

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
for the six months ended 30 June 2007

	Note	3 months ended 30 June		6 months ended 30 June	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Revenue</b>		<b>306,076</b>	<b>323,028</b>	<b>611,153</b>	<b>629,588</b>
Cost of sales		(244,815)	(262,721)	(490,480)	(509,387)
<b>Gross profit</b>		<b>61,261</b>	<b>60,307</b>	<b>120,673</b>	<b>120,201</b>
Distribution costs		(28,969)	(26,645)	(56,644)	(52,009)
Administrative and other operating expenses		(27,070)	(26,517)	(55,070)	(52,056)
Other operating income		4,222	2,914	6,759	4,537
<b>Operating profit</b>		<b>9,444</b>	<b>10,059</b>	<b>15,718</b>	<b>20,673</b>
Gain on disposal of a subsidiary		6,204	-	6,204	-
Interest expense		(4,654)	(3,913)	(9,090)	(7,780)
Share of loss after tax and minority interest of equity accounted associates		(1,239)	(608)	(1,711)	(509)
<b>Profit before taxation</b>		<b>9,755</b>	<b>5,538</b>	<b>11,121</b>	<b>12,384</b>
Tax expense	18	(2,516)	(2,315)	(4,578)	(4,709)
<b>Profit for the period</b>		<b>7,239</b>	<b>3,223</b>	<b>6,543</b>	<b>7,675</b>
Attributable to:					
Shareholders of the Company		6,566	3,220	5,677	7,632
Minority interest		673	3	866	43
<b>Profit for the period</b>		<b>7,239</b>	<b>3,223</b>	<b>6,543</b>	<b>7,675</b>
<b>Basic earnings per share attributable to shareholders of the Company (sen)</b>	26	<b>5.29</b>	<b>2.59</b>	<b>4.57</b>	<b>6.15</b>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
 At 30 June 2007

	Note	30 June 2007 (Unaudited) RM'000	31 December 2006 (Restated) RM'000
<b>ASSETS</b>			
Property, plant and equipment		193,261	187,707
Prepaid land lease payments	1	14,990	15,135
Investments in associates		23,663	18,294
Other investments		3,511	3,515
Intangible assets		51,367	50,116
Deferred tax assets		19	171
<b>Total non-current assets</b>		<b>286,811</b>	<b>274,938</b>
Receivables, deposits and prepayments		226,035	254,400
Inventories		61,462	95,796
Current tax assets		7,034	7,053
Cash and cash equivalents		50,553	65,569
<b>Total current assets</b>		<b>345,084</b>	<b>422,818</b>
<b>TOTAL ASSETS</b>		<b>631,895</b>	<b>697,756</b>
<b>EQUITY</b>			
Share capital		124,099	124,099
Reserves		57,735	47,743
<b>Total equity attributable to shareholders of the Company</b>		<b>181,834</b>	<b>171,842</b>
Minority interest		44,737	42,595
<b>TOTAL EQUITY</b>		<b>226,571</b>	<b>214,437</b>
<b>LIABILITIES</b>			
Borrowings	22	126,788	119,979
Deferred tax liabilities		9,310	7,605
Deferred liability		4,021	3,906
<b>Total non-current liabilities</b>		<b>140,119</b>	<b>131,490</b>
Payables, accruals and provision		130,191	157,936
Borrowings	22	133,229	186,611
Current tax liabilities		1,785	2,752
Dividend payable		-	4,530
<b>Total current liabilities</b>		<b>265,205</b>	<b>351,829</b>
<b>TOTAL LIABILITIES</b>		<b>405,324</b>	<b>483,319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>631,895</b>	<b>697,756</b>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ended 30 June 2007

