

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the year ended 31 December 2006

	Note	3 months ended 31 December		12 months ended 31 December	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue		301,386	298,063	1,267,011	1,195,459
Cost of sales		(240,855)	(242,405)	(1,022,489)	(970,858)
Gross profit		60,531	55,658	244,522	224,601
Distribution costs		(27,784)	(24,920)	(106,164)	(96,728)
Administrative and other operating expenses		(28,325)	(27,502)	(108,162)	(101,765)
Other operating income		3,502	3,778	9,982	7,719
Operating profit		7,924	7,014	40,178	33,827
Gain on disposal of an associate		-	6,580	-	6,580
Interest expense		(4,812)	(3,146)	(16,917)	(13,457)
Share of profit/(loss) after taxation of associates		(831)	162	(1,241)	(262)
Profit before taxation		2,281	10,610	22,020	26,688
Tax expense	18	638	(410)	(6,992)	(7,652)
Profit for the period/year		2,919	10,200	15,028	19,036
Attributable to:					
Shareholders of the Company		3,210	9,946	15,457	18,655
Minority interests		(291)	254	(429)	381
Profit for the period/year		2,919	10,200	15,028	19,036
Basic earnings per share attributable to shareholders of the Company (sen)	26	2.59	8.01	12.46	15.03

Note: The comparative figures have been reclassified to conform with the current year's presentation as reflected in Note 1(b).

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 December 2006

	Note	31 December 2006 (Unaudited) RM'000	31 December 2005 (Audited) RM'000
ASSETS			
Property, plant and equipment		203,233	206,614
Investments in associates		18,824	15,290
Other investments		3,515	15
Goodwill on consolidation		49,750	46,521
Trademarks, at cost		366	366
Deferred tax assets		171	1,035
Non-current assets		<u>275,859</u>	<u>269,841</u>
Inventories		95,709	87,561
Trade and other receivables		257,008	240,365
Tax refundable		7,029	4,264
Cash and cash equivalents		64,092	57,971
Current assets		<u>423,838</u>	<u>390,161</u>
TOTAL ASSETS		<u>699,697</u>	<u>660,002</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		124,099	124,099
Reserves		47,779	41,325
Equity attributable to shareholders of the Company		<u>171,878</u>	<u>165,424</u>
Minority interests		42,555	21,339
TOTAL EQUITY		<u>214,433</u>	<u>186,763</u>
LIABILITIES			
Borrowings	22	120,456	109,232
Deferred taxation		7,985	8,062
Deferred liabilities		3,906	3,912
Non-current liabilities		<u>132,347</u>	<u>121,206</u>
Trade and other payables		159,182	162,375
Bills payable	22	109,638	99,002
Borrowings	22	76,832	80,744
Taxation		2,735	4,551
Dividend payable		4,530	5,361
Current liabilities		<u>352,917</u>	<u>352,033</u>
TOTAL LIABILITIES		<u>485,264</u>	<u>473,239</u>
TOTAL EQUITY AND LIABILITIES		<u>699,697</u>	<u>660,002</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the year ended 31 December 2006

	Note	<----- Attributable to shareholders of the Company ----->				Sub-total RM'000	Minority interests RM'000	Total equity RM'000
		Share Capital RM'000	Non-distributable Share premium & other capital reserves RM'000	Revenue reserves RM'000	<----- Distributable -----> (Accumulated losses)/ Retained profits RM'000			
At 1 January 2006		124,099	40,998	881	(554)	165,424	21,339	186,763
Translation of the opening net investment in foreign subsidiaries at year end exchange rates		-	(1,511)	-	-	(1,511)	(327)	(1,838)
Effects of adopting FRS 3	1(a)	-	-	-	3,253	3,253	-	3,253
Profit for the year		-	-	-	15,457	15,457	(429)	15,028
Dividends		-	-	-	(8,997)	(8,997)	(985)	(9,982)
Transfer to capital reserves		-	670	-	(670)	-	-	-
Subscription of shares by minority shareholders		-	-	-	-	-	21,209	21,209
Dilution in share of net assets of a subsidiary upon issuance of additional shares to minority shareholders		-	-	-	696	696	(696)	-
Accretion arising from additional issue of shares by a subsidiary		-	-	-	(2,444)	(2,444)	2,444	-
At 31 December 2006		124,099	40,157	881	6,741	171,878	42,555	214,433

