



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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the quarter and six months ended 30 June 2018

	Note	3 months ended 30 June			6 months ended 30 June		
		2018 RM'000	2017 RM'000 (Restated)	Changes (%)	2018 RM'000	2017 RM'000 (Restated)	Changes (%)
Continuing Operations							
Revenue	1& 8	273,206	276,102	(1.05)	547,889	553,151	(0.95)
Cost of sales		(199,500)	(208,505)	4.32	(395,808)	(410,397)	3.55
Gross profit		73,706	67,597	9.04	152,081	142,754	6.53
Distribution costs		(43,704)	(39,685)	(10.13)	(88,275)	(81,524)	(8.28)
Administrative expenses		(30,790)	(29,040)	(6.03)	(61,485)	(60,451)	(1.71)
Other income		1,346	2,064	(34.79)	3,034	4,812	(36.95)
Operating profit excluding exceptional items		558	936	(40.38)	5,355	5,591	(4.22)
Unusual expenses		-	(5,324)	100.00	-	(5,324)	100.00
Share of loss of equity accounted associates, net of tax		(737)	(554)	(33.03)	(1,800)	(1,212)	(48.51)
(Loss)/profit before interest and taxation		(179)	(4,942)	96.38	3,555	(945)	476.19
Finance costs		(2,266)	(2,234)	(1.43)	(4,443)	(4,422)	(0.47)
Loss before taxation		(2,445)	(7,176)	65.93	(888)	(5,367)	83.45
Income tax expense	18	(1,753)	(2,245)	21.92	(4,761)	(5,110)	6.83
Loss for the period	19	(4,198)	(9,421)	55.44	(5,649)	(10,477)	46.08
Loss attributable to:							
Owners of the Company		(3,609)	(6,111)	40.94	(5,614)	(6,686)	16.03
Non-controlling interests		(589)	(3,310)	82.21	(35)	(3,791)	99.08
Loss for the period		(4,198)	(9,421)	55.44	(5,649)	(10,477)	46.08
Basic loss per share attributable to owners of the Company (sen)	27	(2.97)	(5.03)	40.95	(4.62)	(5.50)	16.00

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 six months ended 30 June 2018

Note	3 months ended 30 June			6 months ended 30 June		
	2018 RM'000	2017 RM'000 (Restated)	Changes (%)	2018 RM'000	2017 RM'000 (Restated)	Changes (%)
Loss for the period	(4,198)	(9,421)	55.44	(5,649)	(10,477)	46.08
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences for foreign operations	894	(2,215)	140.36	(1,732)	(1,210)	(43.14)
Total comprehensive expense for the period	(3,304)	(11,636)	71.61	(7,381)	(11,687)	36.84
Total comprehensive expense attributable to:						
Owners of the Company	(2,682)	(8,310)	67.73	(7,140)	(7,792)	8.37
Non-controlling interests	(622)	(3,326)	81.30	(241)	(3,895)	93.81
Total comprehensive expense for the period	(3,304)	(11,636)	71.61	(7,381)	(11,687)	36.84

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 30 June 2018

	Note	30 June 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
ASSETS			
Property, plant and equipment		175,327	174,244
Investment in associates		4,191	2,991
Intangible assets			
- Goodwill		37,309	37,309
- Trademarks		21,500	21,500
Deferred tax assets		648	611
Total non-current assets		238,975	236,655
Trade receivables		142,675	139,571
Other receivables		49,175	56,649
Inventories		102,225	90,439
Current tax assets		1,897	1,525
Cash and cash equivalents		55,267	93,912
Derivative assets		-	15
Total current assets		351,239	382,111
TOTAL ASSETS		590,214	618,766
EQUITY			
Share capital		149,667	149,667
Reserves		100,903	108,408
Total equity attributable to owners of the Company		250,570	258,075
Non-controlling interests		29,209	29,125
TOTAL EQUITY		279,779	287,200
LIABILITIES			
Loans and borrowings	21	24,070	23,554
Deferred tax liabilities		3,119	3,056
Deferred liabilities		2,760	2,592
Provision		6,352	6,034
Total non-current liabilities		36,301	35,236