	<----- Attributable to shareholders of the Company ----->					
	<----- Non-distributable ----->		<- Distributable ->		Minority interest RM'000	Total equity RM'000
	Share Capital RM'000	Share premium & other capital reserves RM'000	Retained earnings RM'000	Sub-total RM'000		
<b>At 1 January 2007</b>	124,099	39,951	7,792	171,842	42,595	214,437
Foreign exchange translation differences	-	4,178	-	4,178	1,184	5,362
Profit for the period	-	-	5,677	5,677	866	6,543
Disposal of a subsidiary	-	(9,524)	9,524	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(1,305)	(1,305)
Effects of acquiring additional interest in subsidiaries	-	-	137	137	1,397	1,534
<b>At 30 June 2007</b>	<b>124,099</b>	<b>34,605</b>	<b>23,130</b>	<b>181,834</b>	<b>44,737</b>	<b>226,571</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 2006 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
for the six months ended 30 June 2006

	<----- Attributable to shareholders of the Company ----->						
	<----- Non-distributable ----->		<----- Distributable ----->			Sub-total RM'000	Minority interest RM'000
	Share capital RM'000	Share premium & other capital reserves RM'000	Revaluation reserve RM'000	(Accumulated losses)/ Retained earnings RM'000			
<b>At 1 January 2006</b>	124,099	40,998	881	(554)	165,424	21,339	186,763
Transfer	-	-	(881)	881	-	-	-
	124,099	40,998	-	327	165,424	21,339	186,763
Foreign exchange translation differences	-	(531)	-	-	(531)	(89)	(620)
Effects of adopting FRS 3	-	-	-	3,253	3,253	-	3,253
Profit for the period	-	-	-	7,632	7,632	43	7,675
<b>At 30 June 2006</b>	124,099	40,467	-	11,212	175,778	21,293	197,071

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this interim financial report.

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
for the six months ended 30 June 2007

	<b>6 months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	11,121	12,384
<b>Adjustments for:</b>		
Non-cash items	10,995	15,953
Operating profit before working capital changes	22,116	28,337
Net change in current assets	(13,552)	(27,689)
Net change in current liabilities	15,790	(1,843)
Cash generated from/(used in) operations	24,354	(1,195)
Non-operating items	4,338	2,195
Net cash generated from operating activities	28,692	1,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	(15,462)	(19,847)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash used in financing activities	(18,341)	(14,036)
<b>Net decrease in cash and cash equivalents</b>	(5,111)	(32,883)
Effects of exchange differences on cash and cash equivalents	(925)	(103)
<b>Cash and cash equivalents at 1 January</b>	53,534	50,933
<b>Cash and cash equivalents at 30 June</b>	47,498	17,947

**TEXCHEM RESOURCES BHD**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
for the six months ended 30 June 2007 (Cont'd)

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

	<b>Note</b>	<b>6 months ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
		<b>RM'000</b>	<b>RM'000</b>
Short term deposits with licensed banks (excluding deposits pledged)		602	727
Cash and bank balances		49,004	38,714
Bank overdrafts	22	<u>(2,108)</u>	<u>(21,494)</u>
		<u>47,498</u>	<u>17,947</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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**

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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 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 2006. 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 2006.

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 2006 except for the adoption of revised FRS 117 Leases and FRS 124 Related Party Disclosures issued by MASB that is effective for the Group’s annual reporting date, 31 December 2007.

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

(a) FRS 117: Leases

Prior to 1 January 2007, lease of land and buildings held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively.

There were no effects on the income statements of the Group for the six months ended 30 June 2007. Certain comparatives of the balance sheet of the Group as at 31 December 2006 have been restated as set out in Note 1(b).

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

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1. **Basis of preparation (Cont’d)**

(b) Comparative Figures

The following comparative figures of the Consolidated Balance Sheet as at 31 December 2006 have been restated for the effects of adopting the above changes in accounting policies:

	As restated RM’000	As previously reported RM’000
Prepaid land lease payments	15,135	-
Property, plant and equipment	187,707	202,842

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

The auditors’ report on the financial statements for the year ended 31 December 2006 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 quarter and six months ended 30 June 2007, save for the gain on disposal of a subsidiary company, Texchem Consumers Sdn. Bhd. (“TCSB”) and recognition of unrealised net profit on inventories pursuant to this disposal amounting to RM6.2 million and RM2.7 million respectively on 31 May 2007.

