



**TEXCHEM**

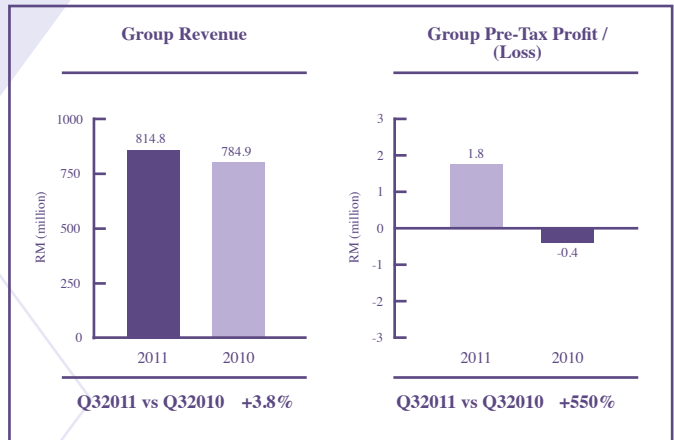
TEXCHEM RESOURCES BHD.  
Company No. 16318-K

PP13402/08/2012(030586)  
THIRD QUARTER 2011

# INVESTORS' NEWSLETTER



*Moving forward with vigilance*



Dear Valued Shareholders,

The global economic climate has gradually worsened over the past three months; prime examples are the slowdown in US economic growth and the Eurozone sovereign debt crisis. There are certainly signs that the Chinese economy - the world's second largest economy - is slowly but surely slowing down. This jittery, volatile financial climate presents challenges not just to individual organisations, but also to governments across the globe.

As a multinational conglomerate operating in a highly globalised world, Texchem Resources Berhad ("Group") is not immune to such pressures, however, our sound fundamentals have allowed us to record progress. For the period ending 30 September 2011, the Group achieved year-to-date ("YTD") revenue of RM814.8 million and a pre-tax profit of RM1.8 million. The pre-tax profit was a notable increase on the previous corresponding period in 2010.

Different economic and environmental factors resulted in a mixed performance across the Group's Divisions, as each Division had to operate in the face of varying challenges. For instance, the weakening of global demand affected the Polymer Engineering ("PE") Division in particular and to a lesser extent the Industrial Division. The Industrial Division rose above this, putting in a strong performance to achieve a YTD pre-tax profit of RM6.1 million.

Flooding in Thailand had major repercussions for the PE Division's Thai manufacturing operations, although the Division was able to reduce its pre-tax losses from the previous year's level. Unfavourable weather conditions also influenced the performance of the Family Care Division which had to contend with a considerable drop in demand as a result of severe flooding in Thailand, Cambodia and Myanmar.

The Restaurant Division which operates 69 restaurants in Malaysia was not affected by international economic volatility. The Division's strong presence, consumer loyalty and varied product mix accounted for a YTD pre-tax profit of RM8.5 million. Finally, the Food Division faced another challenging quarter characterised by the rapid strengthening of the Myanmar Kyat which raised raw material and operational costs.

The long-term approach of the Group towards its business development is rooted in cautious optimism while taking proactive steps to brace the Group from any further economic downturns. The Group's resilience in these difficult times is a testament to its strategy of diversification and preparedness.

**JEFFREY LEE**  
President / CEO

# INDUSTRIAL DIVISION

9-month Period Ended	Q3'11 RM'mil	Q3'10 RM'mil	Variance (+/-)
Revenue	329.1	292.9	+12%
Pre-tax Profit	6.1	6.1	+0%

In the face of very difficult global market conditions affected by the decelerating US economy and the Eurozone sovereign debt crisis, the Industrial Division made notable headway. For the nine month period ending 30 September 2011 the Division posted YTD revenue of RM329.1 million, a 12% increase on the previous corresponding period and a pre-tax profit of RM6.1 million.

The improvement in revenue was a direct result of concerted efforts to streamline operational efficiencies. The Division also took steps to improve risk management; as a prudent measure, the Division closed a subsidiary - Texchem Trading (Wuxi) Co Ltd, China - as its progress did not meet initial expectations.

With the closure of Texchem Trading (Wuxi), valuable resources have been diverted to New Material Hong Kong Limited which covers China's southern region. To date, this strategy has yielded positive results and progress has been encouraging. Malaysian operations yielded mixed results, as local market sentiments reflected nervousness over the US and EU economies.

Performances across the Division were mixed. While Texchem Singapore Pte Ltd and Texchem Materials (Vietnam) Co Ltd recorded improvement in performances, Texchem Materials Sdn Bhd met expectations. However, as a result of significant slowdown in the E&E segment, New Material (Malaysia) Sdn Bhd suffered losses.

Given the highly volatile state of the global economy, the Division continues to keep a watchful eye on operational efficiencies while seeking potential areas for expansion.



