



# TEXCHEM RESOURCES BHD

(16318-K)

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the period ended 30 June 2005

	Note	3 months ended 30 June		6 months ended 30 June	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue</b>		288,504	270,458	582,637	503,045
Operating profit		8,875	3,874	18,430	6,690
Interest expense		(3,964)	(3,002)	(7,680)	(6,337)
Share of results of associates		(703)	1,210	(1,630)	1,026
<b>Profit before taxation</b>		4,208	2,082	9,120	1,379
Tax expense	18	(2,436)	(1,465)	(4,578)	(2,625)
<b>Profit/(Loss) after taxation</b>		1,772	617	4,542	(1,246)
Minority interests		(29)	279	177	283
<b>Net profit/(loss) for the period</b>		1,743	896	4,719	(963)
Basic earnings/(loss) per ordinary share (sen)	26	1.40	0.75	3.80	(0.80)

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 30 June 2005

		30 June 2005 (Unaudited) RM'000	31 December 2004 (Audited) RM'000
	Note		
<b>Property, plant and equipment</b>		198,724	204,305
<b>Investments in associates</b>		27,082	28,712
<b>Other investments</b>		968	968
<b>Goodwill on consolidation</b>		46,521	46,521
<b>Trademarks, at cost</b>		366	366
		<hr/>	<hr/>
		273,661	280,872
<b>Current assets</b>			
Inventories		89,610	88,839
Trade and other receivables		238,502	219,343
Tax refundable		3,740	3,876
Cash and cash equivalents		37,845	39,538
		<hr/>	<hr/>
		369,697	351,596
<b>Current liabilities</b>			
Trade and other payables		144,881	149,285
Borrowings	22	182,157	203,202
Taxation		2,384	1,979
Dividend payable		-	4,468
		<hr/>	<hr/>
		329,422	358,934
<b>Net current assets/(liabilities)</b>		<hr/>	<hr/>
		40,275	(7,338)
		<hr/>	<hr/>
		313,936	273,534
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		124,099	124,099
Reserves		37,042	35,078
		<hr/>	<hr/>
<b>Shareholders' funds</b>		161,141	159,177
<b>Minority shareholders' interests</b>		21,621	21,855
<b>Non-current liabilities</b>			
Borrowings	22	117,724	79,091
Deferred taxation		9,760	9,566
Deferred liabilities		3,690	3,845
		<hr/>	<hr/>
		131,174	92,502
		<hr/>	<hr/>
		313,936	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 30 June 2005

	Share capital RM'000	Non- distributable reserves RM'000	Distributable reserves RM'000	Total RM'000
<b>At 1 January 2005</b>	<b>124,099</b>	<b>43,926</b>	<b>(8,848)</b>	<b>159,177</b>
Translation of the opening net investment in foreign subsidiaries at period end exchange rate	-	(2,755)	-	(2,755)
Net profit for the period	-	-	4,719	4,719
<b>At 30 June 2005</b>	<b>124,099</b>	<b>41,171</b>	<b>(4,129)</b>	<b>161,141</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 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 30 June 2004

	Share capital RM'000	Non- distributable reserves RM'000	Distributable reserves RM'000	Total RM'000
<b>At 1 January 2004</b>	<b>109,181</b>	<b>56,257</b>	<b>(5,611)</b>	<b>159,827</b>
Translation of the opening net investment in foreign subsidiaries at period end exchange rate	-	(48)	-	(48)
Bonus Issue (1:10)	10,918	(10,918)	-	-
Net loss for the period	-	-	(963)	(963)
<b>At 30 June 2004</b>	<b>120,099</b>	<b>45,291</b>	<b>(6,574)</b>	<b>158,816</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 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 30 June 2005

	6 months ended 30 June	
	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,120	1,379
<b>Adjustments for:</b>		
Non-cash items	17,099	11,256
Operating profit before working capital changes	26,219	12,635
Net change in current assets	(22,371)	(20,478)
Net change in current liabilities	(2,754)	12,454
Cash generated from operations	1,094	4,611
Non-operating items	3,214	2,727
Net cash generated from operating activities	4,308	7,338
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	(9,677)	(20,947)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash generated from/(used in) financing activities	3,537	(1,991)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,832)</b>	<b>(15,600)</b>
Effects of exchange differences on cash and cash equivalents	(697)	14
<b>Cash and cash equivalents at 1 January</b>	<b>27,745</b>	<b>24,576</b>
<b>Cash and cash equivalents at 30 June</b>	<b>25,216</b>	<b>8,990</b>



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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the period ended 30 June 2005 (Cont'd)

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

	<b>6 months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Short term deposits with licensed banks	802	831
Cash and bank balances	37,043	28,875
Bank overdrafts	(12,629)	(20,716)
	<hr/>	<hr/>
	25,216	8,990

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

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### 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 30 June 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 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 ended 31 December 2004 was paid on 24 January 2005.