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
for the year ended 31 December 2005

	<----- Attributable to shareholders of the Company ----->						Total equity RM'000
	Share capital RM'000	Non-distributable Share premium & other capital reserves RM'000	Revenue reserves RM'000	<----- Distributable -----> (Accumulated losses) RM'000	Sub-total RM'000	Minority interests RM'000	
At 1 January 2005	124,099	43,926	881	(9,729)	159,177	21,855	181,032
Translation of the opening net investment in foreign subsidiaries at year end exchange rates	-	(3,102)	-	-	(3,102)	(115)	(3,217)
Profit for the year	-	-	-	18,655	18,655	381	19,036
Dividends	-	-	-	(8,935)	(8,935)	(1,183)	(10,118)
Transfer to capital reserves	-	174	-	(174)	-	-	-
Subscription of shares by minority shareholders	-	-	-	-	-	30	30
Accretion arising from additional issue of shares by subsidiaries	-	-	-	(371)	(371)	371	-
At 31 December 2005	124,099	40,998	881	(554)	165,424	21,339	186,763

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
for the year ended 31 December 2006

	12 months ended 31	
	December	
	2006	2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,020	26,688
Adjustments for:		
Non-cash items	34,381	26,546
Operating profit before working capital changes	56,401	53,234
Net change in current assets	(24,382)	(21,840)
Net change in current liabilities	(3,193)	13,122
Cash generated from operations	28,826	44,516
Non-operating items	5,258	4,662
Net cash generated from operating activities	34,084	49,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(37,614)	(13,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash generated from/(used in) financing activities	4,143	(12,478)
Net increase in cash and cash equivalents	613	23,609
Effects of exchange differences on cash and cash equivalents	(87)	(421)
Cash and cash equivalents at 1 January	50,933	27,745
Cash and cash equivalents at 31 December	51,459	50,933

TEXCHEM RESOURCES BHD
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
for the year ended 31 December 2006 (Cont'd)

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

	12 months ended 31	
	December	
	2006	2005
	RM'000	RM'000
Short term deposits with licensed banks (excluding deposits pledged)	4,854	759
Cash and bank balances	58,366	56,465
Bank overdrafts	(11,761)	(6,291)
	<u>51,459</u>	<u>50,933</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

TEXCHEM RESOURCES BHD
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 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005. 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 2005.

The significant 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 2005 except for the adoption of the following new and revised Financial Reporting Standards (“FRS”) issued by MASB that are effective for the Group’s first FRS annual reporting date, 31 December 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above standards does not have significant financial impact on the Group except for the following:

(a) FRS 3: Business Combinations

Under FRS 3, negative goodwill which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 January 2006, negative goodwill was used to reduce the goodwill in the balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM3,253,000 was derecognised with a corresponding increase in retained profits.

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

1. **Basis of preparation (Cont’d)**

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. Minority interests are now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interests is now presented in the consolidated statement of changes in equity.

The presentation of the comparative financial statements of the Group have been restated to conform with the current year’s presentation.

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

The auditors’ report on the financial statements for the year ended 31 December 2005 was not qualified.

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

The Group’s operations were not significantly affected by any unusual seasonal or cyclical 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 year ended 31 December 2006.

5. **Changes in estimates**

There were no changes in estimates that have had a material effect during the year ended 31 December 2006.

6. **Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the year ended 31 December 2006 save as disclosed in Notes 21 and 22 of the Additional Information required by Bursa Malaysia Securities Berhad Listing Requirements.

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

7. **Dividend paid**

During the year ended 31 December 2006, the Company had paid the following dividends:

- (a) a second interim dividend of 6 sen per share less 28% tax, amounting to RM5,361,000 in respect of the financial year ended 31 December 2005 was paid on 20 January 2006.
- (b) a first interim dividend of 5 sen per share less 28% tax, amounting to RM4,468,000 in respect of the financial year ending 31 December 2006 was paid on 25 August 2006.