The investment in TCSB which was originally consolidated under merger method accounting was disposed of for a cash consideration of RM16 million and resulted in a gain of RM15.7 million (before accounting for merger reserve).

Pending further clarification on the recommended accounting treatment to reflect the gain on disposal in the income statement, the Group had reported a gain of RM6.2 million and the balance of RM9.5 million as a direct transfer from merger reserve to retained earnings in this quarterly announcement.

5. **Changes in estimates**

There were no changes in estimates that have had a material effect during the quarter and six months ended 30 June 2007.



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

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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 quarter and six months ended 30 June 2007 save as disclosed in Notes 21 and 22 of the Additional Information required by Bursa Malaysia Securities Berhad Listing Requirements.

7. **Dividend paid**

During the six months ended 30 June 2007, the Company had paid the second interim dividend of 5 sen per share less 27% tax, amounting to RM4,530,000 in respect of the financial year ended 31 December 2006 on 17 January 2007.

8. **Segmental information**

Segment information is presented in respect of the Group’s business segments which is based on the Company’s management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

**Segment revenue**

	3 months ended 30 June		6 months ended 30 June	
	2007	2006	2007	2006
	RM’000	RM’000	RM’000	RM’000
Industrial	137,511	144,617	274,325	291,744
Packaging	51,946	63,079	107,341	125,133
Family Care	44,096	60,744	98,785	112,499
Food	77,533	64,224	141,289	120,915
	311,086	332,664	621,740	650,291
Eliminations	(5,010)	(9,636)	(10,587)	(20,703)
Group revenue	306,076	323,028	611,153	629,588

**Segment results**

Industrial	3,125	3,475	6,531	6,766
Packaging	2,578	6,025	5,281	12,214
Family Care	4,142	2,756	5,733	4,562
Food	813	(672)	456	(548)
Investment Holding	(1,214)	(1,525)	(2,283)	(2,321)
Operating profit	9,444	10,059	15,718	20,673

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

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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 2006.

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 six months ended 30 June 2007**

Save as disclosed in Note 21 of the Additional Information required by Bursa Malaysia Securities Berhad Listing Requirements, since the last quarter,

- i. Eye Graphic Sdn. Bhd. (“EGSB”), together with EGSB’s wholly-owned subsidiary, Eye Graphic (Vietnam) Co., Ltd., had become a wholly-owned subsidiary of Texchem-Pack Holdings (S) Ltd. (“TXPHS”), which in turn is a 70.48% owned subsidiary of the Company.
- ii. TXPHS, a 70.48% owned subsidiary of the Company, had acquired 30% equity interest in M.A.C. Technology (Malaysia) Sdn. Bhd.
- iii. On 21 May 2007, Seapack Italia S.r.l. had reduced the paid-up capital from Euro 74,500 to Euro 13,880 and then increased the paid-up capital from Euro 13,880 to Euro 50,000 resulting in an increase of TRB shareholding from 67% to 90%.
- iv. On 29 May 2007, Texchem-Pack (HK) Limited had been incorporated in Hong Kong as a wholly-owned subsidiary of Texchem-Pack Holdings (S) Ltd. As such, Texchem-Pack (HK) Limited is now a 70.48% owned subsidiary of TRB.

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**PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING**  
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12. **Changes in contingent liabilities**

As at 30 June 2007, the Company has issued corporate guarantees amounting to RM338.3 million (31.12.06 : RM335.6 million) as security for banking facilities granted to its subsidiaries of which RM93.5 million were utilised at 30 June 2007 (31.12.06 : RM116.5 million).

The subsidiaries have issued corporate guarantees to certain suppliers for an amount of RM7.8 (31.12.06: RM6.1) million.