No dividend has been paid during the current quarter.

## 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

	<b>3 months ended 30 June 2005 RM'000</b>	<b>6 months ended 30 June 2005 RM'000</b>
Industrial Trading	148,145	302,998
Manufacturing	119,398	237,145
Consumer Products & Food Services	53,943	105,243
	<hr/> 321,486	<hr/> 645,386
Eliminations	(32,982)	(62,749)
Group revenue	<hr/> 288,504	<hr/> 582,637





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## 8. Segment information (Cont'd)

### Segment results

	3 months ended 30 June 2005 RM'000	6 months ended 30 June 2005 RM'000
Industrial Trading	3,411	6,892
Manufacturing	4,892	11,276
Consumer Products & Food Services	1,277	1,891
Investment holding	(277)	(1,041)
Operating profit before eliminations	9,303	19,018
Eliminations	(428)	(588)
Operating profit	8,875	18,430
Finance costs	(3,964)	(7,680)
	4,911	10,750
Share of results of associates	(703)	(1,630)
Profit before taxation	4,208	9,120

## 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 Listing Requirements.

## 11. Changes in composition of the Group for the current quarter ended 30 June 2005

Since the last quarter, Texchem Food Sdn Bhd, a subsidiary of the Company had increased further its investment in the paid-up capital of Seapack Italia S.r.l. to EUR50,000 resulting in an increase of our shareholding from 51% to 67%.



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## 12. Changes in contingent liabilities

As at 30 June 2005, the Company has issued corporate guarantees amounting to RM290.7 million (31.12.04 : RM283.4 million) as security for banking facilities granted to its subsidiaries of which RM141.3 million were utilised as at 30 June 2005 (31.12.04 : RM160.1 million).

## 13. Commitments

	<b>30 June 2005 RM'000</b>
<b>Capital commitments</b>	
Property, plant and equipment	
Authorised but not contracted for	2,973
Contracted but not provided for in the financial statements	12,241
Total	<hr/> 15,214 <hr/>



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

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

For the first half of 2005, the Group recorded a revenue of RM582.6 million as compared to RM503.0 million for the same period last year. The 15.8% growth in revenue or RM79.6 million increase as compared to the first half of 2004 is mainly attributed to the higher sales in Industrial and Manufacturing segments resulting in a higher profit before taxation from RM1.4 million to RM9.1 million.

On a quarter-on-quarter basis, the Group revenue and profit before taxation has increased by 6.7% and 102.2% respectively. The higher profits recorded for this quarter is mainly contributed by the Industrial and Manufacturing segments.

### 15. Variation of results against preceding quarter

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

	2005 Quarter 2 RM'000	2005 Quarter 1 RM'000	Variance	
			RM'000	%
Revenue	288,504	294,133	(5,629)	(1.9)
Profit before taxation	4,208	4,912	(704)	(14.3)

The decrease in the Group revenue recorded for the quarter under review has resulted in a lower profit before taxation.

### 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 30 June 2005 RM'000	6 months ended 30 June 2005 RM'000
Current tax expense		
Malaysian		
- current	2,096	4,050
Foreign		
- current	178	330
- prior years	-	4
	<hr/>	<hr/>
	2,274	4,384
Deferred tax expense	162	194
	<hr/>	<hr/>
	2,436	4,578

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 30 June 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 and the Subsequent Listing of Texchem-Pack Holdings (S) Ltd on the Singapore Exchange Securities Trading Limited (“Proposed Listing”)**

1. On 18 August 2004, Texchem Resources Bhd (“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”). The ETL is valid for 3 calendar months from 17 August 2004.
2. 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.
3. On 26 May 2005, TRB had announced that due to the current unfavourable equity market conditions, the Board of Directors of TRB has decided to further postpone the Proposed Listing to 2006. Appropriate announcement(s) would 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.

Subsequently on 10 June 2005, the Board of Directors of TRB had announced that the parties to the abovesaid Memorandum of Understanding had mutually agreed to terminate the Proposed Acquisitions of Fresh Choice & Edisi Gemilang.



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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.

On 13 May 2005, TRB had made the additional issuance of Commercial Papers of RM10 million under the Proposed PDS Programme being the balance of the total Commercial Papers of RM60 million to be issued.

To date, the Medium Term Notes of up to RM40 million to be issued under the Proposed PDS Programme has not been issued and is still pending.



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**D. Member's 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 todate.

