



# TEXCHEM RESOURCES BHD

(16318-K)

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the period ended 30 September 2005

		3 months ended 30 September		9 months ended 30 September	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue</b>		<u>309,277</u>	<u>277,693</u>	<u>891,914</u>	<u>780,738</u>
Operating profit		8,383	9,616	26,813	16,306
Financing costs		(2,631)	(3,501)	(10,311)	(9,838)
Share of results of associates		<u>1,206</u>	<u>(531)</u>	<u>(424)</u>	<u>495</u>
<b>Profit before taxation</b>		6,958	5,584	16,078	6,963
Tax expense	18	<u>(2,664)</u>	<u>(2,720)</u>	<u>(7,242)</u>	<u>(5,345)</u>
<b>Profit after taxation</b>		4,294	2,864	8,836	1,618
Minority interests		<u>(304)</u>	<u>(91)</u>	<u>(127)</u>	<u>192</u>
<b>Net profit for the period</b>		<u>3,990</u>	<u>2,773</u>	<u>8,709</u>	<u>1,810</u>
Basic earnings per ordinary share (sen)	26	<u>3.22</u>	<u>2.28</u>	<u>7.02</u>	<u>1.50</u>

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 September 2005

	Note	30 September 2005 (Unaudited) RM'000	31 December 2004 (Audited) RM'000
<b>Property, plant and equipment</b>		197,595	204,305
<b>Investments in associates</b>		27,995	28,712
<b>Other investments</b>		968	968
<b>Goodwill on consolidation</b>		46,521	46,521
<b>Trademarks, at cost</b>		366	366
		<u>273,445</u>	<u>280,872</u>
<b>Current assets</b>			
Inventories		92,456	88,839
Trade and other receivables		252,185	219,343
Tax refundable		3,478	3,876
Cash and cash equivalents		36,623	39,538
		<u>384,742</u>	<u>351,596</u>
<b>Current liabilities</b>			
Trade and other payables		164,767	149,285
Borrowings	22	181,275	203,202
Taxation		2,799	1,979
Dividend payable		-	4,468
		<u>348,841</u>	<u>358,934</u>
Net current assets/(liabilities)		<u>35,901</u>	<u>(7,338)</u>
		<u>309,346</u>	<u>273,534</u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		124,099	124,099
Reserves		36,225	35,078
		<u>160,324</u>	<u>159,177</u>
<b>Shareholders' funds</b>		160,324	159,177
<b>Minority shareholders' interests</b>		21,695	21,855
<b>Non-current liabilities</b>			
Borrowings	22	113,529	79,091
Deferred taxation		9,849	9,566
Deferred liabilities		3,949	3,845
		<u>127,327</u>	<u>92,502</u>
		<u>309,346</u>	<u>273,534</u>

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 September 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	-	(3,988)	-	(3,988)
Net profit for the period	-	-	8,709	8,709
Dividends	-	-	(3,574)	(3,574)
Transfer to capital reserves	-	37	(37)	-
<b>At 30 September 2005</b>	<b>124,099</b>	<b>39,975</b>	<b>(3,750)</b>	<b>160,324</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 September 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	-	(1,202)	-	(1,202)
Bonus issue (1:10)	10,918	(10,918)	-	-
Special issue to Bumiputera investors	4,000	-	-	4,000
Net profit for the period	-	-	1,810	1,810
Dividends	-	-	(2,594)	(2,594)
Transfer to capital reserve	-	50	(50)	-
<b>At 30 September 2004</b>	<b>124,099</b>	<b>44,187</b>	<b>(6,445)</b>	<b>161,841</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 September 2005

	9 months ended 30 September	
	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	16,078	6,963
<b>Adjustments for:</b>		
Non-cash items	24,722	18,511
Operating profit before working capital changes	40,800	25,474
Net change in current assets	(36,460)	(39,427)
Net change in current liabilities	13,123	28,352
Cash generated from operations	17,463	14,399
Non-operating items	3,881	4,990
Net cash generated from operating activities	21,344	19,389
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	(16,697)	(35,029)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash (used in) / generated from financing activities	(4,695)	4,568
<b>Net decrease in cash and cash equivalents</b>	(48)	(11,072)
Effects of exchange differences on cash and cash equivalents	(453)	(43)
<b>Cash and cash equivalents at 1 January</b>	27,745	24,576
<b>Cash and cash equivalents at 30 September</b>	27,244	13,461



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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) for the period ended 30 September 2005 (Cont'd)

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

	9 months ended 30 September	
	2005 RM'000	2004 RM'000
Short term deposits with licensed banks	705	760
Cash and bank balances	35,918	25,744
Bank overdrafts	(9,379)	(13,043)
	<hr/>	<hr/>
	27,244	13,461

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 September 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

An interim dividend of 4 sen per share less tax, totaling RM3,574,000 in respect of the financial year ending 31 December 2005 was paid on 30 August 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 negotiated terms.

### Segment revenue

	3 months ended 30 September 2005 RM'000	9 months ended 30 September 2005 RM'000
Industrial Division	145,950	448,948
Packaging Division	54,436	163,539
Family Care Division	55,160	158,768
Food Division	61,940	155,540
	<hr/>	<hr/>
	317,486	926,795
Eliminations	(8,209)	(34,881)
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Group revenue	309,277	891,914
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## 8. Segment information (Cont'd)

### Segment results

	3 months ended 30 September 2005 RM'000	9 months ended 30 September 2005 RM'000
Industrial Division	5,688	12,580
Packaging Division	4,347	13,562
Family Care Division	2,696	6,336
Food Division	(294)	18
Investment Holding	9,609	8,568
Operating profit before eliminations	22,046	41,064
Eliminations	(13,663)	(14,251)
Operating profit	8,383	26,813
Financing costs	(2,631)	(10,311)
	5,752	16,502
Share of results of associates	1,206	(424)
Profit before taxation	6,958	16,078

## 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 September 2005

- Since the last quarter, Texchem-Pack Holdings (S) Ltd., a subsidiary of the Company had increased further its investment in the paid-up capital of Texchem Polymers Sdn. Bhd. from RM2 to RM7,000,000.
- Since the last quarter, the Company had increased its investment in the paid-up capital of Texchem Food Sdn. Bhd., a subsidiary of the Company from RM29,125,829 to RM34,125,829 resulting in an increase of our shareholdings from 83.34% to 85.42%.