13. **Commitments**

	<b>30 June 2007 RM'000</b>	<b>31 December 2006 RM'000</b>
Investment		
Contracted but not provided for in the financial statements	-	3,539
Property, plant and equipment		
Approved but not contracted for	6,165	5,840
Contracted but not provided for in the financial statements	4,767	4,033
	<u>10,932</u>	<u>9,873</u>

**TEXCHEM RESOURCES BHD**  
**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 Current Quarter and Year-to-date**

For the current quarter under review, the Group's revenue was RM306.1 million as compared to RM323.0 million reported in the previous year's corresponding quarter. Revenue dropped by 5.2% mainly due to the disposal of a subsidiary, Texchem Consumers Sdn Bhd ("TCSB") on 31 May 2007 and lower sales volume achieved by Family Care, Packaging and Industrial Divisions. This was mitigated by the higher sales of Food Division. The Group's pre-tax profit was RM9.8 million against RM5.5 million recorded in the second quarter of the previous year. The increase in profit was mainly attributable to an exceptional gain of RM6.2 million arising from disposal of TCSB.

For the six months ended 30 June 2007, the Group recorded revenue of RM611.2 million and pre-tax profit of RM11.1 million against the revenue of RM629.6 million and pre-tax profit of RM12.4 million recorded for the same period last year.

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:

	<-----2007----->			
	Quarter 2	Quarter 1	Variance	
	RM'000	RM'000	RM'000	%
Revenue	306,076	305,077	999	0.3
Profit before taxation	9,755	1,366	8,389	614.1

The marginal increase in revenue mainly due to the higher sales recorded by Industrial and Food Divisions which was partially offset by the lower sales recorded by Packaging Division and the disposal of TCSB in Family Care Division. Pre-tax profit of the Group was substantially higher mainly due to an exceptional gain of RM6.2 million resulting from disposal of TCSB.

16. **Prospects for 2007**

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

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

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17. **Profit forecast**

Not applicable as no profit forecast was published.

18. **Tax expense**

	3 months ended 30 June		6 months ended 30 June	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current period	746	2,028	2,166	3,736
- prior period	-	(45)	-	130
Overseas				
- current period	342	194	673	375
	1,088	2,177	2,839	4,241
Deferred tax expense	1,428	138	1,739	468
	2,516	2,315	4,578	4,709

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to the capital gain on disposal of a subsidiary which is not taxable. The effective tax rates for the comparative quarter and six months period were 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 during the quarter and six months ended 30 June 2007, save as disclosed in Note 21 of the Additional Information required by Bursa Malaysia Securities Berhad Listing Requirements.

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**

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21. **Status of corporate proposals announced**

**Status of Corporate Proposals**

**A. Proposed Issuance of Private Debt Securities of up to RM100 million**

1. On 11 October 2004, Texchem Resources Bhd. (“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 up to RM100 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.
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).

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

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

6. On 3 April 2007, TRB had announced that TRB had on 3 April 2007 made an additional issuance of Commercial Papers of RM10 million under the Proposed Commercial Papers and/or Medium Term Notes Programme.
7. To date, the Commercial Papers and/or Medium Term Notes of up to RM30 million to be issued under the PDS Programme has not been issued and is still pending.

**B. 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")**

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.

- C. (1) Proposed disposal of 5,737,500 ordinary shares of RM1.00 each in Sanko Kasei (M) Sdn. Bhd. ("Sanko") representing 51% of the issued and paid-up share capital of Sanko by Texchem Resources Bhd. ("TRB") to Texchem-Pack Holdings (S) Ltd. ("TXPHS") at a total consideration of RM5,737,500 to be satisfied by the issuance of 8,214,618 ordinary shares in TXPHS ("TXPHS Shares") ["Proposed Disposal"]**
- (2) Proposed acquisition of 4,500,000 ordinary shares of RM1.00 each in Sanko representing 40% of the issued and paid-up share capital of Sanko from Sanko Kasei Co., Ltd. ("Sanko Japan") by TXPHS at a total consideration of RM4,500,000 to be satisfied by the issuance of 6,442,838 new TXPHS shares ["Proposed Acquisition"]**