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 At 30 June 2018 (Cont'd)

		30 June 2018 (Unaudited)	31 December 2017 (Audited)
	Note	RM'000	RM'000
LIABILITIES			
Trade payables		65,936	71,181
Other payables		53,784	66,304
Provision		111	125
Loans and borrowings	21	150,866	145,148
Current tax liabilities		3,035	3,109
Deferred liabilities		387	387
Derivative liabilities	22	15	-
Dividend payable	7	-	10,076
Total current liabilities		274,134	296,330
TOTAL LIABILITIES		310,435	331,566
TOTAL EQUITY AND LIABILITIES		590,214	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 six months ended 30 June 2018

	<-----Attributable to owners of the Company ----->					Total equity RM'000
	Share capital RM'000	Other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	
At 1 January 2018	149,667	(3,412)	111,820	258,075	29,125	287,200
Other comprehensive expense	-	(1,526)	-	(1,526)	(206)	(1,732)
Loss for the period	-	-	(5,614)	(5,614)	(35)	(5,649)
Total comprehensive expense for the period	-	(1,526)	(5,614)	(7,140)	(241)	(7,381)
Accretion of interest in existing subsidiaries	-	-	(365)	(365)	325	(40)
Total transaction with owners of the Company	-	-	(365)	(365)	325	(40)
At 30 June 2018	149,667	(4,938)	105,841	250,570	29,209	279,779

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 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			
At 1 January 2017		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)
Total comprehensive expense for the period		-	-	(1,106)	(6,686)	(7,792)	(3,895)	(11,687)
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	(a)	25,568	(25,568)	-	-	-	-	-
Total transactions with owners of the Company		25,568	(25,568)	(217)	-	(217)	831	614
At 30 June 2017		149,667	-	8,757	116,942	275,366	19,112	294,478

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 six months ended 30 June 2018

	Note	6 months ended 30 June	
		2018	2017
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(888)	(5,367)
Adjustments for:			
Depreciation of property, plant and equipment		16,640	16,135
Provision for Directors' retirement/resignation benefits		325	843
Property, plant and equipment written off		679	437
Amortisation of franchise fee		-	109
Franchise fee written off		-	1,111
Impairment loss on property, plant and equipment		-	3,315
Gain on disposal of property, plant and equipment		(278)	(457)
Interest income		(404)	(195)
Dividend income from money market funds		-	(363)
Interest expense		4,443	4,422
Share of loss of equity accounted associates		1,800	1,212
		23,205	26,569
Operating profit before changes in working capital		22,317	21,202
Changes in working capital:			
Inventories		(11,786)	(11,603)
Trade and other receivables		4,191	(6,744)
Trade and other payables		(18,144)	(21,750)
		(3,422)	(18,895)
Cash used in operations		(3,422)	(18,895)
Income tax paid		(5,177)	(4,481)
Directors' retirement/resignation benefits paid		(152)	(688)
		(8,751)	(24,064)
Net cash used in operating activities		(8,751)	(24,064)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		504	676
Purchase of property, plant and equipment		(13,923)	(9,743)
Interest received		404	195
Accretion of interest in existing subsidiaries		(40)	-
Subscription of shares in an associate		(3,000)	-
Dividend received from money market funds		-	363
		(16,055)	(8,509)
Net cash used in investing activities		(16,055)	(8,509)

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2018 (Cont'd)

	Note	6 months ended 30 June	
		2018	2017
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loans		-	2,730
Repayment of term loans		(5,568)	(5,147)
Repayment of finance lease liabilities		(1,783)	(1,218)
Drawdown of borrowings (net)		11,791	10,975
Proceeds from issuance of shares to non-controlling interests		-	2,610
Purchase of treasury shares		-	(217)
Interest paid		(4,443)	(4,422)
Dividend paid	7	(10,076)	(10,055)
Dividend paid to non-controlling interests		-	(1,779)
Net cash used in financing activities		(10,079)	(6,523)
Net decrease in cash and cash equivalents		(34,885)	(39,096)
Cash and cash equivalents at 1 January		75,871	106,250
Effects of exchange differences on cash and cash equivalents		(602)	(569)
Cash and cash equivalents at 30 June	A	40,384	66,585

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	30 June
	2018	2017
	RM'000	RM'000
Money market funds	-	18,932
Cash and bank balances	55,267	63,091
Bank overdrafts	(14,883)	(15,438)
	40,384	66,585

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 effect 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 quarter and financial period ended 30 June 2017 have been reclassified and restated to conform to the current year’s presentation under MFRS 15.