# POLYMER ENGINEERING DIVISION

9-month Period Ended	Q3'11 RM'mil	Q3'10 RM'mil	Variance (+/-)
Revenue	131.4	150.7	-13%
Pre-tax Loss	(0.6)	(6.0)	+90%

The Polymer Engineering Division recorded YTD revenue of RM131.4 million and a pre-tax loss of RM0.6 million. Revenue was affected by loss of a customer's sales resulting from the relocation of production. Severe flooding in Thailand in September also significantly impacted the Division's Thai manufacturing operations. However, with the cessation of Texchem-Pack (KL) Sdn Bhd's operations, the Division has channelled valuable resources towards strengthening its core business and minimising areas of vulnerability.

Efforts have been intensified to increase the Division's sales in its traditional market segments while the Division continues to diversify its product mix especially in the medical device segment which offers promising potential.

"The Division has been working towards achieving an optimal mix of products, within its core business segments and has invested in the strengthening of its capabilities in the injection moulding, wafer-shippers and medical business segments that it has diversified into," explained Yap Kee Keong, Division President and CEO.



# FAMILY CARE DIVISION

9-month Period Ended	Q3'11 RM'mil	Q3'10 RM'mil	Variance (+/-)
Revenue	119.9	116.4	+3%
Pre-tax Profit	0.2	2.4	-92%

For the nine month period ending 30 September 2011, the Family Care Division recorded an improved YTD revenue of RM119.9 million, up 3% from the previous corresponding period for 2010. Although YTD pre-tax profitability was largely affected by unrealised forex losses, the Division still posted a pre-tax profit of RM0.2 million for the period.

International operations were affected by extreme weather conditions which caused severe flooding in Thailand, Cambodia and Myanmar, lowering demand for household insecticides. Vietnam, which has traditionally been one of the Division's larger markets was hit by inflation which soared by 23%, pushing up production costs. Demand in Myanmar was impacted by the unusual strengthening of Kyat currency and the entry of low priced contraband products from China.

To raise brand awareness of the Division's household insecticide products in Vietnam, Technopia Vietnam Pte Ltd launched a nationwide anti-Dengue campaign. The Division also introduced its new longer-burning Jumbo Super V Lavender 10 hour coils to the Vietnamese market. PT Technopia Jakarta is working to reduce production costs and increase market presence in line with efforts to return the subsidiary to profitability.

Technopia (Thailand) Ltd implemented a "Gold Campaign" for wholesalers and retailers to increase sales; this has already reaped positive results despite the severe flooding. Fumakilla Malaysia Berhad strengthened its sales and marketing infrastructure and increased investment in consumer programmes which has resulted in higher than budgeted profit.

Finally, the performance of the new Acumen Laboratory in the Central Region was especially encouraging and the laboratory recorded revenue of RM1.2 million after only five months.

# FOOD DIVISION

9-month Period Ended	Q3'11 RM'mil	Q3'10 RM'mil	Variance (+/-)
Revenue	148.3	146.3	+1%
Pre-tax (Loss)/Profit	(3.8)	0.7	-643%

The Food Division recorded revenue of RM148.3 million for the nine month period ending 30 September 2011 and a pre-tax loss of RM3.8 million. Profitability was particularly affected by lower landings of raw marine materials and the vicious strengthening of the Myanmar Kyat in the third quarter of 2011.

Lower landings of raw marine materials in Myanmar raised unit production costs considerably, while the rise of the Kyat against the USD further reduced profitability. The strengthening Ringgit also affect export revenues as sales revenues are expressed in USD. The combined operations of Texchem Food Sdn Bhd and ASK Andaman Limited achieved YTD revenue of RM47.2 million, which represented a slight drop from the previous corresponding period in 2010.

Despite the low landings of certain marine products, Sea Master Trading Co Sdn Bhd was still able to perform consistently. One area where the Division excelled was in the sourcing of squid, which allowed the Division to produce a high volume of value-added squid products.

Aside from a strong performance in the Japanese market where the Division's products are marketed as premium products, good inroads were also made in the Korean and Hong Kong markets. As a result, the Division has enlarged its processing and freezing facilities to order to meet increased production and an expanded product range. Sourcing for alternative raw seafood suppliers remained high on the Division's agenda.



# RESTAURANT DIVISION

9-month Period Ended	Q3'11 RM'mil	Q3'10 RM'mil	Variance (+/-)
Revenue	90.8	83.5	+9%
Pre-tax Profit	8.5	7.2	+18%

FY2011 continued to be a promising year for the newly established Restaurant Division which achieved a YTD revenue of RM90.8 million and a YTD pre-tax profit of RM8.5 million. The Division's pre-tax profit rose by 18% compared to the corresponding period in 2010.

Local demand for quality Japanese food remained unaffected by global economic events, and the improvement in profit margin through cost rationalisation also accounted for a higher pre-tax profit. Sushi Kin Sdn Bhd continued to be the Division's major contributor to revenue and three new restaurants were opened during the third quarter of 2011 at South Gate, Kuala Lumpur; Tesco Setia Alam, Shah Alam and Tesco Manjung, Perak.

