------------|----------------|-----------------|----------------------------|----------------|-----------------|
| | | 2018 RM'000 | 2017 RM'000 | Changes (%) | 2018 RM'000 | 2017 RM'000 | Changes (%) |
| Continuing Operations | | | | | | | |
| Revenue | 8 | 274,683 | 277,049 | (0.85) | 274,683 | 277,049 | (0.85) |
| Cost of sales | | (196,308) | (201,892) | 2.77 | (196,308) | (201,892) | 2.77 |
| Gross profit | | 78,375 | 75,157 | 4.28 | 78,375 | 75,157 | 4.28 |
| Distribution costs | | (44,571) | (41,839) | (6.53) | (44,571) | (41,839) | (6.53) |
| Administrative expenses | | (30,695) | (31,411) | 2.28 | (30,695) | (31,411) | 2.28 |
| Other income | | 1,688 | 2,748 | (38.57) | 1,688 | 2,748 | (38.57) |
| Operating profit | | 4,797 | 4,655 | 3.05 | 4,797 | 4,655 | 3.05 |
| Share of loss of equity accounted associates, net of tax | | (1,063) | (658) | (61.55) | (1,063) | (658) | (61.55) |
| Profit before interest and taxation | | 3,734 | 3,997 | (6.58) | 3,734 | 3,997 | (6.58) |
| Finance costs | | (2,177) | (2,188) | 0.50 | (2,177) | (2,188) | 0.50 |
| Profit before taxation | | 1,557 | 1,809 | (13.93) | 1,557 | 1,809 | (13.93) |
| Income tax expense | 18 | (3,008) | (2,865) | (4.99) | (3,008) | (2,865) | (4.99) |
| Loss for the period | 19 | (1,451) | (1,056) | (37.41) | (1,451) | (1,056) | (37.41) |
| (Loss)/profit attributable to: | | | | | | | |
| Owners of the Company | | (2,005) | (575) | (248.70) | (2,005) | (575) | (248.70) |
| Non-controlling interests | | 554 | (481) | 215.18 | 554 | (481) | 215.18 |
| Loss for the period | | (1,451) | (1,056) | (37.41) | (1,451) | (1,056) | (37.41) |
| Basic loss per share | | | | | | | |
| attributable to owners of the Company (sen) | 27 | (1.65) | (0.47) | (251.06) | (1.65) | (0.47) | (251.06) |

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

| | Note | 3 months ended 31 March | | | 3 months ended 31 March | | |
|---|------|----------------------------|----------------|-------------------|----------------------------|----------------|-------------------|
| | | 2018 RM'000 | 2017 RM'000 | Changes (%) | 2018 RM'000 | 2017 RM'000 | Changes (%) |
| Loss for the period | | (1,451) | (1,056) | (37.41) | (1,451) | (1,056) | (37.41) |
| Other comprehensive (expense)/income, net of tax | | | | | | | |
| Foreign currency translation differences for foreign operations | | (2,626) | 1,005 | (361.29) | (2,626) | 1,005 | (361.29) |
| Total comprehensive expense for the period | | (4,077) | (51) | (7,894.12) | (4,077) | (51) | (7,894.12) |
| Total comprehensive (expense)/income attributable to: | | | | | | | |
| Owners of the Company | | (4,458) | 518 | (960.62) | (4,458) | 518 | (960.62) |
| Non-controlling interests | | 381 | (569) | (166.96) | 381 | (569) | (166.96) |
| Total comprehensive expense for the period | | (4,077) | (51) | (7,894.12) | (4,077) | (51) | (7,894.12) |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 31 March 2018

