(Prepared for inclusion in this Prospectus)

WH HAU & CO
Chartered Accountants
(Firm No: AF 1076)

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Date: 22 MAR 2006

The Board of Directors
P.A. Resources Berhad
22nd Floor Menara EON Bank
288 Jalan Raja Laut
50350 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by us, an approved company auditors, for inclusion in the Prospectus of P.A. Resources Berhad ("PA" or "the Company") to be dated 29 MAR 2006 , in connection with the Special Issue of 27,600,000 new ordinary shares of RM0.50 each and Public Issue of 9,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per ordinary share pursuant to the listing of and quotation for its entire enlarged issued and fully paid-up share capital of 92,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad.

2. GENERAL INFORMATION

2.1. Background and Principal Activities

PA was incorporated in Malaysia on 1 September 2004 as a private limited liability company under the name of P.A. Resources Sdn. Bhd. It assumed its present name when it was converted to a public limited liability company on 28 April 2005.

The principal activity of the Company is that of an investment holding company.

PA does not have any associated company.

2.2. Share capital

The present authorized share capital of PA is RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each while its issued and paid-up share capital is RM27,400,000 divided into 54,800,000 ordinary shares of RM0.50 each.

Details of the changes in the issued and paid-up share capital of PA since its date of incorporation are as follows:-

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Date of allotment	No. of shares alloted	Par value RM	Type of issue	Cumulative share capital RM
01.09.2004	2	1.00	Cash	2
30.05.2005	299,998	1.00	Rights issue	300,000
19.12.2005	23,100,000	1.00	Acquisition of subsidiary companies	23,400,000
27.01.2006	4,000,000	1.00	Rights issue	27,400,000
17.02.2006	54,800,000	0.50	Share split	27,400,000

2.3. Subsidiary companies

As at the date of this report, the Company has investments in the following subsidiary companies, all of which are incorporated in Malaysia:

Name of subsidiary companies	Date of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
P.A. Extrusion (M) Sdn. Bhd. ("PAE")	18.04.1996	4,000,000	100%	An aluminium extruder that includes fabrication and related services.
and its subsidiary companies				
PAR Metal Casting Sdn. Bhd. ("PAMC")	23.02.2005	2	100%	Dormant
PA Metal Casting Sdn. Bhd. ("PAMP")	15.03.2005	2	100%	Dormant
Professional Aluminium Smelting Sdn. Bhd. ("PAS")	29.04.2003	3,000,000	100%	Manufacturing of aluminium billets and rendering of its related services.

2.3.1 PAE

The present authorized share capital of PAE is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM4,000,000 divided into 4,000,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of PAE since its date of incorporation are as follows:-

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Date of allotment	No. of shares alloted	Par value RM	Type of issue	Cumulative share capital RM
18.04.1996	2	1.00	Cash	2
11.05.1996	499,998	1.00	Cash	500,000
09.08.1996	400,000	1.00	Cash	900,000
31.12.1996	100,000	1.00	Cash	1,000,000
28.01.1997	438,000	1.00	Cash	1,438,000
09.08.1997	562,000	1.00	Cash	2,000,000
31.10.1998	500,000	1.00	Cash	2,500,000
02.09.2002	1,000,000	1.00	Cash	3,500,000
02.09.2002	500,000	1.00	Bonus issue	4,000,000

PAE has two (2) wholly-owned subsidiary companies, namely PAMC and PAMP. It does not have any associated company.

2.3.1.1 PAR Metal Casting Sdn. Bhd. ("PAMC")

PAMC was incorporated in Malaysia on 23 February 2005 as a private limited liability company.

The Company has not commenced business operations since the date of its incorporation.

The authorised share capital of PAMC is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of PAMC is RM2 comprising 2 ordinary shares of RM1.00 each.

There have been no changes in the issued and paid-up share capital of PAMC since its incorporation.

PAMC does not have any subsidiary or associated company.

2.3.1.2 PA Metal Processing Sdn. Bhd. ("PAMP")

PAMP was incorporated in Malaysia on 15 March 2005 as a private limited liability company.

The Company has not commenced business operations since the date of its incorporation.

The authorised share capital of PAMP is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of PAMP is RM2 comprising 2 ordinary shares of RM1.00 each.

