



TEXCHEM RESOURCES BHD

(16318-K)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the period ended 31 March 2005

	Note	3 months ended 31 March		3 months ended 31 March	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue		294,133	232,587	294,133	232,587
Operating profit		9,555	2,816	9,555	2,816
Interest expense		(3,716)	(3,335)	(3,716)	(3,335)
Share of results of associates		(927)	(184)	(927)	(184)
Profit/(Loss) before taxation		4,912	(703)	4,912	(703)
Tax expense	18	(2,142)	(1,160)	(2,142)	(1,160)
Profit/(Loss) after taxation		2,770	(1,863)	2,770	(1,863)
Minority interests		206	4	206	4
Net profit/(loss) for the period		2,976	(1,859)	2,976	(1,859)
Basic earnings/(loss) per ordinary share (sen)	26	2.40	(1.55)	2.40	(1.55)

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this interim financial report.



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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 March 2005

	Note	31 March 2005 (Unaudited) RM'000	31 December 2004 (Audited) RM'000
Property, plant and equipment		205,462	204,305
Investments in associates		27,785	28,712
Other investments		968	968
Goodwill on consolidation		46,521	46,521
Trademarks, at cost		366	366
		<hr/>	<hr/>
		281,102	280,872
Current assets			
Inventories		88,897	88,839
Trade and other receivables		240,005	219,343
Tax refundable		2,315	3,876
Cash and cash equivalents		33,607	39,538
		<hr/>	<hr/>
		364,824	351,596
Current liabilities			
Trade and other payables		152,650	149,285
Borrowings	22	185,556	203,202
Taxation		131	1,979
Dividend payable		-	4,468
		<hr/>	<hr/>
		338,337	358,934
Net current assets/(liabilities)		<hr/>	<hr/>
		26,487	(7,338)
		<hr/>	<hr/>
		307,589	273,534
Financed by:			
Capital and reserves			
Share capital		124,099	124,099
Reserves		40,139	35,078
		<hr/>	<hr/>
Shareholders' funds		164,238	159,177
Minority shareholders' interests		21,915	21,855
Non-current liabilities			
Borrowings	22	108,300	79,091
Deferred taxation		9,653	9,566
Deferred liabilities		3,483	3,845
		<hr/>	<hr/>
		121,436	92,502
		<hr/>	<hr/>
		307,589	273,534

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) for the period ended 31 March 2005

	Share capital RM'000	Non- distributable reserves RM'000	Distributable reserves RM'000	Total RM'000
At 1 January 2005	124,099	43,926	(8,848)	159,177
Translation of the opening net investment in foreign subsidiaries at year end exchange rate	-	2,085	-	2,085
Net profit for the period	-	-	2,976	2,976
At 31 March 2005	124,099	46,011	(5,872)	164,238

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) for the period ended 31 March 2004

	Share capital RM'000	Non- distributable reserves RM'000	Distributable reserves RM'000	Total RM'000
At 1 January 2004	109,181	56,257	(5,611)	159,827
Translation of the opening net investment in foreign subsidiaries at period end exchange rate	-	960	-	960
Net loss for the period	-	-	(1,859)	(1,859)
At 31 March 2004	109,181	57,217	(7,470)	158,928

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this interim financial report.



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) for the period ended 31 March 2005

	3 months ended 31 March	
	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	4,912	(703)
Adjustments for:		
Non-cash items	12,289	8,858
Operating profit before working capital changes	17,201	8,155
Net change in current assets	(21,109)	(5,402)
Net change in current liabilities	3,364	(5,814)
Cash generated used in operations	(544)	(3,061)
Non-operating items	(2,944)	(1,345)
Net cash used in operating activities	(3,488)	(4,406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(5,162)	(9,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash generated from/(used in) financing activities	2,921	(3,633)
Net decrease in cash and cash equivalents	(5,729)	(17,138)
Effects of exchange differences on cash and cash equivalents	64	162
Cash and cash equivalents at 1 January	27,744	24,576
Cash and cash equivalents at 31 March	22,079	7,600



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) for the period ended 31 March 2005 (Cont'd)

Cash and cash equivalents included in condensed consolidated cash flow statement comprise the following balance sheet amounts:

	3 months ended 31 March	
	2005	2004
	RM'000	RM'000
Short term deposits with licensed banks	807	829
Cash and bank balances	32,800	20,166
Bank overdrafts	(11,528)	(13,395)
	<hr/>	<hr/>
	22,079	7,600
	<hr/>	<hr/>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to this interim financial report.