8. **Segmental 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 31		12 months ended 31	
	December		December	
	2006	2005	2006	2005
	RM’000	RM’000	RM’000	RM’000
Industrial	127,560	121,706	568,961	570,654
Packaging	58,622	59,011	249,920	224,218
Family Care	58,001	52,973	226,793	211,741
Food	65,349	72,305	260,244	231,659
	309,532	305,995	1,305,918	1,238,272
Eliminations	(8,146)	(7,932)	(38,907)	(42,813)
Group revenue	301,386	298,063	1,267,011	1,195,459

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

8. **Segmental information (Cont’d)**

Segment results

	3 months ended 31 December		12 months ended 31 December	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Industrial	5,202	4,580	18,354	17,160
Packaging	11,427	9,120	32,235	22,682
Family Care	4,684	4,041	12,665	10,377
Food	(2,204)	(289)	(3,229)	(271)
Investment Holding	9,668	12,248	21,162	20,816
Operating profit before eliminations	28,777	29,700	81,187	70,764
Eliminations	(20,853)	(22,686)	(41,009)	(36,937)
Operating profit	7,924	7,014	40,178	33,827
Gain on disposal of an associate	-	6,580	-	6,580
Finance costs	(4,812)	(3,146)	(16,917)	(13,457)
Share of profit/(loss) after taxation of associates	(831)	162	(1,241)	(262)
Profit before taxation	2,281	10,610	22,020	26,688

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 2005.

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.

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

11. Changes in composition of the Group for the year ended 31 December 2006

Since the last quarter,

- i. Texchem Materials Sdn. Bhd., a subsidiary of the Company had fully paid-up its investment amounting to RMB500,000 in Texchem Trading (Wuxi) Co., Ltd.
- ii. the investment of the Company in Texchem-Pack Holdings (S) Ltd. (“TXPHS”) had decreased from 100% to 75% upon listing of the shares in TXPHS on the Main Board of Singapore Exchange Securities Trading Limited.
- iii. the Company had increased further its investment in the paid-up capital of Texchem Food Sdn. Bhd. to RM54,175,829 resulting in an increase of its shareholding from 85.42% to 90.29%.

12. Changes in contingent liabilities

As at 31 December 2006, the Company has issued corporate guarantees amounting to RM335.6 million (31.12.05 : RM323.8 million) as security for banking facilities granted to its subsidiaries of which RM116.5 million were utilised at 31 December 2006 (31.12.05 : RM119.1 million).

13. Commitments

Capital commitments

	31 December 2006 RM'000	31 December 2005 RM'000
Investment		
Approved but not contracted for	-	5,590
Contracted but not provided for in the financial statements	<u>3,539</u>	<u>-</u>
Property, plant and equipment		
Approved but not contracted for	1,961	8,235
Contracted but not provided for in the financial statements	<u>1,113</u>	<u>2,759</u>
	<u>3,074</u>	<u>10,994</u>

TEXCHEM RESOURCES BHD
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 2006, the Group recorded a revenue of RM1.27 billion as compared to RM1.20 billion for the same period last year. The 5.8% growth in revenue as compared to last financial year was mainly contributed by the Packaging, Family Care and Food Divisions. The higher profit before taxation of RM26.7 million achieved in 2005 was mainly attributed by a non-recurring gain of RM6.6 million from the disposal of an associated company, Ojitex Holdings Sdn Bhd and lower interest expense.

On a quarter-on-quarter basis, revenue was RM301.4 million against the RM298.1 million recorded in the same quarter last year. Despite higher sales achieved, profit before taxation has decreased by 78.5% mainly due to the higher interest expense, share of loss of associates and a non-recurring gain of RM6.6 million from the disposal of an associated company in 2005.

15. **Variation of results against preceding quarter**

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

	<----- 2006 ----->			
	Quarter 4	Quarter 3	Variance	
	RM'000	RM'000	RM'000	%
Revenue	301,386	336,038	(34,652)	(10.3)
Profit before taxation	2,281	7,355	(5,074)	(69.0)

The reduction in revenue was mainly due to the lower revenue recorded by the Industrial, Packaging and Food Divisions. The lower revenue had reduced the profit recorded for the quarter under review.