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There have been no changes in the issued and paid-up share capital of PAMP since its incorporation.

PAMP does not have any subsidiary or associated company.

2.3.2 PAS

The present authorized share capital of PAS is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM3,000,000 divided into 3,000,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of PAE since its date of incorporation are as follows:-

Date of allotment	No. of shares alloted	Par value RM	Type of issue	Cumulative share capital RM
29.04.2003	3	1.00	Cash	3
30.07.2003	1,999,997	1.00	Cash	2,000,000
10.10.2003	1,000,000	1.00	Cash	3,000,000

PAS does not have any subsidiary or associated company.

2.4. Restructuring and listing exercise

In conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and fully paid-up ordinary share capital of PA on the Second Board of Bursa Malaysia Securities Berhad, PA proposed a restructuring scheme which has been approved by the relevant authorities. The restructuring scheme incorporates, among others, the following proposals:

2.4.1 Issue of 23,100,000 new ordinary shares of RM1.00 each as consideration for the acquisition of the following subsidiary companies:

Subsidiary companies	Purchase Consideration RM	No. of ordinary shares issued
- PAE	15,500,000	15,500,000
- PAS	7,600,000	7,600,000
	23,100,000	23,100,000

The purchase consideration was arrived at based on the audited net tangible assets ("NTA") as at 31 December 2004 adjusted to incorporate surplus of RM1,084,592 and RM2,437,352 (after provision for deferred taxation) arising from the revaluation of the land and building of PAE and PAS respectively.

The acquisition was completed on 19 December 2005.

2.4.2 Acquisition by PAE, a light industrial building for a cash consideration of RM850,000;

The acquisition was completed on 8 February 2006.

2.4.3 Rights Issue of 4,000,000 new ordinary shares of RM1.00 each at par for cash;

The rights issue was completed on 27 January 2006.

2.4.4 Share split of shares of RM1.00 each into shares of RM0.50 each;

The share split was completed on 17 February 2006.

2.4.5 Share issues involving:

a) Special Issue of 27,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per share to approved Bumiputera investors; and

b) Public Issue of 9,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 each.

3. DIVIDENDS

On 15 December 2005, PAE and PAS declared tax exempt dividends of RM3,000,000 and RM1,000,000 respectively to their existing shareholders as part of the listing proposals. The said tax exempt dividends were paid on 31 December 2005.

PA and its subsidiary companies have not paid or declared any dividend for the financial years under review other than those disclosed above.

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4. FINANCIAL STATEMENTS AND AUDITORS

The financial statements of PA and PAS since its date of incorporation were audited and reported on by us without any qualification.

The financial statements of PAE for the two financial years ended 31 December 2001 were audited by H.H. Tan & Co. We have been appointed as auditors with effect from the financial year 2002. The financial statements of PAE for the financial years under review were audited and reported on without any qualification.

PAMC and PAMP prepared their first set of financial statements for the financial period ended 31 December 2005 since their date of incorporation on 23 February 2005 and 15 March 2005 respectively. The financial statements were audited and reported on by us without any qualifications.

5. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements included in this report are prepared based on the audited financial statements of PA and its subsidiary companies ("collectively known as "PA Group" or "the Group") which have been prepared under the historical cost convention, unless otherwise disclosed in the significant accounting policies note, and in accordance with applicable Approved Accounting Standards issued in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by the PA Group.

Certain audited figures for the financial years ended 31 December 2001 and 31 December 2002 have been reclassified and certain information has been incorporated thereto in this report so that the financial information can be used for meaningful comparison with subsequent financial statements that were prepared in accordance with the requirements of the accounting standards issued by the Malaysian Accounting Standards Board ("MASB").

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6. PA GROUP

6.1. PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets of PA as at 31 December for the five financial years from 2001 to 2005, based on the audited financial statements of PA Group are consolidated using the merger accounting method on the assumptions that PA Group existed on 1 January 2001 and the acquisition of the subsidiary companies were completed on 1 January 2001.