	Condensed Consolidated Income Statement for the		
	MFRS118	Reclassification	MFRS 15
	RM’000	RM’000	RM’000
(i) 3 months ended 30 June 2017			
Revenue	270,926	5,176	276,102
Other income	6,865	(4,801)	2,064
Distribution expenses	(39,508)	(177)	(39,685)
Administrative expenses	(28,842)	(198)	(29,040)
(ii) 6 months ended 30 June 2017			
Revenue	541,910	11,241	553,151
Other income	13,731	(8,919)	4,812
Distribution expenses	(80,405)	(1,119)	(81,524)
Administrative expenses	(59,248)	(1,203)	(60,451)

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

1. Basis of preparation (Cont'd)

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

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 six months ended 30 June 2018.

5. Changes in estimates

There were no changes in estimates that have a material effect during the quarter and six months ended 30 June 2018.

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

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 2018.

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 30 June																
Revenue from external customers	109,170	111,248	47,776	42,649	42,643	54,651	70,484	63,845	2,831	3,253	302	456	-	-	273,206	276,102
Inter-segment revenue	1,981	907	151	135	9,336	1,200	39	14	1,612	1,039	2,595	2,476	(15,714)	(5,771)	-	-
Total revenue	111,151	112,155	47,927	42,784	51,979	55,851	70,523	63,859	4,443	4,292	2,897	2,932	(15,714)	(5,771)	273,206	276,102
Profit/(loss) before share of loss of equity accounted associates, net of tax	1,805	2,646	867	731	(845)	(738)	(802)	(6,872)	(1,252)	(882)	(1,481)	(1,507)			(1,708)	(6,622)
Share of loss of equity accounted associates, net of tax	-	-	-	-	-	-	(737)	(554)	-	-	-	-			(737)	(554)
Profit/(loss) before tax	1,805	2,646	867	731	(845)	(738)	(1,539)	(7,426)	(1,252)	(882)	(1,481)	(1,507)			(2,445)	(7,176)

* 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 (Cont'd)

	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
6 months ended 30 June																
Revenue from external customers	213,546	216,681	93,910	90,364	83,733	101,518	149,629	137,100	6,064	6,112	1,007	1,376	-	-	547,889	553,151
Inter-segment revenue	3,519	1,612	298	243	11,837	2,694	40	14	2,659	2,532	5,235	5,042	(23,588)	(12,137)	-	-
Total revenue	217,065	218,293	94,208	90,607	95,570	104,212	149,669	137,114	8,723	8,644	6,242	6,418	(23,588)	(12,137)	547,889	553,151
Profit/(loss) before share of loss of equity accounted associates, net of tax	3,492	4,375	1,398	1,786	(3,442)	(2,300)	4,017	(3,531)	(2,359)	(1,927)	(2,194)	(2,558)			912	(4,155)
Share of loss of equity accounted associates, net of tax	-	-	-	-	-	-	(1,800)	(1,212)	-	-	-	-			(1,800)	(1,212)
Profit/(loss) before tax	3,492	4,375	1,398	1,786	(3,442)	(2,300)	2,217	(4,743)	(2,359)	(1,927)	(2,194)	(2,558)			(888)	(5,367)
Segment assets	153,736	154,747	169,365	165,623	90,976	100,911	137,713	123,759	9,872	10,513	28,552	47,073			590,214	602,626

* 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 six months ended 30 June 2018

Other than as disclosed in Note 20 (where relevant) of this condensed consolidated financial statements for the six months ended 30 June 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 30 June 2018.

