

12. ACCOUNTANTS' REPORT (Cont'd)



5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.6 PROFIT BEFORE TAXATION

	Financial year ended 30 June			Eight (8) months financial period ended 28 February
	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Allowance for doubtful debts	-	-	-	143
Audit fees	6	9	12	11
Depreciation of property, plant and equipment	610	972	1,166	1,025
Directors' remuneration - other emoluments	118	138	292	170
Directors' remuneration - EPF contributions	-	12	24	19
Equipment written off	-	-	334	-
Factory rental	6	24	12	-
Gain on foreign exchange	-	-	(3)	(71)
Hostel rental	18	21	-	-
Insurance claim	-	-	(320)	-
Interest expenses	129	221	402	488
Interest income	-	-	(28)	(22)
Loss on disposal of plant and equipment	5	16	33	-
Loss on realised foreign exchange	6	1	-	54
Rental of equipment	-	-	-	2
Staff costs	1,783	2,338	2,864	2,460

Included in staff costs is the following expense:-

EPF contributions	112	135	178	154
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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.7 TAXATION

	Financial year ended			Eight (8)
	30 June			months
	2003	2004	2005	financial
	RM'000	RM'000	RM'000	period
				ended 28
				February
				2006
				RM'000
In respect of current financial years/period				
-Malaysian income tax	20	140	280	630
-Deferred taxation	27	57	123	102
	47	197	403	732
(Over)/underprovision in previous financial years				
-Malaysian income tax	(5)	22	17	(41)
-Deferred taxation	-	-	49	-
	42	219	469	691

A reconciliation of income tax expense applicable to the profit before tax at the statutory tax rate to income tax expense at the effective tax rate of SPMSB is as follows:-

	Financial year ended			Eight (8)
	30 June			months
	2003	2004	2005	financial
	RM'000	RM'000	RM'000	period
				ended 28
				February
				2006
				RM'000
Profit before taxation	848	1,826	3,527	3,142
Malaysian taxation at statutory rate at 28%	237	511	988	880
Tax effects of:-				
Differential in tax rate	(8)	(40)	(40)	(40)
Non-deductible expenses	6	45	67	77
Depreciation on non-qualifying capital expenditure	4	27	9	25
Reinvestment allowances utilised	(194)	(346)	(621)	(210)
Others	2	-	-	-
(Over)/underprovision in previous financial years	(5)	22	66	(41)
	42	219	469	691

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.8 PROPERTY, PLANT AND EQUIPMENT

At 30.6.2003	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	150	-	150
Buildings	363	(18)	345
Plant and machinery	1,076	(148)	928
Furniture, fittings, office equipment and motor vehicles	4,627	(847)	3,780
Total	6,216	(1,013)	5,203

At 30.6.2004	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	150	-	150
Leasehold land	900	-	900
Buildings	1,470	(34)	1,436
Plant and machinery	1,127	(345)	782
Furniture, fittings, office equipment and motor vehicles	5,383	(1,531)	3,852
Total	9,030	(1,910)	7,120

At 30.6.2005	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	150	-	150
Leasehold land	900	-	900
Buildings	2,784	(70)	2,714
Plant and machinery	7,853	(2,492)	5,361
Furniture, fittings, office equipment and motor vehicles	797	(317)	480
Total	12,484	(2,879)	9,605

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

At 28.2.2006	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	150	-	150
Leasehold land	900	(45)	855
Buildings	2,909	(108)	2,801
Plant and machinery	8,586	(3,349)	5,237
Furniture, fittings, office equipment and motor vehicles	875	(402)	473
Total	13,420	(3,904)	9,516

The following assets at net book value have been pledged to licensed banks for banking facilities granted to SPMSB:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
Freehold land	150	150	150	150
Leasehold land	-	900	900	855
Buildings	345	1,436	2,714	2,801
Plant and machinery	-	-	1,938	1,725
	495	2,486	5,702	5,531

Included in the net book value of the property, plant and equipment are the following assets acquired under hire purchase terms:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
Motor vehicles	536	418	15	7
Plant and machinery	2,855	3,174	2,737	3,796
	3,391	3,592	2,752	3,803

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.9 INVENTORIES

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
At cost:-				
Raw materials	54	64	103	201
Work-in-progress	878	1,126	55	54
	<u>932</u>	<u>1,190</u>	<u>158</u>	<u>255</u>

None of the inventories are carried at net realisable value.