**(collectively referred to as "the Proposals")**

1. On 12 March 2007, TRB had announced that TRB had
  - a) entered into a conditional Share Sale Agreement with Texchem-Pack Holdings (S) Ltd. ("TXPHS"), a subsidiary of TRB to dispose of 5,737,500 ordinary shares of RM1.00 each in Sanko Kasei (M) Sdn. Bhd. ("Sanko") representing 51% of the issued and paid-up share capital of Sanko to TXPHS at a total consideration of RM5,737,500 which is to be satisfied by the issuance of 8,214,618 ordinary shares in TXPHS ("TXPHS Shares") based on a 5-day weighted average

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

market price of TXPHS Shares immediately preceding the date of the said conditional Share Sale Agreement dated 12 March 2007 i.e. S\$0.305 per TXPHS Share (“the Price per TXPHS Share”) [equivalent to approximately RM0.70 based on exchange rate of S\$1 = RM2.29 as at 12 March 2007] (“Proposed Disposal”).

- b) entered into a conditional Share Sale Agreement with Sanko Kasei Co., Ltd. to acquire 4,500,000 ordinary shares of 1.00 each in Sanko being 40% of the issued and paid-up share capital of Sanko at a total consideration of RM4,500,000 which is to be satisfied by the issuance of 6,442,838 TXPHS Shares based on a 5-day weighted average market price of TXPHS Shares immediately preceding the date of the said conditional Share Sale Agreement dated 12 March 2007 i.e. the Price per TXPHS Share (“Proposed Acquisition”).
2. Subsequently on 14 March 2007, TRB had inter alia announced that TXPHS, a subsidiary of TRB, had through its agent, submitted on 14 March 2007 to the Singapore Exchange Securities Trading Limited (“SGX-ST”) the Additional Listing Application dated 13 March 2007 for the listing and quotation of the new ordinary shares in the capital of TXPHS to be issued in connection with the Proposals.
3. TRB had on 16 April 2007 announced that SGX-ST had granted inter alia its in-principle approval for the listing and quotation of the new TXPHS Shares to be issued in connection with the Proposals, on the Official List of the SGX-ST.
4. On 24 April 2007, TRB had announced that an application has been made to the Ministry of International Trade and Industry (“MITI”) on 24 April 2007 for its approval of the Proposals. The approval of MITI for the Proposals are still pending.
5. On 30 April 2007, TRB has obtained the approvals of:
  - i. the independent shareholders of TXPHS (other than TRB) for the Proposed Disposal and for the issuance of the new TXPHS Shares in relation to the Proposed Disposal; and
  - ii. the shareholders of TXPHS for issuance of the new TXPHS Shares in relation to the Proposed Acquisition.



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

6. On 25 May 2007, TRB had announced that the allotment and issuance of the new TXPHS Shares and the Proposals have been successfully completed and that the new TXPHS Shares will be listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited with effect from 9 a.m., 28 May 2007.

**D. Proposed disposal of 16,000,000 ordinary shares of RM1.00 each in Texchem Consumers Sdn. Bhd. (“TCSB”) representing 100% of the issued and paid-up share capital of the Company by Texchem Resources Bhd. (“TRB”) to DKSH Holdings (Malaysia) Berhad [formerly known as Diethelm Holdings (Malaysia) Berhad] (“the Purchaser”) at a total cash purchase consideration of RM16,000,000**

1. TRB had on 20 April 2007 announced that TRB had entered into a conditional Share Sale Agreement (“SSA”) with DKSH Holdings (Malaysia) Berhad [formerly known as Diethelm Holdings (Malaysia) Berhad] (“the Purchaser”) to dispose of 16,000,000 ordinary shares of RM1.00 each (“the Shares”) in Texchem Consumers Sdn. Bhd. (“TCSB”) representing 100% of the issued and paid-up share capital of TCSB to the Purchaser at a total cash purchase consideration of RM16,000,000 (“Proposed Disposal of TCSB”).
2. On 4 May 2007, TRB had announced that an application has been made by the Purchaser to the Foreign Investment Committee (“FIC”) for its approval of the Proposed Disposal of TCSB.
3. On 18 May 2007, TRB had announced that the Purchaser had received the letter dated 15 May 2007 from FIC which stated that FIC has no objections to the Proposed Disposal of TCSB.
4. On 31 May 2007, TRB has announced that the Proposed Disposal of TCSB in accordance with the conditional Share Sale Agreement with the Purchaser has been completed.