| | Note | 31 March 2018 (Unaudited) RM'000 | 31 December 2017 (Audited) RM'000 |
|---|------|---|--|
| ASSETS | | | |
| Property, plant and equipment | | 175,368 | 174,244 |
| Investment in associates | | 4,928 | 2,991 |
| Intangible assets | | | |
| - Goodwill | | 37,309 | 37,309 |
| - Trademarks | | 21,500 | 21,500 |
| Deferred tax assets | | 579 | 611 |
| Total non-current assets | | 239,684 | 236,655 |
| Trade receivables | | 135,177 | 139,571 |
| Other receivables | | 47,674 | 56,649 |
| Inventories | | 93,701 | 90,439 |
| Current tax assets | | 1,648 | 1,525 |
| Cash and cash equivalents | | 67,459 | 93,912 |
| Derivative assets | 22 | 13 | 15 |
| Total current assets | | 345,672 | 382,111 |
| TOTAL ASSETS | | 585,356 | 618,766 |
| EQUITY | | | |
| Share capital | | 149,667 | 149,667 |
| Reserves | | 103,938 | 108,408 |
| Total equity attributable to owners of the Company | | 253,605 | 258,075 |
| Non-controlling interests | | 29,492 | 29,125 |
| TOTAL EQUITY | | 283,097 | 287,200 |
| LIABILITIES | | | |
| Loans and borrowings | 21 | 24,939 | 23,554 |
| Deferred tax liabilities | | 3,140 | 3,056 |
| Deferred liabilities | | 2,576 | 2,592 |
| Provision | | 6,155 | 6,034 |
| Total non-current liabilities | | 36,810 | 35,236 |

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 31 March 2018 (Cont'd)

| | Note | 31 March 2018 (Unaudited) RM'000 | 31 December 2017 (Audited) RM'000 |
|-------------------------------------|------|---|--|
| LIABILITIES | | | |
| Trade payables | | 67,543 | 71,181 |
| Other payables | | 52,852 | 66,304 |
| Provision | | 159 | 125 |
| Loans and borrowings | 21 | 141,132 | 145,148 |
| Current tax liabilities | | 3,376 | 3,109 |
| Deferred liabilities | | 387 | 387 |
| Dividend payable | 7 | - | 10,076 |
| Total current liabilities | | 265,449 | 296,330 |
| TOTAL LIABILITIES | | 302,259 | 331,566 |
| TOTAL EQUITY AND LIABILITIES | | 585,356 | 618,766 |

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

| | <-----Attributable to owners of the Company -----> | | | | | |
|--|--|----------------------------------|-----------------------------|---------------------|-------------------------------------|------------------------|
| | Non-distributable | | | Distributable | | |
| Note | Share capital RM'000 | Other capital reserves RM'000 | Retained earnings RM'000 | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 January 2018 | 149,667 | (3,412) | 111,820 | 258,075 | 29,125 | 287,200 |
| Other comprehensive expense | - | (2,453) | - | (2,453) | (173) | (2,626) |
| (Loss)/profit for the period | - | - | (2,005) | (2,005) | 554 | (1,451) |
| Total comprehensive (expense)/income for the period | - | (2,453) | (2,005) | (4,458) | 381 | (4,077) |
| Accretion of interest in an existing subsidiary | - | - | (12) | (12) | (14) | (26) |
| Total transaction with owners of the Company | - | - | (12) | (12) | (14) | (26) |
| At 31 March 2018 | 149,667 | (5,865) | 109,803 | 253,605 | 29,492 | 283,097 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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

| | 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 | | | |
| At 1 January 2017 | | 124,099 | 25,568 | 10,080 | 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) |
| Total comprehensive income/(expense) for the period | | - | - | 1,093 | (575) | 518 | (569) | (51) |
| Dilution of interest in an existing subsidiary | | - | - | - | (1) | (1) | 1 | - |
| Issuance of shares to non-controlling interests | | - | - | - | - | - | 1,867 | 1,867 |
| Purchase of treasury shares | | - | - | (147) | - | (147) | - | (147) |
| Transaction costs of treasury shares | | - | - | (1) | - | (1) | - | (1) |
| Transfer to share capital | (a) | 25,568 | (25,568) | - | - | - | - | - |
| Total transactions with owners of the Company | | 25,568 | (25,568) | (148) | (1) | (149) | 1,868 | 1,719 |
| At 31 March 2017 | | 149,667 | - | 11,025 | 123,052 | 283,744 | 23,475 | 307,219 |

Note (a)