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- c) Since the last quarter, Sea Master Trading Co. Sdn. Bhd., a subsidiary of the Company had increased its investment in the paid-up capital of Ocean Pioneer Food Sdn. Bhd. from RM830,048 to RM4,770,048 resulting in an increase of our shareholdings from 69.14% to 91.72%.

## 12. Changes in contingent liabilities

As at 30 September 2005, the Company has issued corporate guarantees amounting to RM296.5 million (31.12.04 : RM283.4 million) as security for banking facilities granted to its subsidiaries of which RM133.9 million were utilised as at 30 September 2005 (31.12.04 : RM160.1 million).

## 13. Commitments

	<b>30 September 2005 RM'000</b>
<b>Capital commitments</b>	
<b>Property, plant and equipment</b>	
Authorised but not contracted for	1,183
Contracted but not provided for in the financial statements	12,134
<b>Investments</b>	
Authorised but not contracted for	5,590
Contracted but not provided for in the financial statements	380
<b>Total</b>	<hr/> <b>19,287</b> <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 nine months ended 30 September 2005, the Group recorded a revenue of RM891.9 million as compared to RM780.7 million for the same period last year. The 14.2% growth in revenue or RM111.2 million increase as compared to the first nine months of 2004 is mainly attributed to the higher sales in Industrial and Packaging Divisions. Simultaneously, the profit before taxation recorded for the nine months ended 30 September 2005 has also increased from RM7.0 million to RM16.1 million. The higher profit is mainly contributed by the Packaging Division.

On a quarter-on-quarter basis, the Group revenue and profit before taxation have increased by 11.4% and 24.6% respectively. The higher profit recorded for this quarter is also mainly contributed by the Packaging Division.

### 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 3 RM'000	2005 Quarter 2 RM'000	Variance	
			RM'000	%
Revenue	309,277	288,504	20,773	7.2
Profit before taxation	6,958	4,208	2,750	65.4

The increase in the Group revenue recorded for the quarter under review is mainly due to the higher sales achieved by the Food Division. The Group profit before taxation recorded for the quarter under review is higher than the previous quarter mainly due to the improvement in the share of results of associates.

### 16. Prospects for 2005

Barring unforeseen circumstances, the Group's operating performance for the remaining quarter 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 September 2005 RM'000	9 months ended 30 September 2005 RM'000
Current tax expense		
Malaysian		
- current	1,747	5,797
- prior years	61	61
Foreign		
- current	765	1,095
- prior years	-	4
	<hr/>	<hr/>
	2,573	6,957
Deferred tax expense	91	285
	<hr/>	<hr/>
	2,664	7,242
	<hr/>	<hr/>

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 September 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 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") comprising RM60 million of Commercial Papers and RM40 million of Medium Term Notes. 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.

On 13 May 2005, TRB had completed the issuance of Commercial Papers of RM60 million under the Proposed PDS Programme.

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

#### C. **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.



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- D. 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.

- E. 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.

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.



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**F. 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 (“Proposed Investment”)**

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.

On 18 October 2005, TRB announced that it had on 18 October 2005 received the approval letter from the Menteri Hukum Dan Hak Asasi Manusia, Republik Indonesia (Ministry of Justice and Human Rights of Indonesia) for the incorporation of PTTI.

PTTI was incorporated and registered under the laws of the Republic of Indonesia on October 12 2005, with an authorised capital of USD100,000 divided into 100,000 shares of USD1 per share, with an issued and paid-up capital of USD100,000.

**22. Borrowings**

	<b>30 September 2005</b>
	<b>RM'000</b>
<b>Current:</b>	
Unsecured	
Bank overdrafts	9,379
Bankers' acceptances	95,664
Revolving credit	55,533
Term loans	19,843
Hire purchase obligations	856
	<hr/>
	181,275
<b>Non-current:</b>	
Unsecured	
Term loans	51,057
Commercial papers	60,000
Hire purchase obligations	2,472
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	113,529
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<b>Total</b>	<b>294,804</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	137,462
Thai Baht	3,856
United States Dollar	39,943
Singapore Dollar	14
	<hr/>
	181,275
	<hr/>
<b>Non-current</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>	
Ringgit Malaysia	85,182
Thai Baht	2,381
United States Dollar	25,966
Singapore Dollar	-
	<hr/>
	113,529
	<hr/>
<b>Total</b>	<b>294,804</b>
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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 30 September 2005 are:

	<b>Fair Value RM'000</b>	<b>Contracted Amount RM'000</b>
Forward foreign exchange contracts	4,602	4,619

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 was paid on 30 August 2005.

26. **Basic earnings per share**

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

	3 months ended 30 September		9 months ended 30 September	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net profit for the period	3,990	2,773	8,709	1,810
Weighted average number of ordinary shares in issue	124,099	121,432	124,099	120,543
Basic earnings per share (sen)	3.22	2.28	7.02	1.50

**BY ORDER OF THE BOARD**

**TAN PENG LAM**  
**GROUP FINANCE DIRECTOR**  
Date: 27 October 2005