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PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134

1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and the disclosure requirements as in Part A of Appendix 9B of the revised Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004. 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 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2004.

2. **Auditors’ report on preceding annual financial statements**

The auditors’ report on the financial statements for the year ended 31 December 2004 was not qualified.

3. **Seasonality and cyclicity of interim operations**

The Group operations were not significantly affected by any unusual seasonality or cyclicity 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 ended 31 March 2005.

5. **Changes in estimates**

There were no changes in estimates that have had a material effect in the current quarter.



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6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the current quarter save as disclosed in Note 21 of the Additional Information required by Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) Listing Requirements.

7. Dividend paid

A second interim dividend of 5 sen per share less tax, totaling RM4,468,000 in respect of the financial year ending 31 December 2004 was paid on 24 January 2005.

8. Segment information

Segment information is presented in respect of the Group's business segments which is the enterprise's primary basis of segment reporting. Inter-segment pricing is determined based on a negotiated terms.

Segment revenue

	3 months ended 31 March 2005 RM'000	3 months ended 31 March 2004 RM'000
Industrial Trading	154,853	124,501
Manufacturing	117,747	79,244
Consumer Products & Food Services	51,300	50,541
	<hr/>	<hr/>
	323,900	254,286
Eliminations	(29,767)	(21,699)
	<hr/>	<hr/>
Group revenue	294,133	232,587
	<hr/>	<hr/>



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8. Segment information (Cont'd)

Segment results

	3 months ended 31 March 2005 RM'000	3 months ended 31 March 2004 RM'000
Industrial Trading	3,481	2,041
Manufacturing	6,384	727
Consumer Products & Food Services	614	940
Investment holding	(764)	(827)
Operating profit before eliminations	9,715	2,881
Eliminations	(160)	(65)
Operating profit	9,555	2,816
Finance costs	(3,716)	(3,335)
	5,839	(519)
Share of results of associates	(927)	(184)
Profit/(Loss) before taxation	4,912	(703)

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 2004.

10. Events subsequent to the balance sheet date

There were no material events which occurred subsequent to the balance sheet date until the date of this announcement save as disclosed in Note 21 of the Additional Information required by Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) Listing Requirements.

11. Changes in composition of the Group for the first quarter ended 31 March 2005

On 10 January 2005, Texchem Polymers Sdn Bhd was incorporated and became a subsidiary of Texchem-Pack Holdings (S) Ltd which in turn is a subsidiary of Texchem Resources Bhd. Texchem Polymers Sdn Bhd has an initial authorized share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each and a paid-up capital of RM2.



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12. Changes in contingent liabilities

As at 31 March 2005, the Company has issued corporate guarantees amounting to RM284.2 million (31.12.04 : RM283.4 million) as security for banking facilities granted to its subsidiaries of which RM162.5 million were utilised at 31 March 2005 (31.12.04 : RM160.1 million).

13. Commitments

	31 March 2005 RM'000
Capital commitments	
Property, plant and equipment	
Authorised but not contracted for	1,610
Contracted but not provided for in the financial statements	4,220
Total	<hr/> 5,830 <hr/>



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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. Review of performance for the Current Quarter and Year-to-date

For the quarter ended 31 March 2005, the revenue of the Group increased by RM61.5 million to RM294.1 million from RM232.6 million for the same period last year. The higher revenue has contributed a profit before taxation of RM4.9 million for the first three months of 2005 as compared to a loss of RM0.7 million for the same period last year. The higher profit achieved was mainly attributed to the strong business growth of the industrial and manufacturing segments.

The encouraging growth for this quarter are mainly due to the increase demand for industrial products especially plastics and chemical products in our industrial segment and overseas manufacturing operations in Thailand and China.