		Financial years ended 31 December				
	Note	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Non-current assets						
Property, plant and equipment	8.2.	6,323	7,770	13,642	25,247	38,696
Deferred expenditure - listing expenses		-	-	-	-	757
Current assets						
Inventories	8.3.	2,895	3,717	8,901	12,855	18,534
Trade receivables	8.4.	4,103	6,603	12,003	21,889	28,347
Other receivables, prepayments and deposits	8.5.	32	568	80	2,359	2,319
Cash and bank balances	8.6.	4,551	3,854	3,176	7,330	12,384
		11,581	14,742	24,160	44,433	61,584
Less: Current liabilities						
Trade payables	8.7.	542	1,018	1,563	1,042	1,926
Other payables and accruals	8.8.	112	170	1,112	1,260	1,844
Amount due to directors	8.9.	23	198	85	-	765
Borrowings	8.10.	7,816	10,177	17,650	38,894	59,763
Taxation		11	93	233	506	421
		8,504	11,656	20,643	41,702	64,719
Net current assets / (liabilities)		3,077	3,086	3,517	2,731	(3,135)
		9,400	10,856	17,159	27,978	36,318
Represented by:						
Share capital	8.12.	23,100	23,100	23,100	23,100	23,400
Reserves	8.13.	(15,118)	(13,975)	(10,436)	(3,413)	4,633
Shareholders' equity		7,982	9,125	12,664	19,687	28,033
Non-current liabilities						
Borrowings	8.10.	1,254	1,421	3,705	6,916	6,074
Deferred taxation	8.14.	164	310	790	1,375	2,211
		1,418	1,731	4,495	8,291	8,285
		9,400	10,856	17,159	27,978	36,318
No. of ordinary shares in issue ('000)		23,100	23,100	23,100	23,100	23,400
NTA per RM1.00 share (RM)		0.35	0.40	0.55	0.85	1.17

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6.2. PROFORMA CONSOLIDATED INCOME STATEMENTS

The proforma consolidated income statements of PA for the five financial years ended 31 December 2005 based on the audited results of PA Group are consolidated using the merger accounting method on the assumptions that PA Group existed on 1 January 2001 and the acquisition of subsidiary companies were completed on 1 January 2001.

		Financial years ended 31 December				
		2001	**2002**	**2003**	**2004**	**2005**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	**8.15.**	12,311	22,026	42,888	88,249	127,763
Profit before depreciation, interest expense and taxation		1,679	2,724	5,918	11,196	15,038
Depreciation		(472)	(710)	(793)	(1,268)	(1,825)
Interest expense		(476)	(579)	(839)	(1,722)	(2,952)
Profit before taxation	**8.16.**	731	1,435	4,286	8,206	10,261
Taxation	**8.18.**	-	(292)	(747)	(1,183)	(1,737)
Profit after taxation		731	1,143	3,539	7,023	8,524
Gross earnings per share (sen)[i] - (Gross EPS)		1.33	2.62	7.82	14.97	18.72
Net earnings per share (sen)[i] - (Net EPS)		1.33	2.09	6.46	12.82	15.55

Notes:-

(i) Strictly for illustrative purpose, the proforma consolidated Gross EPS and Net EPS have been computed based on the enlarged share capital of 54,800,000 shares of RM0.50 each assumed in issue after the Pre-IPO Restructuring but before the Special Issue and Public Issue.

(ii) There were no extraordinary or exceptional items during the relevant financial years under review.

(iii) All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

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6.3. PROFORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The proforma consolidated statements of changes in equity of PA Group for the five financial years ended 31 December 2001 to 31 December 2005, based on the audited financial statements of PA Group are consolidated using the merger accounting method on the assumptions that PA Group existed on 1 January 2001 and the acquisition of the subsidiary companies were completed on 1 January 2001.

	Issued and fully paid-up ordinary shares of RM1.00 each		*Non-distributable*	*Distributable*	
	No. of shares ('000)	**Nominal value RM'000**	**Revaluation Reserve RM'000**	**Revenue Reserve RM'000**	**Total RM'000**
At 1 Jaunuary 2001	23,100	23,100	-	(15,849)	7,251
Net profit for the year	-	-	-	731	731
At 31 December 2001	23,100	23,100	-	(15,118)	7,982
At 1 Jaunuary 2002	23,100	23,100	-	(15,118)	7,982
Net profit for the year	-	-	-	1,143	1,143
At 31 December 2002	23,100	23,100	-	(13,975)	9,125
At 1 Jaunuary 2003	23,100	23,100	-	(13,975)	9,125
Net profit for the year	-	-	-	3,539	3,539
At 31 December 2003	23,100	23,100	-	(10,436)	12,664
At 1 Jaunuary 2004	23,100	23,100	-	(10,436)	12,664
Net profit for the year	-	-	-	7,023	7,023
At 31 December 2004	23,100	23,100	-	(3,413)	19,687
At 1 Jaunuary 2005	23,100	23,100	-	(3,413)	19,687
Issuance of shares	300	300	-	-	300
Net revaluation surplus	-	-	3,522	-	3,522
Pre-merger dividend paid	-	-	-	(4,000)	(4,000)
Net profit for the financial year	-	-	-	8,524	8,524
At 31 December 2005	23,400	23,400	3,522	1,111	28,033