5.2.10 TRADE RECEIVABLES

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables	1,165	2,629	6,401	9,031
Allowance for doubtful debts	-	-	-	(143)
	<u>1,165</u>	<u>2,629</u>	<u>6,401</u>	<u>8,888</u>

The normal trade credit terms of SPMSB range from 30 to 60 days. Other credit terms are assessed and varied on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	13	50	297	810
United States Dollar	271	533	1,148	1,427
	<u>284</u>	<u>583</u>	<u>1,445</u>	<u>2,237</u>

5.2.11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Other receivables	10	15	457	433
Deposits	22	26	30	34
Prepayments	66	61	66	62
	<u>98</u>	<u>102</u>	<u>553</u>	<u>529</u>

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.12 AMOUNTS OWING BY/(TO) DIRECTORS

The amounts owing by/(to) directors are unsecured, interest free and not subject to fixed terms of repayment.

5.2.13 FIXED DEPOSITS WITH LICENSED BANKS

The following fixed deposits have been pledged to licensed banks for bankers' guarantees issued on behalf of SPMSB in favour of third parties and as securities for banking facilities granted to SPMSB:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Bankers' guarantee	20	28	8	93
Securities for banking facilities	-	350	350	1,025

The average effective interest rate and maturity period of the fixed deposits are as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
Interest rate (%) per annum	3.70	3.70	3.70	3.35
Maturity period (months)	12	12	12	12

5.2.14 TRADE PAYABLES

The normal trade credit terms granted to SPMSB range from 60 to 90 days.

The foreign currency exposure profile of trade payables is as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	-	4	39	12

12. ACCOUNTANTS' REPORT (Cont'd)



5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.15 OTHER PAYABLES AND ACCRUALS

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Other payables	548	29	212	161
Payroll liabilities	139	168	291	231
Accrued expenses	215	178	129	23
	<u>902</u>	<u>375</u>	<u>632</u>	<u>415</u>

The foreign currency exposure profile of other payables is as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	-	-	6	-

5.2.16 SHORT TERM BORROWINGS

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptance	-	799	2,579	4,274
Hire purchase payables	654	804	680	837
Term loans	17	131	499	420
	<u>671</u>	<u>1,734</u>	<u>3,758</u>	<u>5,531</u>

The effective interest rate and maturity period of bankers' acceptances are as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
Interest rate (%) per annum	N/A	3.40	3.38	3.60
Maximum maturity period (days)	N/A	120	120	119

Bankers' acceptances are secured as follows:-

- (i) by the joint and several guarantees of certain directors of SPMSB;
- (ii) by way of legal charges over the landed properties, plant and machinery of SPMSB;
- (iii) by way of fixed and floating charges over the assets of SPMSB;
- (iv) by a pledge of fixed deposits of SPMSB; and
- (v) by way of guarantee from Credit Guarantee Corporation Malaysian (CGC).

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.17 HIRE PURCHASE AND LEASE PAYABLES

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase and lease payment:				
- not later than one year	816	968	926	916
- later than one year and not later than five years	1,500	1,696	1,092	692
- later than five years	114	52	-	-
	<u>2,430</u>	<u>2,716</u>	<u>2,018</u>	<u>1,608</u>
Less : Future finance charges	(327)	(321)	(171)	(106)
Present value of hire purchase payment and lease liabilities	<u>2,103</u>	<u>2,395</u>	<u>1,847</u>	<u>1,502</u>
Current:				
- not later than one year	654	804	680	837
Non-current:				
- later than one year and not later than five years	1,341	1,540	1,167	665
- later than five years	108	51	-	-
	<u>1,449</u>	<u>1,591</u>	<u>1,167</u>	<u>665</u>
	<u>2,103</u>	<u>2,395</u>	<u>1,847</u>	<u>1,502</u>

The weighted average effective interest rate of the hire purchase and finance lease liabilities at the balance sheet date are as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
Interest rate (%) per annum	<u>8.11</u>	<u>8.06</u>	<u>8.02</u>	<u>7.94</u>

12. ACCOUNTANTS' REPORT (Cont'd)



5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.18 TERM LOANS

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
Current portion:				
- repayable within one year	17	131	499	420
Non-current portion:				
- repayable between one and two year	18	143	529	452
- repayable between two and five year	64	445	1,483	1,047
- repayable more than five years	69	931	1,028	1,567
Total non-current portion	151	1,519	3,040	3,066
	168	1,650	3,539	3,486

Details of the repayment terms are as follows:-

Term loan	Number of Monthly Installments	Monthly Installment RM	Date of Commencement of Repayment
1	120	2,485	February 2001
2	120	15,728	January 2005
3	96	13,632	May 2005
4	48	8,734	June 2005
5	48	12,726	June 2005
6	48	4,740	July 2005
7	120	28,387	December 2005

The weighted average effective interest rate of term loans are as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
Interest rate (%) per annum	7.75	5.02	5.58	7.58

The term loans are secured in the same manner as the short term borrowings as disclosed in Note 5.2.16.