16. **Prospects for 2007**

Barring unforeseen circumstances, the Group's operating performance for the year 2007 is expected to remain positive.

17. **Profit forecast**

Not applicable as no profit forecast was published.

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

18. **Tax expense**

	3 months ended 31 December		12 months ended 31 December	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
- current period/year	380	2,006	6,225	7,803
- prior period/year	(1,292)	591	(943)	652
Overseas				
- current period/year	348	635	1,029	1,734
	(564)	3,232	6,311	10,189
Deferred tax expense	(74)	(2,822)	681	(2,537)
	(638)	410	6,992	7,652

The effective year-to-date 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 disposals of unquoted investments and properties in the quarter ended 31 December 2006.

20. **Quoted investments**

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

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

21. **Status of corporate proposals announced**

Status of Corporate Proposals

A. Proposed Restructuring and the Subsequent Listing of Texchem-Pack Holdings (S) Ltd (“TXPHS”) 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 TXPHS, 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 TXPHS and part of the group of companies involved in the Proposed Listing.
5. On 31 March 2006, TRB announced that TXPHS through its agent, had re-submitted on 31 March 2006 its application for the admission of TXPHS to the official list of the SGX-ST Mainboard, and for permission to deal in, and for the quotation of all the ordinary shares in the capital of TXPHS already issued and the new ordinary shares to be issued.
6. On 21 August 2006, TRB had announced that TXPHS had received Singapore Exchange Limited’s letter dated 18 August 2006 granting an ETL to TXPHS. The ETL is valid for 3 calendar months from 18 August 2006.

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

21. **Status of corporate proposals announced (Cont'd)**

7. On 28 September 2006, TRB had announced that TXPHS had on 28 September 2006 lodged its preliminary Prospectus relating to the Proposed Listing with the Monetary Authority of Singapore (“MAS”).
8. On 26 October 2006, TRB had announced that MAS has given consent to the amendments to the preliminary Prospectus of TXPHS dated 28 September 2006 and that the final Prospectus of TXPHS has been registered by the MAS on 25 October 2006.
9. On 1 November 2006, TRB had announced that the shares in TXPHS will be listed on the Main Board of SGX-ST on 2 November 2006.
10. On 2 November 2006, TRB had announced that upon listing of the shares in TXPHS on the Main Board of SGX-ST on 2 November 2006 and as set out in the final prospectus dated 25 October 2006, TRB will hold 75% equity stake comprising 89,550,000 ordinary shares in TXPHS. TRB’s costs of investment in the said equity stake is RM27,182,222. The balance 25% equity stake comprising 29,850,000 new ordinary shares in TXPHS is held by the investors who have subscribed for the said shares at S\$0.40 per share.

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

1. 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.
2. On 13 May 2005, TRB had completed the issuance of Commercial Papers of RM60 million under the Proposed PDS Programme.
3. On 16 October 2006, TRB had announced that an application to the Securities Commission (“SC”) has been submitted on 16 October 2006 for the approval to change the Commercial Papers’ sub-limit from RM60 million to RM100 million.
4. On 13 November 2006, TRB had announced that TRB had on 13 November 2006 received the approval of the SC vide its letter dated 10 November 2006 for the proposed change of Commercial Papers’ sub-limit from RM60 million to RM100 million.

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

21. **Status of corporate proposals announced (Cont'd)**

5. On 18 January 2007, TRB had announced that TRB had on 18 January 2007, entered into the following agreements:-
 - i. Supplemental Commercial Papers and/or Medium Term Notes Programme Agreement executed amongst
 - a. TRB (as Issuer),
 - b. RHB Investment Bank Bhd [formerly known as RHB Sakura Merchant Bankers Bhd] (as Lead Arranger, Facility Agent, Issue Agent, Paying Agent and Underwriter), and
 - c. CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad), EON Bank Berhad, OCBC Bank (Malaysia) Berhad and Maybank Berhad (all as Underwriters); and
 - ii. Supplemental Trust Deed executed between TRB (as Issuer) and Malaysian Trustees Berhad (as Trustee and Security Trustee).
6. To date, the Commercial Papers and/or 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 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.