13. Commitments

	30 June 2018 RM'000	31 December 2017 RM'000
Property, plant and equipment	<u>9,634</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 30 June			6 months ended 30 June		
	2018 RM'000	2017 RM'000	Changes (%)	2018 RM'000	2017 RM'000	Changes (%)
Revenue	273,206	276,102	(1.05)	547,889	553,151	(0.95)
Operating profit excluding exceptional items	558	936	(40.38)	5,355	5,591	(4.22)
(Loss)/profit before interest and taxation	(179)	(4,942)	96.38	3,555	(945)	476.19
Loss before taxation	(2,445)	(7,176)	65.93	(888)	(5,367)	83.45
Loss after taxation	(4,198)	(9,421)	55.44	(5,649)	(10,477)	46.08
Loss attributable to owners of the Company	(3,609)	(6,111)	40.94	(5,614)	(6,686)	16.03

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

The Group recorded lower revenue of RM273.2 million in Q2 2018 compared to RM276.1 million in Q2 2017. As a result, operating profit excluding exceptional items for Q2 2018 was RM0.6 million, lower than RM0.9 million achieved in Q2 2017. The variance in revenue and operating profit will be explained in the respective operating business segments in Note 14(b).

For the six months ended 30 June 2018, the Group recorded revenue of RM547.9 million and operating profit excluding exceptional items of RM5.4 million against revenue of RM553.2 million and operating profit excluding exceptional items of RM5.6 million for the corresponding period in 2017.

(ii) Statement of Financial Position

As at 30 June 2018, total equity attributable to owners of the Company was reduced to RM250.6 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 30 June 2018.

Total borrowings of the Group increased to RM174.9 million as at 30 June 2018 against RM168.7 million as at 31 December 2017 mainly due to higher utilisation of trade facilities by subsidiaries.

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)**(a) Overall review of Group's financial performance (Cont'd)****(iii) Statement of Cash Flows**

The net cash used in operating activities of the Group was RM8.8 million for the six months ended June 2018 against RM24.1 million in corresponding period of 2017 mainly due to decrease in the working capital requirements. Furthermore, net cash used in investing activities increased to RM16.1 million during the period against RM8.5 million mainly due to purchase of property, plant and equipment of RM13.9 million and subscription of shares in an associate amounted to RM3.0 million in 2018. Net cash used in financing activities increased from RM6.5 million for the corresponding period in 2017 against RM10.1 million during the period mainly due to drawdown of term loan and proceeds from issuance of shares to non-controlling interests in 2017. Overall, cash and cash equivalents decreased by RM34.9 million as compared with opening cash and cash equivalents as at 1 January 2018. The cash and cash equivalents of the Group was RM40 million as at 30 June 2018.

(b) Segmental analysis (Note 8)

Current quarter compared with previous corresponding quarter

Continuing Operations**(i) Industrial Division**

The revenue recorded in Q2 2018 was RM111.2 million as compared to RM112.2 million in Q2 2017. The Division achieved lower pre-tax profit of RM1.8 million Q1 2018 as compared to RM2.6 million Q1 2017 mainly due to lower margin on sales mix.

(ii) Polymer Engineering Division

The revenue recorded in Q2 2018 was RM47.9 million against RM42.8 million in Q2 2017. The pre-tax profit achieved in Q2 2018 was RM0.9 million as compared to RM0.7 million in Q2 2017. Despite higher revenue achieved, pre-tax profit was increased marginally due to losses made by an overseas subsidiary.

(iii) Food Division

The revenue recorded for Q2 2018 was RM52.0 million against RM55.9 million in Q2 2017. The Division incurred higher pre-tax loss of RM0.8 million against the pre-tax loss of RM0.7 million in Q2 2017. The lower revenue was mainly due to lower landing of raw materials. However, pre-tax loss was only increased slightly by RM0.1 million mainly due to better cost management.

(iv) Restaurant Division

The revenue recorded for Q2 2018 was RM70.5 million against RM63.9 million in Q2 2017. The Division recorded pre-tax loss of RM1.5 million in Q2 2018 as compared to RM7.4 million in Q2 2017. The higher loss in Q2 2017 was mainly due to closure costs of RM5.3 million arising from cessation of business by a subsidiary.