Miraku Sdn Bhd which operates a Japanese fine dining restaurant in Penang achieved revenue of RM2.76 million, a 3% increase compared to the corresponding period in 2010; the restaurant posted a pre-tax profit of RM67k.

The introduction of the new ramen concept restaurant – Goku Raku Ramen – in Kuala Lumpur is beginning to bear fruit. Goku Raku Ramen has broadened the Division's product offerings and brought the total number of restaurants operated by the Division to 69.



# RAMEN GALORE!

Japan enjoys one of the world's highest life expectancies for men and women, and international scientists and nutritionists have identified the Japanese diet as one of the leading contributors to this. This is definitely good news for Malaysians who just can't seem to get enough of Japanese food, but may be concerned about their waistlines and cholesterol levels!

In June 2011, the Restaurant Division (which also operates the Sushi King restaurant chain) opened the brand new Goku Raku Ramen restaurant in KL's teeming Mid Valley Mega Mall. Goku Raku Ramen is Malaysia's very first ramen concept restaurant, and serves up a wide range of healthy, delicious ramen selections. All ramen is made from scratch every day at the premises to ensure maximum flavour as well as high standards of hygiene.

Food connoisseurs should take note that Goku Raku Ramen follows the 'Horikiri' style which combines the fresh yellow noodles with steaming, fragrant mixed pork, chicken and fish broth. Our chef also prepares traditional Shio (salt) and Shoyu (Japanese soy sauce) soup bases.

Unlike the noodles which must be made fresh daily, the soup bases need to be simmered for at least 30 hours to extract the maximum flavour. Great tasting food just can't be rushed!

For rice lovers, Goku Raku offers a selection of rice topped with sautéed pork slices, minced pork with fresh egg and chicken. Special lunch sets are offered every weekday between 10am to 5pm, which represent fantastic value for money and are especially convenient for workers looking for a quick lunchtime bite.

Ambience-wise, Goku Raku Ramen's modern, minimalist design provides diners with a relaxing, upmarket dining experience. With its natural, authentic Japanese flavours and professional service, Goku Raku Ramen is already proving to be a hit with the Mid Valley crowd!

For more information on Goku Raku Ramen's menu, prices and latest deals, visit:  
[www.gokuraku-ramen.com](http://www.gokuraku-ramen.com)  
[www.facebook.com/GokurakuRamen](http://www.facebook.com/GokurakuRamen)

## SEASON TO SAVOUR

Have a Goku Raku Christmas with our merry scrumptious sets!  
 15th Nov - 31st Dec 2011



### SCRUMPTIOUS SET (2 pax)

### SWEET SEASON SET

### X'MAS PROMO



**RM 49.90**  
 Choose between  
 Janfama Ramen or  
 Miso Tonkatsu Ramen



An assortment of  
 4 palatable desserts! **RM 8.90**



**50% OFF**  
 with purchase of sake or shochu.

- Kushi-yaki  
Moriawase
- Kushi-age  
Moriawase
- Bata katsu



\*Taxes and conditions apply. Service charges apply to per normal price.

# TEXCHEM INVESTORS CALENDAR Q3 2011

## 13 July 2011

Texchem Resources Bhd. (“TRB”) announced that Seapack Italia S.r.l has on 12 July 2011 commenced voluntary liquidation proceedings in accordance with the Laws of Italy.

## 27 July 2011

TRB announced its unaudited condensed consolidated financial statements for the quarter and six months ended 30 June 2011.

## 25 August 2011

TRB announced that TRB had on 24 August 2011 entered into a conditional Share Sale Agreement with Texchem Corporation Sdn. Bhd. (“Texcorp”), a major shareholder of TRB, for the acquisition of the entire issued and paid-up share capital of Technopia Sdn. Bhd. (“TSB”) comprising 272,075 ordinary shares of RM1.00 each (par value) by TRB from Texcorp at a total purchase consideration of RM381,425.00 only (“Proposal”).

## 8 and 9 September 2011

TRB announced the following:

- (a) The approval of the shareholders of Texcorp for the Proposal was obtained on 8 September 2011.
- (b) The Proposal was completed on 9 September 2011 and resulting in TSB being a wholly owned subsidiary of TRB.

## 30 September 2011

TRB announced that Texchem Trading (Wuxi) Co., Ltd. has on 30 September 2011 commenced voluntary liquidation proceedings in accordance with the Laws of the People’s Republic of China.

[www.texchemgroup.com](http://www.texchemgroup.com)



**TEXCHEM RESOURCES BHD.** (16318-K)

Level 18, Menara Boustead Penang,  
39, Jalan Sultan Ahmad Shah,  
10050 Penang, Malaysia.

Tel : +604-229 6000 Fax : +604-229 5068

Email : [trb@texchemgroup.com](mailto:trb@texchemgroup.com)