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7. PA

7.1. BALANCE SHEETS

The balance sheets of PA as at 31 December 2004 and 31 December 2005, which are based on the audited financial statements of the Company, are as follows:

	Note	As at 31 December 2004 RM	2005 RM
Non-current Assets			
Deferred expenditure - listing expenses		-	757,380
Investment in subsidiary companies		-	23,100,000
Current Assets			
Cash and bank balance		2	20,888
Less: Current Liabilities			
Sundry payables and accruals	7.4.1.	715	184,280
Amount due to a subsidiary	7.4.2.	-	344,120
Amount due to a director	7.4.3.	2,789	-
		3,504	528,400
Net Current Liabilities		(3,502)	(507,512)
		(3,502)	23,349,868
Represented by:			
Share capital	7.4.4.	2	23,400,000
Reserves		(3,504)	(50,132)
Shareholders' Equity		(3,502)	23,349,868
Net (liabilities) / assets per ordnary share (RM)		(1,751)	1.00

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7.2. INCOME STATEMENTS

The income statements of PA for the 4 months ended 31 December 2004 and 12 months ended 31 December 2005, which are based on the audited financial statements of the Company, are as follows:

	Note	4 months ended 31 December 2004 RM	12 months ended 31 December 2005 RM
Revenue		-	-
Loss before taxation	7.4.5.	(3,504)	(46,628)
Taxation	7.4.6.	-	-
Loss after taxation		(3,504)	(46,628)

7.3. STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of PA for the 4 months ended 31 December 2004 and 12 months ended 31 December 2005, which are based on the audited financial statements of the Company, are as follows:

	Share Capital RM	Revenue Reserve RM	Total RM
At date of incorporation	2	-	2
Net loss for the financial period	-	(3,504)	(3,504)
At 31 December 2004	2	(3,504)	(3,502)
Rights issue of 299,998 new ordinary shares of RM1.00 each	299,998	-	299,998
Issue of 23,100,000 new ordinary shares of RM1.00 each for the acquisition of subsidiary companies	23,100,000	-	23,100,000
Net loss for the financial year	-	(46,628)	(46,628)
At 31 December 2005	23,400,000	(50,132)	23,349,868

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7.4. NOTES TO THE FINANCIAL STATEMENTS

7.4.1. SUNDRY PAYABLES AND ACCRUALS

	As at 31 December	
	2004	2005
	RM	RM
Sundry payables	-	177,180
Accruals	715	7,100
	715	184,280

7.4.2. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary represents unsecured, interest free with no fixed repayment terms.

7.4.3. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and with no fixed terms of repayment.

7.4.4. SHARE CAPITAL

	As at 31 December	
	2004	2005
	RM	RM
Ordinary shares of RM 1.00 each:		
Authorised:		
At date of incorporation / 1 January	100,000	100,000
Creation of 49,900,000 new ordinary shares	-	49,900,000
At 31 December	100,000	50,000,000
Issued and fully paid:		
At date of incorporation / 1 January	2	2
Rights issue of 299,998 new ordinary shares	-	299,998
Issue of 23,100,000 new ordinary shares for the acquisition of subsidiary companies	-	23,100,000
At 31 December	2	23,400,000

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7.4. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7.4.5. LOSS BEFORE TAXATION

	4 months ended 31 December	12 months ended 31 December
	2004	**2005**
This is stated after charging :	**RM**	**RM**
Auditors' remuneration		
- non-statutory	-	900
- statutory	400	5,000
Preliminary expenses	2,789	-

7.4.6. TAXATION

The reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	4 months ended 31 December	12 months ended 31 December
	2004	**2005**
	RM	**RM**
Loss before taxation	(3,504)	(46,628)
Taxation at Malaysian statutory tax rate of 28%	(981)	(13,056)
Tax effects of:		
- Expenses not deductible for tax purposes	981	13,056
Tax expense	-	-

8. NOTES TO THE FINANCIAL STATEMENTS

8.1. SIGNIFICANT ACCOUNTING POLICIES

8.1.1 Basis of accounting

The financial statements of the Group have been prepared under the historical cost convention unless otherwise indicated.