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.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

| | Note | 3 months ended 31 March | |
|--|------|-------------------------|-----------------|
| | | 2018 | 2017 |
| | | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 1,557 | 1,809 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 7,612 | 7,805 |
| Provision for Directors' retirement/resignation benefits | | 163 | 478 |
| Property, plant and equipment written off | | 16 | 102 |
| Amortisation of franchise fee | | - | 55 |
| Gain on disposal of property, plant and equipment | | (99) | (240) |
| Interest income | | (209) | (108) |
| Dividend income from money market funds | | - | (230) |
| Interest expense | | 2,177 | 2,188 |
| Share of loss of equity accounted associates | | 1,063 | 658 |
| | | 10,723 | 10,708 |
| Operating profit before changes in working capital | | 12,280 | 12,517 |
| Changes in working capital: | | | |
| Inventories | | (3,262) | (7,907) |
| Trade and other receivables | | 11,794 | (200) |
| Trade and other payables | | (16,933) | (17,033) |
| | | 3,879 | (12,623) |
| Cash generated from/(used in) operations | | 3,879 | (12,623) |
| Income tax paid | | (2,739) | (2,112) |
| Directors' retirement/resignation benefits paid | | (162) | - |
| | | 978 | (14,735) |
| Net cash from/(used in) operating activities | | 978 | (14,735) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment | | 214 | 439 |
| Purchase of property, plant and equipment | | (5,984) | (5,229) |
| Interest received | | 209 | 108 |
| Accretion of interest in an existing subsidiary | | (26) | - |
| Subscription of shares in an associate | | (3,000) | - |
| Dividend received from money market funds | | - | 230 |
| | | (8,587) | (4,452) |
| Net cash used in investing activities | | (8,587) | (4,452) |

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the three months ended 31 March 2018 (Cont'd)

| | Note | 3 months ended 31 March | |
|---|------|-------------------------|-----------------|
| | | 2018 | 2017 |
| | | RM'000 | RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Drawdown of term loans | | - | 2,000 |
| Repayment of term loans | | (3,346) | (2,878) |
| Repayment of finance lease liabilities | | (816) | (691) |
| (Repayment)/drawdown of borrowings (net) | | (1,579) | 403 |
| Proceeds from issuance of shares to non-controlling interests | | - | 1,867 |
| Purchase of treasury shares | | - | (148) |
| Interest paid | | (2,177) | (2,188) |
| Dividend paid | 7 | (10,076) | (10,055) |
| Net cash used in financing activities | | (17,994) | (11,690) |
| Net decrease in cash and cash equivalents | | (25,603) | (30,877) |
| Cash and cash equivalents at 1 January | | 75,871 | 106,250 |
| Effects of exchange differences on cash and cash equivalents | | (1,077) | 87 |
| Cash and cash equivalents at 31 March | A | 49,191 | 75,460 |

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 |
|------------------------|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Money market funds | - | 29,432 |
| Cash and bank balances | 67,459 | 63,753 |
| Bank overdrafts | (18,268) | (17,725) |
| | 49,191 | 75,460 |

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2017. 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 2017.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018.

The Group has adopted MFRS 15 *Revenue from Contracts with Customers* with effective from 1 January 2018 as mentioned below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 does not have any material financial impact to the current period and prior period financial statements of the Group apart from the reclassification of certain components from other income, distribution expenses and administrative expenses to revenue. Certain comparatives for the financial period ended 31 March 2017 have been reclassified and restated to conform to the current year’s presentation under MFRS 15.

| | Condensed Consolidated Income Statement for the quarter and three months ended 31 March 2017 | | |
|-------------------------|---|-------------------------|----------------|
| | MFRS118 | Reclassification | MFRS 15 |
| | RM’000 | RM’000 | RM’000 |
| Revenue | 270,984 | 6,065 | 277,049 |
| Other income | 6,866 | (4,118) | 2,748 |
| Distribution expenses | (40,897) | (942) | (41,839) |
| Administrative expenses | (30,406) | (1,005) | (31,411) |

The adoption of other new standards are not expected to have any material financial impact to the Group upon their adoption with effective from 1 January 2018.