**E. Proposed Acquisition of up to 2,040,000 Ordinary Shares of RM1.00 each in Texchem Corporation Sdn Bhd ("Texcorp") by Texchem Resources Bhd ("TRB") from Texchem Holdings Sdn Bhd ("THSB") and/or Introplus Sdn Bhd (In Member's Voluntary Liquidation) ("ISB") at a Cash Purchase Consideration per Share which is equivalent to the Texcorp Group's Net Tangible Assets ("NTA") per Share based on Texcorp's latest available consolidated audited accounts at the time of acquisition**

On 28 April 2005, TRB had announced that TRB had proposed to acquire up to 2,040,000 ordinary shares of RM1.00 each in Texcorp from THSB and/or ISB at a purchase consideration per share which is equivalent to the Texcorp Group's NTA per share based on Texcorp's latest available consolidated audited accounts at the time of acquisition ("Proposed Acquisition"). Based on Texcorp's latest consolidated audited accounts for the financial year ended 31 December 2004, Texcorp Group's NTA per share is RM2.74.

The Proposed Acquisition is conditional upon the following:

- (i) the approval of the shareholders of TRB;
- (ii) the approval of the shareholders of THSB and/or ISB; and
- (iii) the approval of any other relevant authorities or other persons (if required).

The approval from the shareholders of TRB had been obtained at the Annual General Meeting of TRB held on 26 May 2005. The Proposed Acquisition todate is still pending.

**F. Memorandum of Understanding for the Proposed Investment in a Company to be Incorporated and Located in the Dalian Development Zone**

On 20 June 2005, TRB announced that it had on 20 June 2005 entered into a Memorandum of Understanding ("MOU") with Dalian Development Zone Administrative Committee ("DDZAC") for the proposed investment in a company to be incorporated and located in the Dalian Development Zone for the purpose of manufacturing and sales of thermoformed packaging products and precision injection moulded trays/parts ("Proposed Investment"). The Proposed Investment will be subject to the outcome of a feasibility study to be conducted.



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The total investment for the Proposed Investment is estimated to be USD6,000,000 while the proposed registered capital for the company to be incorporated is USD3,000,000.

The Proposed Investment is still pending.

**G. Proposed Investment in a Company to be Incorporated in Indonesia to be known as PT Texchem Indonesia or Such Other Name as may be Approved by the Relevant Authorities**

TRB had on 12 July 2005 announced that Texchem Materials Sdn Bhd, a wholly-owned subsidiary of TRB proposes to incorporate a wholly-owned subsidiary in Indonesia to be known as PT Texchem Indonesia or such other name as may be approved by the relevant authorities ("PTTI").

On 27 July 2005, TRB announced that it had received the approval letter from the Badan Koordinasi Penanaman Modal (Investment Coordinating Board) for the incorporation of PTTI.

**22. Borrowings**

	<b>30 June 2005</b>
	<b>RM'000</b>
<b>Current:</b>	
Unsecured	
Bank overdrafts	12,629
Bankers' acceptances	95,947
Revolving credit	51,155
Term loans	21,337
Hire purchase obligations	1,089
	<hr/>
	182,157
<b>Non-current:</b>	
Unsecured	
Term loans	55,397
Commercial papers	60,000
Hire purchase obligations	2,327
	<hr/>
	117,724
	<hr/>
<b>Total</b>	<b>299,881</b>

The above borrowings are denominated in Ringgit Malaysia, Thai Baht, United States Dollar and Singapore Dollar.





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## 22. Borrowings (Cont'd)

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

<b>Current</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>	
Ringgit Malaysia	165,082
Thai Baht	2,242
United States Dollar	14,777
Singapore Dollar	56
	<hr/>
	182,157
	<hr/>
<b>Non-current</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>	
Ringgit Malaysia	87,796
Thai Baht	2,343
United States Dollar	27,580
Singapore Dollar	5
	<hr/>
	117,724
	<hr/>
<b>Total</b>	<b>299,881</b>
	<hr/>

## 23. Off balance sheet financial instruments

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 30 June 2005 are:

	<b>Fair Value RM'000</b>	<b>Contracted Amount RM'000</b>
Forward foreign exchange contracts	1,634	1,650

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.



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25. **Dividend**

A first interim dividend of 4% less 28% taxation in respect of the year ending 31 December 2005 (2004: 3% less 28% taxation) has been declared on 29 July 2005 and is payable on 30 August 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		6 months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the period	1,743	896	4,719	(963)
Weighted average number of ordinary shares in issue	124,099	120,099	124,099	120,099
Basic earnings/(loss) per share (sen)	1.40	0.75	3.80	(0.80)

**BY ORDER OF THE BOARD**

**TAN PENG LAM**  
**GROUP FINANCE DIRECTOR**  
**Date: 29 July 2005**