D. Members' Voluntary Winding-up of Zenith Enterprises Sdn Berhad, a wholly-owned subsidiary of Fumakilla Malaysia Berhad which in turn is a subsidiary of Texchem Resources Bhd

TRB had on 8 August 2006 announced that Zenith Enterprises Sdn Berhad ("Zenith"), a wholly-owned subsidiary of Fumakilla Malaysia Berhad which in turn is a subsidiary of TRB had on 8 August 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.

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

21. **Status of corporate proposals announced (Cont'd)**

- E. **Proposed acquisition of 30% equity interest in M.A.C. Technology (M) Sdn. Bhd. (“MAC”) [upon conversion of 11,250,000 non-cumulative redeemable preference shares in MAC into 11,250,000 ordinary shares of RM1.00 each in MAC] comprising 9,124,500 ordinary shares of RM1.00 each from Daiichi Kasei Co., Ltd. (“DK”) by Texchem-Pack Holdings (S) Ltd. (“TXPHS”), a subsidiary of Texchem Resources Bhd. at a total cash purchase consideration of RM7,078,476 subject to a Call Option granted by DK and Daiichi Kasei Holdings Co., Ltd. (DKH) (“Proposed Acquisition”)**

On 28 December 2006, TRB had announced that TXPHS, a subsidiary of TRB had on 28 December 2006, entered into a conditional Share Purchase Agreement (“SPA”) and Call Option with DK and DKH to acquire 30% equity interest in MAC [upon conversion of 11,250,000 non-cumulative redeemable preference shares in MAC into 11,250,000 ordinary shares of RM1.00 each in MAC] comprising 9,124,500 ordinary shares of RM1.00 each [or approximately 47.6% of the existing issued and paid-up capital of MAC prior to the conversion of the said non-cumulative redeemable preference shares in MAC] from DK subject to the following Call Option for a total cash purchase consideration of RM7,078,476:

- a. DK and DKH have agreed to grant to TXPHS, upon the completion of the SPA, the option and the right of first refusal to acquire from DK and/or DKH at any time (hereinafter referred to as “the Call Option”) all or any part of the remaining ordinary shares of RM1.00 each not owned by TXPHS within 5 years from the completion date of the SPA, free from all charges or liens or any other encumbrances thereto and with all rights now or hereafter attaching thereto including, but without limitation, all bonuses rights dividends and distributions declared paid or made in respect thereof after the respective exercise dates of the Call Option (hereinafter referred to as “the Option Shares”). Such Call Option can only be exercised with the prior approval or consent of Sumitomo Wiring Systems, Ltd. and of other three major customers of MAC with which MAC makes the highest sales revenue during the previous fiscal year before the time when TXPHS exercises the Call Option (“the Approval”); and

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21. **Status of corporate proposals announced (Cont'd)**

- b. Upon the exercise of the Call Option after obtaining the Approval, DK and/or DKH as the case may be, shall be bound to sell the Option Shares to TXPHS or its nominee at the purchase price to be agreed upon mutually and if the purchase price cannot be agreed upon within one month from the respective exercise dates of the Call Option (“the Period”), the parties herein agree to appoint an international accounting firm to be agreed upon, to act as independent valuer to determine the purchase price of the Option Shares, within 2 months from the expiry date of the Period. Such valuation shall be final and binding on both parties, provided however that such purchase price per share of the Option Shares shall not be less than the net asset value per share of MAC.

The Proposed Acquisition has not been completed to date and further appropriate announcement(s) would be made in due course.