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

1. Basis of preparation (Cont'd)

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 2019

| | |
|------------------------|--|
| MFRS 16 | Leases |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Amendments to MFRS 3 | Business Combinations |
| Amendments to MFRS 9 | Financial Instruments – Prepayment Features with Negative Compensation |
| Amendments to MFRS 11 | Joint Arrangements |
| Amendments to MFRS 112 | Income Taxes |
| Amendments to MFRS 123 | Borrowings Costs |
| Amendments to MFRS 128 | Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures |
| Amendments to MFRS 119 | Employee Benefits |

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 16, Leases which the Group is currently assessing the financial impact.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 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 2018.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and three months ended 31 March 2018.

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 2018.

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

7. Dividend paid

The Company had declared and paid the following dividend:-

| | Sen per share (Single tier) | Amount RM'000 | Date of declaration | Date of payment |
|--|--|--------------------------|--------------------------------|------------------------|
| First interim 2018 | 10.0 | 12,151 | 14 December 2017 | 15 January 2018 |
| Less: Dividend received by a subsidiary | | <u>(2,075)</u> | | |
| | | <u>10,076</u> | | |

As Texcorp is a 73.91% owned subsidiary of the Company, the dividend shared by the non-controlling interests of Texcorp amounted to RM541,000.

The net dividend paid in 2018 was amounted to RM10,076,000 as disclosed in the Condensed Consolidated Statement of Financial Position and Condensed Consolidated Statement of Cash Flows.

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

| | Industrial | | Polymer Engineering | | Food | | Restaurant | | Venture Business | | Others | | Eliminations | | Consolidated | |
|---|----------------|----------------|---------------------|----------------|----------------|----------------|----------------|-------------------------------|------------------|-------------------------------|----------------|-------------------------------|----------------|-------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 (Restated)* | 2018 RM'000 | 2017 RM'000 (Restated)* | 2018 RM'000 | 2017 RM'000 (Restated)* | 2018 RM'000 | 2017 RM'000 (Restated)* | 2018 RM'000 | 2017 RM'000 |
| 3 months ended 31 | | | | | | | | | | | | | | | | |
| March | | | | | | | | | | | | | | | | |
| Revenue from external customers | 104,376 | 105,433 | 46,134 | 47,715 | 41,090 | 46,867 | 79,145 | 73,255 | 3,233 | 2,859 | 705 | 920 | - | - | 274,683 | 277,049 |
| Inter-segment revenue | 1,538 | 705 | 147 | 108 | 2,501 | 1,494 | 1 | - | 1,047 | 1,493 | 2,640 | 2,566 | (7,874) | (6,366) | - | - |
| Total revenue | 105,914 | 106,138 | 46,281 | 47,823 | 43,591 | 48,361 | 79,146 | 73,255 | 4,280 | 4,352 | 3,345 | 3,486 | (7,874) | (6,366) | 274,683 | 277,049 |
| Profit/(Loss) before share of loss of equity accounted associates, net of tax | 1,687 | 1,729 | 531 | 1,055 | (2,597) | (1,562) | 4,819 | 3,341 | (1,107) | (1,045) | (713) | (1,051) | | | 2,620 | 2,467 |
| Share of loss of equity accounted associates, net of tax | - | - | - | - | - | - | (1,063) | (658) | - | - | - | - | | | (1,063) | (658) |
| Profit/(Loss) before tax | 1,687 | 1,729 | 531 | 1,055 | (2,597) | (1,562) | 3,756 | 2,683 | (1,107) | (1,045) | (713) | (1,051) | | | 1,557 | 1,809 |
| Segment assets | 149,233 | 144,046 | 167,314 | 167,102 | 86,172 | 101,239 | 141,051 | 133,019 | 10,403 | 10,392 | 31,183 | 57,792 | | | 585,356 | 613,590 |

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

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

9. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2017.

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 2018

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the three months ended 31 March 2018, 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 2018.

