



TEXCHEM RESOURCES BHD

(16318-K)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) for the year ended 31 December 2005

		3 months ended 31 December		12 months ended 31 December	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue		297,755	276,059	1,189,669	1,056,797
Operating profit		16,553	7,164	43,367	23,470
Interest expense		(3,895)	(2,096)	(14,206)	(11,934)
Share of results of associates		(835)	(1,026)	(1,259)	(531)
Profit before taxation		11,823	4,042	27,902	11,005
Tax expense	18	(1,815)	(1,967)	(9,057)	(7,312)
Profit after taxation		10,008	2,075	18,845	3,693
Minority interests		(635)	45	(762)	237
Net profit for the period/year		9,373	2,120	18,083	3,930
Basic earnings per ordinary share (sen)	26	7.55	1.71	14.57	3.24

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 December 2005

	Note	31 December 2005 (Unaudited) RM'000	31 December 2004 (Audited) RM'000
Property, plant and equipment		199,615	204,305
Investments in associates		15,286	28,712
Other investments		968	968
Goodwill on consolidation		46,654	46,521
Trademarks, at cost		366	366
		<u>262,889</u>	<u>280,872</u>
Current assets			
Inventories		86,224	88,839
Trade and other receivables		250,383	219,343
Tax refundable		3,930	3,876
Cash and cash equivalents		56,260	39,538
		<u>396,797</u>	<u>351,596</u>
Current liabilities			
Trade and other payables		161,925	149,285
Borrowings	22	178,514	203,202
Taxation		4,049	1,979
Dividend payable		5,361	4,468
		<u>349,849</u>	<u>358,934</u>
Net current assets/(liabilities)		<u>46,948</u>	<u>(7,338)</u>
		<u>309,837</u>	<u>273,534</u>
Financed by:			
Capital and reserves			
Share capital		124,099	124,099
Reserves		40,773	35,078
Shareholders' funds		<u>164,872</u>	<u>159,177</u>
Minority shareholders' interests		21,321	21,855
Non-current liabilities			
Borrowings	22	110,073	79,091
Deferred taxation		9,454	9,566
Deferred liabilities		4,117	3,845
		<u>123,644</u>	<u>92,502</u>
		<u>309,837</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 year ended 31 December 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	-	(3,453)	-	(3,453)
Net profit for the year	-	-	18,083	18,083
Dividends	-	-	(8,935)	(8,935)
Transfer to capital reserve	-	78	(78)	-
At 31 December 2005	124,099	40,551	222	164,872

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 (AUDITED) for the year ended 31 December 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
Transfer to capital reserve	-	105	(105)	-
Special issue to Bumiputra investors	4,000	-	-	4,000
Bonus issue	10,918	(10,918)	-	-
Share issue expenses	-	(118)	-	(118)
Translation of the opening net investment in foreign subsidiaries at year end exchange rates	-	(1,401)	-	(1,401)
Net profit for the year	-	-	3,930	3,930
Dividends	-	-	(7,062)	(7,062)
At 31 December 2004	124,099	43,926	(8,848)	159,177

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 year ended 31 December 2005

	12 months ended 31 December	
	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	27,902	11,005
Adjustments for:		
Non-cash items	28,546	25,767
Operating profit before working capital changes	56,448	36,772
Net change in current assets	(27,242)	(30,307)
Net change in current liabilities	11,748	36,536
Cash generated from operations	40,954	43,001
Non-operating items	4,907	5,199
Net cash generated from operating activities	45,861	48,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(7,481)	(64,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash (used in) / generated from financing activities	(15,443)	19,157
Net increase in cash and cash equivalents	22,937	2,950
Effects of exchange differences on cash and cash equivalents	(392)	219
Cash and cash equivalents at 1 January	27,745	24,576
Cash and cash equivalents at 31 December	50,290	27,745



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

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

	12 months ended 31 December	
	2005	2004
	RM'000	RM'000
Short term deposits with licensed banks (excluding deposits pledged)	1,456	3,202
Cash and bank balances	54,804	36,337
Bank overdrafts	(5,970)	(11,794)
	<hr/>	<hr/>
	50,290	27,745

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 December 2005, save that the Group recognised a gain on disposal of an associated company, Ojitex Holdings Sdn Bhd amounting to RM6.6 million.

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 Notes 21 and 22 of the Additional Information required by Bursa Malaysia Securities Berhad Listing Requirements.

7. Dividend paid

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

A second interim dividend of 6% per share less tax, totaling RM5,361,000 in respect of the financial year ending 31 December 2005 has been declared on 15 December 2005 and was paid on 20 January 2006.