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14. Group's Financial Performance Review and Segmental Analysis (Cont'd)

- (b) Segmental analysis (Note 8)(Cont'd)
- (2) Current six (6) months financial period compared with previous corresponding financial period

Continuing Operations

The Group recorded revenue of RM547.9 million as compared to RM553.2 million in YTD Q2 2017. The Group reported pre-tax loss of RM0.9 million in YTD Q2 2017 against RM5.4 million in YTD Q2 2017 due to the various factors as explained in the respective operating business segments as follows:

(i) Industrial Division

The revenue recorded in YTD Q2 2018 was RM217.1 million as compared to RM218.3 million in YTD Q2 2017. Lower pre-tax profit of RM3.5 million was achieved in YTD Q2 2018 against RM4.4 million in YTD Q3 2017 mainly due to lower margin on sales mix.

(ii) Polymer Engineering Division

The revenue recorded for YTD Q2 2018 was RM94.2 million against RM90.6 million in YTD Q2 2017. The Division achieved pre-tax profit of RM1.4 million in YTD Q2 2018 against pre-tax profit of RM1.8 million in YTD Q2 2017. Despite higher revenue achieved, pre-tax profit was lower due to losses made by an overseas subsidiary.

(iii) Food Division

The revenue recorded for YTD Q2 2018 was RM95.6 million against RM104.2 million in YTD Q2 2017. The Division incurred higher pre-tax loss of RM3.4 million as compared to RM2.3 million in YTD Q2 2017. The lower revenue was mainly due to lower landing of raw materials.

(iv) Restaurant Division

The revenue recorded for YTD Q2 2018 was RM149.7 million against RM137.1 million in YTD Q2 2017. The Division achieved pre-tax profit of RM2.2 million against pre-tax loss of RM4.7 million in YTD Q2 2017. The pre-tax loss for YTD Q2 2017 was mainly due to closure costs of RM5.3 million arising from cessation of business by a subsidiary.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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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:

	Current Quarter	Preceding Quarter	Changes
	2018	2018	
	RM'000	RM'000	
Revenue	273,206	274,683	(0.54)
Operating profit	558	4,797	(88.37)
(Loss)/profit before interest and taxation	(179)	3,734	(104.79)
(Loss)/profit before taxation	(2,445)	1,557	(257.03)
Loss after taxation	(4,198)	(1,451)	(189.32)
Loss attributable to owners of the Company	(3,609)	(2,005)	(80.00)

The revenue and operating profit of the Group has decreased in the current quarter as compared to the preceding quarter mainly due to various factors as explained in Note 14.

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 for the second half of 2018. Meanwhile, the Food Division is continuing its restructuring exercise in Myanmar and is working towards reducing its 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		6 months ended	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- current period	1,508	2,240	4,392	4,863
- prior period	335	(5)	342	(5)
	<u>1,843</u>	<u>2,235</u>	<u>4,734</u>	<u>4,858</u>
Deferred tax expense				
- current period	(78)	(5)	27	237
- prior period	(12)	15	-	15
	<u>1,753</u>	<u>2,245</u>	<u>4,761</u>	<u>5,110</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		6 months ended	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(195)	(87)	(404)	(195)
Interest expense	2,266	2,234	4,443	4,422
Depreciation of property, plant and equipment	9,028	8,330	16,640	16,135
Impairment loss on/(reversal of) trade receivables	2	(23)	13	(14)
Inventories written down/(written back)	76	(1,024)	80	(776)
Gain on disposal of property, plant and equipment	(179)	(217)	(278)	(457)
Property, plant and equipment written off	663	335	679	437
Impairment loss on property, plant and equipment	-	3,315	-	3,315
(Gain)/loss on foreign exchange	(243)	591	366	1,432
Amortisation of franchise fee	-	54	-	109
Franchise fee written off	-	1,111	-	1,111
Provision for Directors' retirement/ resignation benefits	162	365	325	843
Dividend income from money market funds	-	(133)	-	(363)

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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), 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 Companies Act 1965.

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 Companies Act 1965.

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 Companies Act 1965, 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.