13. Commitments

| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
|-------------------------------|-------------------------------------|--|
| Property, plant and equipment | <u>10,807</u> | <u>8,455</u> |

TEXCHEM RESOURCES BHD
PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
14. Group's Financial Performance Review and Segmental Analysis
(a) Overall review of Group's financial performance

| | 3 months ended 31 March | | | 3 months ended 31 March | | |
|--|----------------------------|----------------|----------------|----------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | Changes (%) | 2018 RM'000 | 2017 RM'000 | Changes (%) |
| Revenue | 274,683 | 277,049 | (0.85) | 274,683 | 277,049 | (0.85) |
| Operating profit | 4,797 | 4,655 | 3.05 | 4,797 | 4,655 | 3.05 |
| Profit before interest and taxation | 3,734 | 3,997 | (6.58) | 3,734 | 3,997 | (6.58) |
| Profit before taxation | 1,557 | 1,809 | (13.93) | 1,557 | 1,809 | (13.93) |
| Loss after taxation | (1,451) | (1,056) | (37.41) | (1,451) | (1,056) | (37.41) |
| Loss attributable to owners of the Company | (2,005) | (575) | (248.70) | (2,005) | (575) | (248.70) |

(i) Statement of Profit or Loss and Other Comprehensive Income

The Group recorded revenue of RM274.7 million and operating profit of RM4.8 million in Q1 2018 as compared to revenue of RM277.1 million and operating profit of RM4.7 million in Q1 2017. The variance in revenue and operating profit will be explained in the respective operating business segments in Note 14(b).

(ii) Statement of Financial Position

As at 31 March 2018, total equity attributable to owners of the Company was reduced to RM253.6 million from RM258.1 million as at 31 December 2017 mainly due to loss after tax and non-controlling interest incurred for the period ended 31 March 2018.

Total borrowings of the Group decreased to RM166.1 million as at 31 March 2018 against RM168.7 million as at 31 December 2017.

(iii) Statement of Cash Flows

The net cash generated from operating activities of the Group was RM1.0 million for the three months ended 31 March 2018 against deficit in operating activities of RM14.7 million in corresponding period of 2017 mainly due to decrease in the working capital requirements. Furthermore, net cash used in investing activities increased to RM8.6 million during the period against RM4.5 million mainly due to subscription of shares in an associate amounted to RM3.0 million in 2018. Net cash used in financing activities increased from RM11.7 million for the corresponding period in 2017 against RM18.0 million during the period mainly due to repayment of bank borrowings in 2018. Overall, cash and cash equivalents decreased by RM25.6 million as compared with opening cash and cash equivalents as at 1 January 2018. The cash and cash equivalents of the Group was RM49 million as at 31 March 2018.

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

14. Group's Financial Performance Review and Segmental Analysis (Cont'd)**(b) Segmental analysis (Note 8)**

Current quarter compared with previous corresponding quarter

Continuing Operations**(i) Industrial Division**

The revenue recorded in Q1 2018 was RM105.9 million as compared to RM106.1 million in Q1 2017. The Division achieved approximately the same pre-tax profit of RM1.7 million Q1 2018 and Q1 2017.

(ii) Polymer Engineering Division

The revenue recorded in Q1 2018 was RM46.3 million against RM47.8 million in Q1 2017. The pre-tax profit achieved in Q1 2018 was RM0.5 million as compared to RM1.1 million in Q1 2017. The lower pre-tax profit achieved during the quarter was mainly due to lower margin on product mix and foreign exchange loss arising from strengthening of Ringgit Malaysia against US Dollar.

(iii) Food Division

The revenue recorded for Q1 2018 was RM43.6 million against RM48.4 million in Q1 2017. The Division incurred higher pre-tax loss of RM2.6 million against the pre-tax loss of RM1.6 million in Q1 2017 mainly due to lower landing and higher foreign exchange loss arising from strengthening of Ringgit Malaysia against US Dollar.

(iv) Restaurant Division

The revenue recorded for Q1 2018 was RM79.1 million against RM73.3 million in Q1 2017. The Division achieved pre-tax profit of RM3.8 million in Q1 2018 as compared to RM2.7 million in Q1 2017 mainly due to higher revenue from Sushi King Restaurants and new concept restaurants.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
15. Financial review for current quarter compared with immediate preceding quarter

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

| | Quarter 1 | Quarter 4 | Changes |
|---|-----------|-----------|----------|
| | 2018 | 2017 | |
| | RM'000 | RM'000 | % |
| Revenue | 274,683 | 290,900 | (5.57) |
| Operating profit | 4,797 | 12,072 | (60.26) |
| Operating profit excluding exceptional items | 4,797 | 8,631 | (44.42) |
| Profit before interest and taxation | 3,734 | 11,552 | (67.68) |
| Profit before taxation | 1,557 | 9,375 | (83.39) |
| (Loss)/profit after taxation | (1,451) | 5,154 | (128.15) |
| (Loss)/profit attributable to owners of the Company | (2,005) | 4,429 | (145.27) |

The revenue and operating profit excluding exceptional items of the Group is lower in the current quarter as compared to the preceding quarter mainly due to lower revenue and profit recorded by certain Divisions.