8. Segment information

Segment information is presented in respect of the Group's business activities which is the enterprise's primary basis of segment reporting.

Inter-segment pricing is determined based on a negotiated basis.

Segment revenue

	3 months ended 31 December 2005 RM'000	12 months ended 31 December 2005 RM'000
Industrial Division	121,626	570,574
Packaging Division	60,289	223,828
Family Care Division	53,210	211,978
Food Division	71,420	226,960
	<hr/>	<hr/>
	306,545	1,233,340
Eliminations	(8,790)	(43,671)
	<hr/>	<hr/>
Group revenue	297,755	1,189,669
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8. Segment information (Cont'd)

Segment results

	3 months ended 31 December 2005 RM'000	12 months ended 31 December 2005 RM'000
Industrial Division	4,729	17,309
Packaging Division	2,907	16,469
Family Care Division	4,030	10,367
Food Division	589	607
Investment Holding	18,820	27,388
Operating profit before eliminations	31,075	72,140
Eliminations	(14,522)	(28,773)
Operating profit	16,553	43,367
Finance costs	(3,895)	(14,206)
	12,658	29,161
Share of results of associates	(835)	(1,259)
Profit before taxation	11,823	27,902

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.



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11. Changes in composition of the Group for the fourth quarter ended 31 December 2005

- a) On 12 October 2005, PT Texchem Indonesia ("PTTI") was incorporated and became a subsidiary of Texchem Materials Sdn. Bhd. which in turn is a subsidiary of Texchem Resources Bhd. PTTI has an initial authorised share capital of US\$100,000 divided into 100,000 shares of US\$1 per share, with an issued and paid-up capital of US\$100,000.
- b) Since the last quarter, TRB had disposed of its 51% investment in the paid-up capital of Eye Graphic Sdn. Bhd ("EGSB") (which would include disposing its effective equity interest in EGSB's wholly-owned subsidiary, Eye Graphic (Vietnam) Co., Ltd) to Texchem-Pack Holdings (S) Ltd., equivalent to 1,020,000 ordinary shares of RM1.00 each at a cash consideration of RM3,274,000.

12. Changes in contingent liabilities

As at 31 December 2005, the Company has issued corporate guarantees amounting to RM323.8 million (31.12.04 : RM283.4 million) as security for banking facilities granted to its subsidiaries of which RM119.1 million were utilised at 31 December 2005 (31.12.04 : RM160.1 million).

13. Commitments

	31 December 2005 RM'000
Capital commitments	
Property, plant and equipment	
Authorised but not contracted for	110
Contracted but not provided for in the financial statements	6,256
Investment commitments	
Authorised but not contracted for	5,590
Total	<u>11,956</u>



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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 year ended 31 December 2005, the Group recorded a revenue of RM1,189.7 million as compared to RM1,056.8 million for the same period last year. The 12.6% growth in revenue or RM132.9 million increase as compared to 2004 is mainly attributable to the higher sales in the Packaging and Food Divisions. Simultaneously, the profit before taxation has also increased from RM11.0 million in 2004 to RM27.9 million for the year ended 31 December 2005, mainly due to the improved performance of the Packaging Division and the inclusion of a gain on disposal of an associated company, Ojtex Holdings Sdn Bhd amounting to RM6.6 million.

On a quarter-on-quarter basis, the Group's revenue and profit before taxation have increased by 7.9% and 192.5% respectively. The higher profit recorded for this quarter is mainly due to the inclusion of the gain on disposal of an associated company as elaborated above.

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 →		Variance	
	Quarter 4	Quarter 3	RM'000	%
	RM'000	RM'000		
Revenue	297,755	309,277	(11,522)	(3.7)
Profit before taxation	11,823	6,958	4,865	69.9

The slight decrease in the Group revenue as compared to the previous quarter is mainly due to the lower revenue recorded by the Industrial Division. However, this decrease was partially offset by the revenue growth of the Packaging and Food Divisions.

The higher profit before taxation in the current quarter is mainly due to the inclusion of the gain on disposal of an associated company as elaborated in Note 14.

16. Prospects for 2006

Barring unforeseen circumstances, the Group's operating performance for the year 2006 is expected to remain positive.