- F. Proposed acquisition of 49% equity interest in Eye Graphic Sdn. Bhd. (“EGSB”) comprising 980,000 ordinary shares of RM1.00 each from Eye Corporate Planning Co., Ltd. (“Eyecorp”) by Texchem-Pack Holdings (S) Ltd. (“TXPHS”), a subsidiary of Texchem Resources Bhd. for a total consideration of RM3,526,000 or approximately RM3.60 per share to be satisfied by the issuance of such number of new ordinary shares in TXPHS (“TXPHS Shares”) based on a 5-day weighted average market price of TXPHS Shares immediately preceding the date of the Share Sale Agreement dated 26 January 2007 i.e. S\$0.332 per TXPHS Share (equivalent to approximately RM0.76 based on an exchange rate of S\$1 = RM2.28 as at 25 January 2007) (“Proposed Acquisition”)**

TRB had on 26 January 2007 announced that its subsidiary, TXPHS had on 26 January 2007 entered into a conditional Share Sale Agreement (“the SSA”) with Eyecorp to acquire 49% equity interest in EGSB comprising 980,000 ordinary shares of RM1.00 each (“EGSB Shares”) from Eyecorp for a total consideration of RM3,526,000 or approximately RM3.60 per share to be satisfied by the issuance of such number of new TXPHS Shares based on a 5-day weighted average market price of TXPHS Shares immediately preceding the date of the SSA i.e. S\$0.332 per TXPHS share (“the Price per TXPHS Share”) [equivalent to approximately RM0.76 based on an exchange rate of S\$1 = RM2.28 as at 25 January 2007). Based on the Price per TXPHS Share, the number of TXPHS Shares to be issued to complete the Proposed Acquisition is 4,658,106 shares.

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21. **Status of corporate proposals announced (Cont'd)**

TRB had on 31 January 2007 announced that TXPHS, had on 31 January 2007 through its agent, submitted the Additional Listing Application (“ALA”) of TXPHS dated 30 January 2007 to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the listing of the new TXPHS Shares to be issued for the Proposed Acquisition.

On 14 February 2007, TRB had announced that TXPHS had received SGX-ST’s letter dated 13 February 2007 granting its in-principle approval for the listing and quotation of the new TXPHS Shares on the Official List of the SGX-ST subject to the conditions stated therein.

The Proposed Acquisition has not been completed todate and further appropriate announcement(/s) would be made in due course.

22. **Bills payable and borrowings**

	31 December 2006 RM’000	31 December 2005 RM’000
Current:		
Unsecured		
Bills payable	109,638	99,002
Bank overdrafts	11,761	6,291
Revolving credit	48,433	52,242
Term loans	15,192	21,166
Hire purchase obligations	1,446	1,045
Bank borrowings	76,832	80,744
Non-current:		
Unsecured		
Commercial papers *	60,000	60,000
Term loans	58,521	47,098
Hire purchase obligations	1,935	2,134
Bank borrowings	120,456	109,232

* The Commercial papers were issued under 7 years underwriting programme and will be reissued every 3 months upon maturity until the amounts are fully redeemed.

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22. **Bills payable and borrowings (Cont'd)**

Bills payable and borrowings denominated in foreign currencies are as follows:

	31 December 2006 RM'000	31 December 2005 RM'000
Current:		
Unsecured		
Thai Baht	4,665	4,325
Singapore Dollar	112	-
United States Dollar	5,474	12,272
Vietnamese Dong	635	-
	<u>10,886</u>	<u>16,597</u>
Non-current:		
Unsecured		
Thai Baht	1,074	2,087
United States Dollar	2,789	24,531
	<u>3,863</u>	<u>26,618</u>

23. **Off balance sheet financial instruments**

There was no off balance sheet financial instrument not recognised in the balance sheet as at 31 December 2006.

24. **Changes in material litigation**

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

25. **Dividend**

A second interim dividend of 5 sen per share less 27% tax in respect of the financial year ended 31 December 2006 (2005: 6 sen per share less 28% tax) has been declared on 14 December 2006 and was paid on 17 January 2007.

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26. **Basic earnings per share**

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

	3 months ended 31 December		12 months ended 31 December	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year attributable to shareholders of the Company	3,210	9,946	15,457	18,655
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings per share (sen)	2.59	8.01	12.46	15.03

BY ORDER OF THE BOARD

TAN PENG LAM
GROUP FINANCE DIRECTOR
Date: 15 February 2007