16. Prospects for 2018

The Industrial, Polymer Engineering and Restaurant Divisions are expected to perform better in line with their continuous effort to improve the operations. Meanwhile, the Food Division is undergoing the consolidation of its operation in Myanmar and will strive to reduce the operating loss in 2018.

17. Profit forecast

Not applicable as no profit forecast was published.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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18. Income tax expense

The income tax expense for continuing operations comprises:

| | 3 months ended 31 March | | 3 months ended 31 March | |
|-----------------------------|----------------------------|----------------|----------------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Income tax expense | | | | |
| - current period | 2,884 | 2,623 | 2,884 | 2,623 |
| - prior period | 7 | - | 7 | - |
| | <u>2,891</u> | <u>2,623</u> | <u>2,891</u> | <u>2,623</u> |
| Deferred tax expense | | | | |
| - current period | 105 | 242 | 105 | 242 |
| - prior period | 12 | - | 12 | - |
| | <u>3,008</u> | <u>2,865</u> | <u>3,008</u> | <u>2,865</u> |

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.

19. Loss for the period

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

| | 3 months ended 31 March | | 3 months ended 31 March | |
|--|----------------------------|----------------|----------------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Interest income | (209) | (108) | (209) | (108) |
| Interest expense | 2,177 | 2,188 | 2,177 | 2,188 |
| Depreciation of property, plant and equipment | 7,612 | 7,805 | 7,612 | 7,805 |
| Impairment loss on trade receivables | 11 | 9 | 11 | 9 |
| Inventories written down | 4 | 248 | 4 | 248 |
| Gain on disposal of property, plant and equipment | (99) | (240) | (99) | (240) |
| Property, plant and equipment written off | 16 | 102 | 16 | 102 |
| Loss on foreign exchange | 609 | 841 | 609 | 841 |
| Amortisation of franchise fee | - | 55 | - | 55 |
| Provision for Directors' retirement/ resignation benefits | 163 | 478 | 163 | 478 |
| Dividend income from money market funds | - | (230) | - | (230) |

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

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 73.91% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act 2016

Texcorp is a 73.91% owned subsidiary of the Company and has been a subsidiary of the Company since 12 July 2013.

As at todate, Texcorp holds 20,753,109 ordinary shares in the Company, representing 17.08% of the total issued and paid-up share capital in the Company [excluding 2,591,100 treasury shares] ("TRB Shares") after disposing of 400,000 TRB Shares to Texchem Holdings Sdn. Bhd. for a total cash consideration of RM408,000.00 on 10 October 2017.

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 became 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.

On 31 January 2017, the Companies Act, 1965 was repealed and replaced by 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(5)(b) 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(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 November 2017.

On 9 November 2017, the Company announced that Texcorp had on 9 November 2017 received the letter of approval dated 8 November 2017 from the Registrar of Companies for a further extension of time of six (6) months to comply with Section 22(5)(b) of the Companies Act 2016, namely the new deadline for Texcorp to dispose of the TRB Shares is 15 May 2018.

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)**A. An extension of time granted by the Companies Commission of Malaysia to Texchem Corporation Sdn. Bhd. (“Texcorp”), a 73.91% owned subsidiary of the Company, in order to comply with the requirement of Section 22 of the Companies Act 2016 (Cont'd)**

On 13 April 2018 and in compliance with Section 22(5)(b) 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.

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. 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 73.91% 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.

C. 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.

D. 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”].

On 21 March 2018, the Company announced that the National Marketing Supervision Administration, Wuxi Xinwu District Branch, China had on 21 March 2018 granted its approval for the cancellation of company registration of Texchem-Pack (Wuxi) Co., Ltd. in accordance with the Company Law of the People’s Republic of China and regulations of the People’s Republic of China on the Administration of Company Registration.