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

**E. 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")**

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

Texchem Consumers (East Malaysia) Sdn. Bhd. has ceased to be a subsidiary of Texchem Resources Bhd. with effect from May 31, 2007 upon completion of the Proposed Disposal of TCSB.

**F. Proposed Acquisition of 442 shares of USD5,000 each in PT. Technopia Jakarta ("PTTJ") Representing Approximately 30% of the Issued and Paid-Up Share Capital of PTTJ by Texchem Resources Bhd. ("TRB") from Texchem Corporation Sdn. Bhd. ("Texcorp") at a Cash Purchase Consideration of RM8,415,470**

1. On 13 June 2007, TRB had announced that TRB had entered into a conditional Share Sale Agreement with Texcorp to acquire approximately 30% of the issued and paid up share capital of PTTJ comprising 442 shares of USD5,000 each from Texcorp for a total purchase consideration of RM8,415,470 ("Proposed Acquisition of PTTJ").
2. On 5 July 2007, TRB had announced that the approval of the shareholders of Texcorp in relation to the Proposed Acquisition of PTTJ had been obtained.
3. On 19 July 2007, TRB had announced that an Extraordinary General Meeting of TRB will be held on 6 August 2007 at 11.00 a.m. for the purpose of seeking the TRB shareholders' approval of the Proposed Acquisition of PTTJ.
4. The Proposed Acquisition of PTTJ has not been completed to date and further appropriate announcement(s) will be made in due course.

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22. **Borrowings**

	<b>30 June 2007 RM'000</b>	<b>31 December 2006 RM'000</b>
<b>Current:</b>		
Unsecured		
Bank overdrafts	2,108	11,164
Bankers' acceptances	75,414	109,908
Revolving credit	39,909	48,433
Term loans	14,494	15,700
Finance lease liabilities	1,304	1,406
Total	<u>133,229</u>	<u>186,611</u>
<b>Non-current:</b>		
Unsecured		
Commercial papers *	70,000	60,000
Term loans	19,680	23,013
Collateralised loan obligations	35,000	35,000
Finance lease liabilities	2,108	1,966
Bank borrowings	<u>126,788</u>	<u>119,979</u>

\* The Commercial papers were issued under a 7-year underwriting programme and the amount will be fully redeemed upon maturity.

Borrowings denominated in foreign currencies are as follows:

	<b>30 June 2007 RM'000</b>	<b>31 December 2006 RM'000</b>
<b>Current:</b>		
Unsecured		
Thai Baht	6,334	4,350
Singapore Dollar	57	96
United States Dollar	5,163	5,371
Vietnamese Dong	1,001	635
	<u>12,555</u>	<u>10,452</u>
<b>Non-current:</b>		
Unsecured		
Thai Baht	7,287	1,074
Singapore Dollar	81	16
United States Dollar	2,789	2,892
	<u>10,157</u>	<u>3,982</u>

**TEXCHEM RESOURCES BHD**  
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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 first interim dividend of 6 sen less 27% tax in respect of the financial year ending 31 December 2007 (2006: 5 sen less 28% tax) has been declared on 8 August 2007 and is payable on 29 August 2007. The entitlement date has been fixed on 22 August 2007.

26. **Basic earnings per share**

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

	3 months ended 30 June		6 months ended 30 June	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to shareholders of the Company	6,566	3,220	5,677	7,632
Weighted average number of ordinary shares in issue	124,099	124,099	124,099	124,099
Basic earnings per share (sen)	5.29	2.59	4.57	6.15

**BY ORDER OF THE BOARD**

**TAN PENG LAM**  
**GROUP FINANCE DIRECTOR**  
**Date: 8 August 2007**