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.19 BANK OVERDRAFTS

The weighted average effective interest rates are as follows:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
Interest rate (%) per annum	7.75	7.83	7.63	8.00

The bank overdrafts are secured in the same manner as the short term borrowings as disclosed in Note 5.2.16.

5.2.20 SHARE CAPITAL

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	Number of shares			
ORDINARY SHARES OF RM1 EACH				
AUTHORISED				
At 1.7.2002/2003/2004/2005	500,000	500,000	500,000	500,000
Increased during the financial year/period	-	-	-	-
At 30.6.2003/2004/2005 and 28.2.2006	500,000	500,000	500,000	500,000
ISSUED AND FULLY PAID-UP				
At 1.7.2002/2003/2004/2005	150,000	250,000	350,000	350,000
Allotment during the financial year/period	100,000	100,000	-	-
At 30.6.2003/2004/2005 and 28.2.2006	250,000	350,000	350,000	350,000
	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM	RM	RM	RM
ORDINARY SHARES OF RM1 EACH				
AUTHORISED				
At 1.7.2002/2003/2004/2005	500,000	500,000	500,000	500,000
Increased during the financial year/period	-	-	-	-
At 30.6.2003/2004/2005 and 28.2.2006	500,000	500,000	500,000	500,000
ISSUED AND FULLY PAID-UP				
At 1.7.2002/2003/2004/2005	150,000	250,000	350,000	350,000
Allotment during the financial year/period	100,000	100,000	-	-
At 30.6.2003/2004/2005 and 28.2.2006	250,000	350,000	350,000	350,000

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.20 SHARE CAPITAL (CONT'D)

During the FYE 30.6.2003 and 30.6.2004, SPMSB increased its issued and paid-up capital from RM150,000 to RM250,000 and RM250,000 to RM350,000 respectively through the allotment of an additional 200,000 new ordinary shares of RM1 each at par for the purpose of working capital. The shares were issued for cash consideration.

5.2.21 LONG TERM BORROWINGS

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
Hire purchase and lease payables	1,449	1,591	1,167	665
Term loans	151	1,519	3,040	3,066
	<u>1,600</u>	<u>3,110</u>	<u>4,207</u>	<u>3,731</u>

5.2.22 DEFERRED TAXATION

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
At 1.7.2002/2003/2004/2005	68	95	152	324
Transfer from income statement	27	57	172	102
At 30.6.2003/2004/2005 and 28.2.2006	<u>95</u>	<u>152</u>	<u>324</u>	<u>426</u>

Deferred tax assets and liabilities are attributable to the following items:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	28.2.2006 RM'000
Deferred tax liabilities:-				
- Accelerated capital allowances	<u>182</u>	<u>200</u>	<u>327</u>	<u>469</u>
Deferred tax assets:-				
- Allowance for doubtful debts	-	-	-	(40)
- Unabsorbed capital allowances	-	-	(3)	(3)
- Unutilised reinvestment allowances	<u>(87)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>
	<u>(87)</u>	<u>(48)</u>	<u>(3)</u>	<u>(43)</u>
	<u>95</u>	<u>152</u>	<u>324</u>	<u>426</u>

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.2 SPMSB (CONT'D)

5.2.23 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:-

	30.6.2003	30.6.2004	30.6.2005	28.2.2006
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	20	378	382	1,139
Cash and bank balances	2	7	92	631
Bank overdrafts	(65)	(241)	(634)	(555)
	<u>(43)</u>	<u>144</u>	<u>(160)</u>	<u>1,215</u>

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.3 APSB

5.3.1 INCOME STATEMENTS OF APSB

		Eleven (11) months financial period ended 30 June 2005 RM'000	Eight (8) months financial period ended 28 February 2005 RM'000 (Unaudited)	2006 RM'000
	NOTE			
Revenue		-	-	-
Operating overheads		(4)	(3)	(1)
LBT	5.3.5	(4)	(3)	(1)
Taxation		-	-	-
LAT		(4)	(3)	(1)
GP Margin (%)		N/A	N/A	N/A
LBT Margin (%)		N/A	N/A	N/A
LAT Margin (%)		N/A	N/A	N/A
Effective tax rate (%)		N/A	N/A	N/A
Interest coverage (times)		N/A	N/A	N/A
Weighted average number of ordinary shares of RM1.00 each in issue		#	#	#
Gross LPS		(2)	(1)	*
Net LPS		(2)	(1)	*