The Member’s Voluntary Winding Up was completed on 21 March 2018.

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20. Status of corporate proposals (Cont'd)**E. 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. ("Dim Sum Delight"), 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 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 were held on 10 August 2017.
- (c) On 10 August 2017, the Company announced that Dim Sum Delight had on 10 August 2017 held its Meeting of Members and Meeting of Creditors and appointed Mr Wong Soon Fong of 221B, Jalan Mahkota, Taman Maluri, 55100 Kuala Lumpur as the Liquidator for purposes of the Creditors' Voluntary Winding Up of Dim Sum Delight.

The Creditors' Voluntary Winding Up is pending as at todate.

F. Member's Voluntary Winding Up of Guardman Security Services Sdn. Bhd.

On 28 December 2017, the Company announced that Guardman Security Services Sdn. Bhd., a wholly-owned subsidiary of Texchem Corporation Sdn. Bhd., a 73.91% owned subsidiary of the Company, had on 28 December 2017 commenced winding up proceedings voluntarily in accordance with 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.

G. Acquisition of Charter Capital in Texchem Food Materials (Vietnam) Company Limited by Texchem Materials Sdn. Bhd.

On 27 February 2018, the Company announced that Texchem Materials Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 27 February 2018 entered into a contract with Y&Y Commercial Company Limited to acquire Charter Capital equivalent to a total sum of VND4,080,000,000 (equivalent to approximately RM701,760) representing 51% of the Charter Capital of Texchem Food Materials (Vietnam) Company Limited ("TFMV"), a company established in Vietnam ("Acquisition").

On 8 March 2018, the Company announced that TFMV has been notified by its agent in Vietnam on 8 March 2018 that the Department of Planning and Investment of Ho Chi Minh City had on 6 March 2018 issued an Enterprise Registration Certificate approving the Acquisition.

The registration process for the Acquisition was completed on 6 March 2018.

H. Incorporate of PT Eye Graphic Indonesia

On 10 April 2018, the Company announced that Eye Graphic Sdn. Bhd. ("EGSB"), a wholly-owned subsidiary of Texchem Polymer Engineering Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had on 9 April 2018 received from the Indonesia agent a letter dated 22 March 2018 issued by the Ministry of Justice and Human Rights of the Republic of Indonesia evidencing the incorporation of PT Eye Graphic Indonesia on 22 March 2018 by EGSB.

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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20. Loans and borrowings

| At 31 March 2018 | Long term | | Short term | | Total borrowings | |
|----------------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | Foreign currency ('000) | RM Equivalent ('000) | Foreign currency ('000) | RM Equivalent ('000) | Foreign currency ('000) | RM Equivalent ('000) |
| <u>Unsecured</u> | | | | | | |
| <u>Denominated in USD</u> | | | | | | |
| Revolving credits | - | - | 2,650 | 10,240 | 2,650 | 10,240 |
| Trade financing | - | - | 1,403 | 5,421 | 1,403 | 5,421 |
| Term loans | 69 | 267 | 27 | 104 | 96 | 371 |
| <u>Denominated in THB</u> | | | | | | |
| Trade financing | - | - | 47,019 | 5,821 | 47,019 | 5,821 |
| Finance lease obligation | 226 | 28 | 315 | 39 | 541 | 67 |
| <u>Denominated in SGD</u> | | | | | | |
| Bank overdrafts | - | - | 187 | 551 | 187 | 551 |
| Finance lease obligation | - | - | 62 | 183 | 62 | 183 |
| <u>Denominated in VND</u> | | | | | | |
| Trade financing | - | - | 54,982,353 | 9,347 | 54,982,353 | 9,347 |
| <u>Denominated in EUR</u> | | | | | | |
| Trade financing | - | - | 246 | 1,171 | 246 | 1,171 |
| <u>Denominated in RM</u> | | | | | | |
| Bank overdrafts | - | - | - | 17,717 | - | 17,717 |
| Revolving credits | - | - | - | 32,900 | - | 32,900 |
| Trade financing | - | - | - | 45,889 | - | 45,889 |
| Term loans | - | 18,114 | - | 8,426 | - | 26,540 |
| Finance lease obligation | - | 6,530 | - | 3,323 | - | 9,853 |
| | | | | | - | - |
| Total | - | 24,939 | - | 141,132 | - | 166,071 |