15. Variation of results against preceding quarter

The comparison of the revenue and profit before taxation for the current quarter and preceding quarter are as follows:

	2005 Quarter 1 RM'000	2004 Quarter 4 RM'000	Variance	
			RM'000	%
Revenue	294,133	270,799	23,334	8.6
Profit before taxation	4,912	3,299	1,613	48.9

The improvement in the revenue and profit before taxation as compared to the preceding quarter is mainly due to the strong sales growth of the industrial and manufacturing segments.

16. Prospects for 2005

Barring unforeseen circumstances, the Group's operating performance for the remaining quarters in 2005 is expected to remain positive.

17. Profit forecast

Not applicable as no profit forecast was published.



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18. Tax expense

	3 months ended 31 March 2005 RM'000	3 months ended 31 March 2004 RM'000
Current tax expense		
Malaysian		
- current	1,900	1,499
Foreign		
- current	151	99
- prior years	4	-
	<hr/> 2,055	<hr/> 1,598
Deferred tax expense	87	(438)
	<hr/> 2,142	<hr/> 1,160

The effective tax rates presented above are higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set-off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

19. Unquoted investments and properties

There were no material purchases and disposals of unquoted investments and properties in the current quarter ended 31 March 2005 other than as disclosed in Note 11 to the Interim Financial Report.

20. Quoted investments

There were no purchases and disposals of quoted securities during the period under review.



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21. Status of corporate proposal announced

Status of Corporate Proposals

A. **Proposed Restructuring (“Proposed Restructuring”) and the Subsequent Listing of Texchem-Pack Holdings (S) Ltd on the Singapore Exchange Securities Trading Limited (“Proposed Listing”) - (collectively known as “the Proposals”)**

1. TRB had on 8 September 2003 made an announcement that TRB had inter-alia entered into the following agreements:
 - (i) A conditional share sale agreement (“Texpack Penang SSA”) between Texchem-Pack (M) Bhd (“Texpack”) and TRB for the proposed acquisition by TRB of the entire equity interest in Texchem-Pack (Penang) Sdn Bhd (“Texpack Penang”) comprising 10,000 ordinary shares of RM1.00 each (“Texpack Penang Shares”) for a total cash consideration of RM15,035 (“Proposed Acquisition”); and
 - (ii) A conditional reorganisation agreement (“RA”) for the proposed transfer of TRB’s entire enlarged equity interest in Texpack after the issuance of 10,000,000 new ordinary shares of RM1.00 each in Texpack as a result of a proposed capitalisation of a loan amounting to RM10,000,000 (“Proposed Capitalisation”) owed to TRB by Texpack, to Texchem-Pack Holdings (S) Pte Ltd (“Texpack Holdings”) by way of a share exchange ratio of 28 Texpack Shares to 9 Texpack Holdings Shares resulting in a no gain no loss position for TRB under the merger accounting adopted. TRB’s entire enlarged equity interest in Texpack after the Proposed Capitalisation will comprise of 28,000,000 ordinary shares of RM1.00 each in Texpack instead of 18,000,000 ordinary shares of RM1.00 each as announced earlier.

Texpack Shares means ordinary shares of RM1.00 each in the share capital of Texpack.

Texpack Holdings Shares means ordinary shares of S\$1.00 each in the share capital of Texpack Holdings.

And TRB also proposes to undertake the Proposed Texpack Holdings Share Split, Proposed Texpack Holdings Issue and Proposed Listing, all as defined in the announcement made on 8 September 2003.

The above Proposals are inter-conditional and is conditional upon the following:

- (i) the approval of the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the Proposed Listing;
- (ii) the approval of the shareholders of TRB which is to be obtained prior to the relevant application to the SGX-ST for the Proposed Listing; and



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(iii) the approval of any other relevant authorities or other persons (if required)

The Proposed Listing is further conditional upon the approval of the Monetary Authority of Singapore.

The approval from TRB shareholders had been obtained at an Extraordinary General Meeting held on 25 September 2003.

Subsequent to the above announcement made on 8th September 2003, TRB had on 20th October 2003 made a further announcement that:

- (a) the Proposed Restructuring as announced earlier has been revised ("Revised Proposed Restructuring"); and
- (b) TRB had entered into a Supplemental Reorganisation Agreement ("SRA") to reflect the said revision.