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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 27 April 2018, the Company announced that Texcorp had on 27 April 2018 received the letter of approval dated 26 April 2018 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 November 2018.

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. (Texchem Management Services”), 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”].

Texchem Management Services had its Final Meeting on 2 July 2018. On 11 July 2018, the Company announced that a Return by Liquidator Relating to Final Meeting has been duly lodged with the Companies Commission of Malaysia and the Official Receiver on 9 July 2018 and 10 July 2018 respectively.

Texchem Management Services will be dissolved on 10 October 2018 pursuant to Section 272(5) of the Companies Act 1965.

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. 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 Member 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.

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

F. Application to Strike Off a Dormant Sub-Subsidiary, Texchem Food Services Sdn. Bhd.

On 3 May 2018, the Company announced that Texchem Food Services Sdn. Bhd. ("TFSSB"), a wholly-owned subsidiary of Texchem Food Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had on 2 May 2018 submitted its application to the Companies Commission of Malaysia ("CCM") to strike off its name from the register of CCM pursuant to Section 550 of the Companies Act 2016 ("Proposed Striking Off").

The completion of the Proposed Striking Off is pending as at todate.

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

At 30 June 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	-	-	2,265	9,151	2,265	9,151
Trade financing	-	-	2,314	9,349	2,314	9,349
Term loans	69	279	18	73	87	352
<u>Denominated in THB</u>						
Trade financing	-	-	63,669	7,761	63,669	7,761
Finance lease obligation	117	14	318	39	435	53
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	132	391	132	391
Finance lease obligation	-	-	122	361	122	361
<u>Denominated in VND</u>						
Trade financing	-	-	60,685,284	10,923	60,685,284	10,923
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	14,492	-	14,492
Revolving credits	-	-	-	32,000	-	32,000
Trade financing	-	-	-	55,940	-	55,940
Term loans	-	17,254	-	7,096	-	24,350
Finance lease obligation	-	6,523	-	3,290	-	9,813
Total	-	24,070	-	150,866	-	174,936

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

At 30 June 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	-	-	2,404	10,326	2,404	10,326
Trade financing	-	-	2,311	9,927	2,311	9,927
Term loans	87	374	36	155	123	529
<u>Denominated in THB</u>						
Trade financing	-	-	49,913	6,309	49,913	6,309
Finance lease obligation	469	59	485	61	954	120
<u>Denominated in SGD</u>						
Bank overdrafts	-	-	40	125	40	125
Finance lease obligation	-	-	45	140	45	140
<u>Denominated in VND</u>						
Trade financing	-	-	41,748,820	8,350	41,748,820	8,350
<u>Denominated in RM</u>						
Bank overdrafts	-	-	-	15,313	-	15,313
Revolving credits	-	-	-	33,899	-	33,899
Trade financing	-	-	-	54,253	-	54,253
Term loans	-	21,480	-	7,349	-	28,829
Finance lease obligation	-	5,213	-	2,468	-	7,681
Total	-	27,126	-	148,675	-	175,801

Exchange rates applied

	At 30 June 2018	At 30 June 2017
USD/RM	4.0400	4.2955
THB/RM	0.1219	0.1264
SGD/RM	2.9606	3.1204
VND/RM	0.00018	0.0002

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
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22. Derivative financial instruments

As at 30 June 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 Loss RM'000	
Forward exchange contracts - Payables	1,258	1,273	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">15</td> </tr> </table>	15
15				
			15	

For six months ended 30 June 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 30 June 2018.

26. Dividends

No dividend has been proposed or declared for the quarter ended 30 June 2018.

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**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		6 months ended	
	2018	30 June 2017	2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Loss for the period attributable to owners of the Company	(3,609)	(6,111)	(5,614)	(6,686)
Weighted average number of ordinary shares in issue*	121,508	121,580	121,508	121,580
Basic loss per share (sen)	(2.97)	(5.03)	(4.62)	(5.50)

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

In thousands of shares	30 June 2018	30 June 2017
Issued ordinary shares at 1 January	124,099	124,099
Effect of treasury shares held	(2,591)	(2,519)
Weighted average number of ordinary shares	121,508	121,580

BY ORDER OF THE BOARD

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