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

| At 31 March 2017 | Long term | | Short term | | Total borrowings | |
|-----------------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | Foreign currency ('000) | RM Equivalent ('000) | Foreign currency ('000) | RM Equivalent ('000) | Foreign currency ('000) | RM Equivalent ('000) |
| <u>Unsecured</u> | | | | | | |
| <u>Denominated in USD</u> | | | | | | |
| Revolving credits | - | - | 2,468 | 10,931 | 2,468 | 10,931 |
| Trade financing | - | - | 1,658 | 7,343 | 1,658 | 7,343 |
| Term loans | 58 | 257 | 22 | 97 | 80 | 354 |
| <u>Denominated in THB</u> | | | | | | |
| Trade financing | - | - | 23,001 | 2,958 | 23,001 | 2,958 |
| Finance lease obligation | 93 | 12 | 381 | 49 | 474 | 61 |
| <u>Denominated in SGD</u> | | | | | | |
| Bank overdrafts | - | - | 173 | 548 | 173 | 548 |
| Finance lease obligation | - | - | 65 | 206 | 65 | 206 |
| <u>Denominated in VND</u> | | | | | | |
| Trade financing | - | - | 42,760,000 | 8,552 | 42,760,000 | 8,552 |
| <u>Denominated in Kyat</u> | | | | | | |
| Finance lease obligation | - | - | 5,758 | 19 | 5,758 | 19 |
| <u>Denominated in RM</u> | | | | | | |
| Bank overdrafts | - | - | - | 17,177 | - | 17,177 |
| Revolving credits | - | - | - | 33,700 | - | 33,700 |
| Trade financing | - | - | - | 49,745 | - | 49,745 |
| Term loans | - | 21,557 | - | 9,004 | - | 30,561 |
| Finance lease obligation | - | 4,908 | - | 2,420 | - | 7,328 |
| Total | - | 26,734 | - | 142,749 | - | 169,483 |

Exchange rates applied

| | At 31 March 2018 | At 31 March 2017 |
|----------------|-------------------------|-------------------------|
| USD/RM | 3.864 | 4.4290 |
| THB/RM | 0.1238 | 0.1286 |
| SGD/RM | 2.948 | 3.1692 |
| VND/RM | 0.00017 | 0.0002 |
| EUR/RM | 4.7585 | 4.7288 |
| Kyat/RM | 0.0029 | 0.0033 |

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

22. Derivative financial instruments

As at 31 March 2018, the Group has the following outstanding derivative financial instrument:

| Type of Derivative | Contract/ Notional Value RM'000 | Fair Value RM'000 | Fair Value-Net Gain RM'000 |
|----------------------------|--|------------------------------|---|
| Forward exchange contracts | | | |
| - Receivables | 1,091 | 1,078 | 13 |
| | | | <u>13</u> |

For three months ended 31 March 2018, 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. Material impairment of assets

There was no material impairment of assets during the quarter under review and financial year to date.

25. Changes in material litigation

There was no material litigation against the Group as at 31 March 2018.

26. Dividends

No dividend has been proposed or declared for the quarter ended 31 March 2018.

TEXCHEM RESOURCES BHD
**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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27. 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 | |
|---|----------------|------------------|----------------|------------------|
| | 2018 | 31 March 2017 | 2018 | 31 March 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss for the period attributable to owners of the Company | (2,005) | (575) | (2,005) | (575) |
| Weighted average number of ordinary shares in issue* | 121,508 | 121,612 | 121,508 | 121,612 |
| Basic loss per share (sen) | (1.65) | (0.47) | (1.65) | (0.47) |

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

| In thousands of shares | 31 March 2018 | 31 March 2017 |
|--|------------------|------------------|
| Issued ordinary shares at 1 January | 124,099 | 124,099 |
| Effect of treasury shares held | (2,591) | (2,487) |
| Weighted average number of ordinary shares | 121,508 | 121,612 |

BY ORDER OF THE BOARD

TAN PENG LAM
GROUP CHIEF FINANCIAL OFFICER
Date: 26 April 2018