Details of the Revised Proposed Restructuring and the salient terms of the SRA are as follows :

- (i) After the completion of the Proposed Acquisition, Texpack will issue 7,000,000 new Texpack Shares to settle the loan of RM7,000,000 due and owing by Texpack to TRB ('Revised Proposed Capitalisation') instead of 10,000,000 new Texpack Shares as announced earlier. As a result the share capital of Texpack will increase from RM18,000,000 to RM25,000,000.
 - (ii) The 7,000,000 new Texpack Shares will, upon issue and allotment, rank pari passu in all respects with the then existing ordinary shares of RM1.00 each in Texpack in issue except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the Entitlement Date of which is prior to the date of allotment of the said new Texpack Shares.
 - (iii) 'Entitlement Date' wherever it appears in this announcement means the date at the close of business on which shareholders must be registered members in order to participate in any dividends, rights, allotment and/or other distributions.
2. Thereafter, TRB will transfer TRB's entire enlarged equity interest in Texpack after the Revised Proposed Capitalisation to Texpack Holdings by way of a share exchange of 25,000,000 Texpack Shares to 7,499,998 Texpack Holdings Shares resulting in a no gain no loss position for TRB under the merger accounting adopted ('Proposed Reorganisation'). TRB's entire enlarged equity interest in Texpack after the Revised Proposed Capitalisation will comprise 25,000,000 ordinary shares of RM1.00 each in Texpack ('Texpack Transfer Shares') instead of 28,000,000 ordinary shares of RM1.00 each in Texpack as announced on 8 September 2003.



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3. Apart from the above, all the proposals and information relating to the Proposed Restructuring and Proposed Listing as announced on 8 September 2003 remain unchanged.

On 18 August 2004, TRB had announced that Singapore Exchange Limited had via their letter dated 17 August 2004 granted a conditional eligibility-to-list ("ETL") on the Singapore Exchange Securities Trading Limited ("SGX-ST"), subject to inter alia the following conditions:

- a. written confirmation by Texpack Holdings that TRB has completed the special issue of the outstanding 4,000,000 ordinary shares of RM1.00 each in TRB, in accordance with the condition imposed by the Malaysian Ministry of International Trade and Industry (MITI) (unless otherwise waived by MITI), prior to the admission of Texpack Holdings to the Official List of SGX-ST; and
 - b. the ETL is valid for 3 calendar months from 17 August 2004.
4. Thereafter on 6 September 2004, TRB had announced that the Proposed Acquisition and Proposed Reorganisation as announced earlier on 8 September 2003 and 20 October 2003 have been completed on 6 September 2004.
 5. Subsequently on 14 September 2004, TRB had announced that due to unfavourable market conditions, the Board of Directors of TRB has decided to postpone the Proposed Listing plan to 2005.
 6. A resubmission to the Singapore Exchange Securities Trading Limited may be made and appropriate announcement will be made in due course.

B. Proposed Acquisitions of Fresh Choice Seafood Trading Sdn Bhd and Edisi Gemilang (M) Sdn Bhd ("Proposed Acquisitions of Fresh Choice & Edisi Gemilang")

On 27 February 2004, Texchem Food Sdn Bhd ("TFSB"), a subsidiary of TRB had entered into a Memorandum of Understanding with Datuk Kong Fook Sang and Chua Hock Joo (collectively called "the Vendors"), both being the shareholders of Fresh Choice Seafood Trading Sdn Bhd ("FCST") and Edisi Gemilang (M) Sdn Bhd ("Edisi"), to acquire from the Vendors all the shares in FCST and Edisi respectively for a total purchase consideration of RM9 million which may be adjusted accordingly after a due diligence exercise and/or as mutually agreed upon. The purchase consideration will be satisfied via cash of RM3 million and issuance of 6,000,000 new ordinary shares of RM1.00 each in TFSB and/or as mutually agreed upon otherwise by TFSB and the Vendors.

The Proposed Acquisitions of Fresh Choice and Edisi Gemilang are still pending.



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C. Proposed Issuance of Private Debt Securities of up to RM100 million

On 11 October 2004, TRB had announced that it proposes to undertake an issuance of private debt securities of up to RM100 million ("Proposed PDS Programme"). The proceeds from the issuance of the Proposed PDS Programme will be utilised to refinance existing bank borrowings, finance acquisition of assets to be identified and for working capital.