* Less than RM1,000

Represents two (2) ordinary shares of RM1.00 each

N/A Not Applicable

Notes:

- (i) There were no exceptional or extraordinary items in the Relevant Financial Period under review.
- (ii) The gross LPS and net LPS were computed by dividing the LBT and LAT respectively by the weighted average number of ordinary shares in issue during the period.
- (iii) The income statements of APSB for the Relevant Financial Period represent preliminary expenses and pre-operating expenses.
- (iv) The Company has remained dormant since incorporation.

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.3 APSB (CONT'D)

5.3.2 BALANCE SHEETS OF APSB

	NOTE	As at 30 June 2005 RM'000	As at 28 February 2006 RM'000
CURRENT ASSET			
Cash and bank balances		*	*
CURRENT LIABILITY			
Other payables and accruals		(4)	(5)
NET CURRENT LIABILITY			
		(4)	(5)
REPRESENTED BY:-			
Share capital		*	*
Accumulated losses		(4)	(5)
SHAREHOLDERS' EQUITY DEFICIT			
		(4)	(5)
<i>Number of ordinary shares of RM1.00 each in issue</i>			
NTL		#	#
NTL per ordinary share ^		(4)	(5)
Trade receivables turnover period (times)		(2)	(3)
Trade payables turnover period (times)		N/A	N/A
Gearing ratio (times)		N/A	N/A

* Represents RM2.00

Represents two (2) ordinary shares of RM1.00 each

^ NTL per ordinary share is calculated based on the ordinary shares in issue as at financial period end under review.

N/A Not applicable

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.3 APSB (CONT'D)

5.3.3 CASHFLOW STATEMENTS OF APSB

	Eleven (11) months financial period ended 30 June 2005 RM'000	Eight (8) months financial period ended 28 February	
		2005 RM'000 (Unaudited)	2006 RM'000
CASH FLOW FROM OPERATING ACTIVITY			
Loss before taxation	(4)	(3)	(1)
Increase in other payables	4	3	1
NET CASH FROM OPERATING ACTIVITY	-	-	-
CASH FLOWS FROM FINANCING ACTIVITY			
Proceed from issuance of shares	*	*	-
NET CASH FROM FINANCING ACTIVITY	*	*	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	*	*	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	-	-	*
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	*	*	*

* Represents RM2.00

5.3.4 STATEMENTS OF CHANGES IN EQUITY OF APSB

	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Balance at 5.7.2004 (date of incorporation)	*	-	*
Loss after taxation for the financial period	-	(4)	(4)
Balance at 30.6.2005/1.7.2005	*	(4)	(4)
Loss after taxation for the financial period	-	(1)	(1)
Balance at 28.2.2006	*	(5)	(5)

* Represents RM2.00

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5 AUDITED FINANCIAL STATEMENTS (CONT'D)

5.3 APSB (CONT'D)

5.3.5 LOSS BEFORE TAXATION

	Eleven (11) months financial period ended 30 June 2005 RM'000	Eight (8) months financial period ended 28 February 2006 RM'000
Loss for the financial period is arrived at after charging:-		
Audit fees	^	^

^ Represents RM500

5.3.6 OTHER PAYABLE AND ACCRUALS

	30.6.2005 RM'000	28.2.2006 RM'000
Other payable	3	4
Accrued expenses	1	1
	<u>4</u>	<u>5</u>

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12. ACCOUNTANTS' REPORT (Cont'd)



6. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

No dividend has been paid or declared by Sanichi Group for the Relevant Financial Period except as follows:-

SPMSB

Year Ended	Issued and Paid-up Share Capital RM	Dividend Rate %	Gross/Net dividend RM
30.6.2004	350,000	100%, tax exempt	350,000

7. RESTATEMENT TO THE AUDITED FINANCIAL STATEMENTS

During the preparation of this report, no restatement has been made to the audited financial statements of Sanichi, SPMSB and APSB for the Relevant Financial Period except for those disclosed in Note 5.2.4.

8. SUBSEQUENT EVENT

There were no significant subsequent event between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

9. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 28 February 2006 for Sanichi Group.

Yours faithfully

Horwath
Firm No.: AF 1018
Chartered Accountants

Wong Tak Keong
Approval No: 1966/7/07 (J)
Partner