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17. Profit forecast

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended 31 December 2005 RM'000	12 months ended 31 December 2005 RM'000
Current tax expenses		
Malaysian		
- current	3,405	9,202
- prior years	(201)	(140)
Foreign		
- current	(22)	1,073
- prior years	(4)	-
	<hr/>	<hr/>
	3,178	10,135
Deferred tax expense	(396)	(111)
Tax expenses on share of results of associates	(967)	(967)
	<hr/>	<hr/>
	1,815	9,057
	<hr/>	<hr/>

The effective tax rates for the current quarter is lower than the statutory tax rate mainly due to the gain on disposal of an associated company which is not subject to tax.

The effective tax rates for the year ended 31 December 2005 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 December 2005 other than as disclosed in Note 11 to the Interim Financial Report and the disposal of 30% investment in the paid-up capital of Ojitex Holdings Sdn. Bhd., an associated company of TRB, equivalent to 13,794,000 ordinary shares of RM1.00 each at a cash consideration of US\$4,935,000 (equivalent to approximately RM18.5 million based on the exchange rate of US\$1 = RM3.7510), which was completed on 29 December 2005.



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20. Quoted investments

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

21. Status of corporate proposal announced

Status of Corporate Proposals

A. Proposed Restructuring and the Subsequent Listing of Texchem-Pack Holdings (S) Ltd ("TXPH") 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.
4. On 29 December 2005, TRB announced that TRB had disposed of 1,020,000 ordinary shares of RM1.00 each in Eye Graphic Sdn. Bhd. ("EGSB") representing 51% of the total issued and paid-up share capital of EGSB to TXPH, the disposal of which would include TRB's effective equity interest in Eye Graphic (Vietnam) Co., Ltd ("EGV"), a wholly owned subsidiary of EGSB. The said exercise was undertaken pursuant to an internal reorganisation of the corporate structure of TRB Group whereby EGSB and EGV became subsidiaries of TXPH and part of the group of companies involved in the Proposed Listing.

Further 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.



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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 Bhd

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.

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 audited consolidated 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 audited consolidated 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.

On 29 December 2005, TRB announced that the approvals of the shareholders of THSB and the liquidator of ISB have been obtained on 29 December 2005 for the Proposed Acquisition.

The Proposed Acquisition has not been completed todate.



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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 US\$6,000,000 while the proposed registered capital for the company to be incorporated is US\$3,000,000.

On 9 February 2006, TRB announced that TRB has decided to abort the Proposed Investment as the Proposed Investment was found to be commercially not viable.

F. Member's Voluntary Winding-Up of Texchem Consumers (East Malaysia) Sdn. Bhd., a wholly owned subsidiary of Texchem Consumers Sdn. Bhd. which in turn is a wholly owned subsidiary of Texchem Resources Bhd

TRB had on 7 February 2006 announced that Texchem Consumers (East Malaysia) Sdn. Bhd., a wholly owned subsidiary of Texchem Consumers Sdn. Bhd. which in turn is a wholly owned subsidiary of Texchem Resources Bhd had on 7 February 2006 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.

22. Borrowings

	31 December 2005
	RM'000
Current:	
Unsecured	
Bank overdrafts	5,970
Bankers' acceptances	100,538
Revolving credit	50,362
Term loans	20,724
Hire purchase obligations	920
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	178,514
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22. Borrowings (Cont'd)

	31 December 2005 RM'000
Non-current:	
Unsecured	
Term loans	47,812
Commercial Papers (Note)	60,000
Hire purchase obligations	2,261
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	110,073
	<hr/>
Total	288,587

Note: The Commercial Papers were issued under a 7 years underwritten programme and will be reissued every 3 months upon maturity until the amount is fully redeemed.

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

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

Current	RM'000
<u>Unsecured</u>	
Ringgit Malaysia	161,917
Thai Baht	4,325
United States Dollar	12,272
	<hr/>
	178,514
	<hr/>
Non-current	
<u>Unsecured</u>	
Ringgit Malaysia	83,455
Thai Baht	2,087
United States Dollar	24,531
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	110,073



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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 December 2005 are:

	Fair Value RM'000	Contracted Amount RM'000
Forward foreign exchange contracts	738	736

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

A second interim dividend of 6 % per share less tax, totaling RM5,361,000 in respect of the financial year ended 31 December 2005 has been declared on 15 December 2005 and was paid on 20 January 2006.

26. Basic earnings per share

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

	3 months ended 31 December		12 months ended 31 December	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net profit for the period/year	9,373	2,120	18,083	3,930
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	121,433
Basic earnings per share (sen)	7.55	1.71	14.57	3.24

BY ORDER OF THE BOARD

TAN PENG LAM
GROUP FINANCE DIRECTOR
Date: 14 February 2006