It was announced that an application to the Securities Commission in relation to the Proposed PDS Programme had been submitted to the Securities Commission ("SC") on 31 December 2004. Approval from SC has been obtained via its letter dated 3 February 2005.

TRB had on 10 March 2005 entered into the following agreements:

- 1) Commercial Papers and/or Medium Term Notes Programme Agreement executed between TRB (as Issuer), RHB Sakura (as Lead Arranger, Facility Agent, Issue Agent and Paying Agent) and RHB Sakura, Bumiputra-Commerce Bank Berhad and EON Bank Berhad (as Underwriters);
- 2) Trust Deed executed between TRB (as Issuer) and Malaysian Trustees Berhad ("Malaysian Trustees") (as Trustee and Security Trustee);
- 3) Agency Agreement executed between TRB (as Issuer) and RHB Sakura (as Issue Agent and Paying Agent);
- 4) Charge over DSRA executed between TRB (as Issuer), Malaysian Trustees (as Security Trustee) and RHB Sakura (as Facility Agent); and
- 5) Depository Agreement executed between TRB (as Issuer), Malaysian Trustees (as Trustee) and RHB Sakura (as Depository and Paying Agent).

RHB Sakura (as Facility Agent) has also entered into the Tender Panel Agreements with the tender panel members.

On 31 March 2005, TRB had made the first issuance of Commercial Papers of RM25 million under the Proposed PDS Programme. Subsequently, on 15 April 2005, the second issuance of Commercial Papers of RM25 million under the Proposed PDS Programme was made.

D. Members' Voluntary Winding-up of Texchem-Pack (Penang) Sdn. Bhd., a wholly-owned subsidiary of Texchem Resources Berhad

TRB had on 25 March 2005 announced that Texchem-Pack (Penang) Sdn. Bhd., a wholly-owned subsidiary of TRB had on 25 March 2005 commenced voluntary winding-up proceedings in accordance with Section 254 of the Companies Act, 1965. The voluntary winding up proceedings have not been completed to date.



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22. Borrowings

	31 March 2005 RM'000
Current:	
Unsecured	
Bank overdrafts	11,528
Bankers' acceptances	101,002
Revolving credit	47,789
Term loans	24,154
Hire purchase obligations	1,083
	<hr/> 185,556
Non-current:	
Unsecured	
Term loans	80,754
Commercial papers	25,000
Hire purchase obligations	2,546
	<hr/> 108,300
Total	<hr/> 293,856 <hr/>

The above borrowings are denominated in Ringgit Malaysia, Thai Baht, United States Dollar, Chinese Renminbi and Vietnamese Dong.

The breakdown of the borrowings denominated in each currency are highlighted as follows:

Current	RM'000
<u>Unsecured</u>	
Ringgit Malaysia	164,643
Thai Baht	6,667
United States Dollar	5,061
Chinese Renminbi	4,966
Vietnamese Dong	4,219
	<hr/> 185,556
Non-current	RM'000
<u>Unsecured</u>	
Ringgit Malaysia	62,059
Thai Baht	23,157
United States Dollar	23,084
	<hr/> 108,300



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23. **Off balance sheet financial instruments**

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 March 2005 are:

	Fair Value RM'000	Contracted Amount RM'000
Forward foreign exchange contracts	16,279	16,238

The related accounting policies for the off balance sheet financial instruments are as disclosed in the financial statements for the year ended 31 December 2004.

24. **Changes in material litigation**

There is no material litigation by the Company or its subsidiaries.

25. **Dividend**

An interim dividend has not been declared for the quarter ended 31 March 2005.

26. **Basic earnings/(loss) per share**

Basic earnings/(loss) per share of the Group is calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares outstanding.

	3 months ended 31 March		3 months ended 31 March	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net profit/(loss) for the period	2,976	(1,859)	2,976	(1,859)
Weighted average number of ordinary shares in issue	124,099	120,099	124,099	120,099
Basic earnings/(loss) per share (sen)	2.40	(1.55)	2.40	(1.55)

BY ORDER OF THE BOARD

**TAN PENG LAM
GROUP FINANCE DIRECTOR
Date: 28 April 2005**