The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8.1.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

The subsidiaries of PA were acquired via an internal group reorganization exercise which meets the conditions of a merger in accordance with MASB Standard 21 "Business Combinations". The results of the Group are consolidated using merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are consolidated and presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in subsidiaries over the nominal value of the shares acquired is taken to merger deficit. The merger deficit is set off against available reserves.

Intragroup transactions, balances and unrealized gains on transactions are eliminated on consolidation; and the consolidated financial statements reflect external transactions only.

The gain or loss on disposal of a subsidiary of the Group is the difference between net disposal proceeds and the Group's share of its net assets as at date of disposal.

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

8.1.3. Property, plant and equipment

All property, plant and equipment are initially stated at cost.

Freehold land and factory building were subsequently shown at valuation, based on valuation by external independent valuer, less subsequent depreciation (on factory building) and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Additions of factory building between and after revaluation periods are carried at cost.

The Group adopted the policy of regular revaluation of freehold land and factory building with effect from the financial year ended 31 December 2005. The freehold land and factory building are to be appraised by external independent professional valuers at least once in every five years.

Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

No depreciation is provided on the freehold land. Leasehold land and building is depreciated on the straight line basis over the remaining lease period of 79 years.

Factory building and plant and machinery in progress are not depreciated. Depreciation of these assets commences when ready for their intended used.

All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives.

The principal annual rates of depreciation used are as follows:

	%
Freehold factory building	2
Plant and machinery	6.25 - 15
Extrusion die	20
Electrical installation	12
Office equipment	20
Renovation	20
Motor vehicles	20

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit from operations. On disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

8.1.4. Investment in subsidiaries

Investment in subsidiaries is shown at nominal value of equity shares issued. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

8.1.5. Inventories

Inventories comprising raw materials, work in progress and finished goods, are valued at the lower of cost and net realizable value. Costs of raw materials, work in progress and finished goods is determined on the first in first out basis, and includes all expenses incurred in bringing the stocks to their present location and condition.

8.1.6. Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. Allowance for bad and doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain debts.

8.1.7. Payables

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services received.

8.1.8. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged.

8.1.9. Hire purchase arrangements

Plant and equipment acquired under hire purchase arrangements are capitalized in the financial statements and are depreciated in accordance with the policy set out in paragraph 8.1.3. above. The corresponding outstanding obligations due under the hire-purchase agreements after deducting finance expenses are included as liabilities in the financial statement. Financial expenses are charged to the income statement over the period of the respective agreements using sum-of-digits method.

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

8.1.10. Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs is recognized as an expense in the period in which they are incurred.

8.1.11. Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on the ordinary shares, when declared or proposed by the directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

8.1.12. Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax is not recognized if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

8.1.13. Employees benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognized as an expense in the year the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognized when absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plan are recognized as an expense in the income statement as incurred.

8.1.14. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sale of goods and services rendered

Revenue from the sale of goods and services rendered is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer or when services are rendered.

WH HAU & CO * AUDITORS *

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

8.1.15. Foreign currencies

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

8.1.16. Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and value in use.

An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount. The impairment loss is charged to the income statement immediately.

Any subsequent increase in recoverable amount of an asset is recognized as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined (net of amortization or depreciation, if applicable) had no impairment loss been previously recognized for the assets.

8.1.17. Financial instruments

Financial instruments are recognized in the Balance Sheet when the Group is a party to the contractual provision of the instruments. The recognized financial instruments of the Grroup on Balance Sheet comprise cash and bank balances, receivables and payables that arise directly from its operations, non-trade receivables and payables arising from transactions entered into in the normal course of business, and ordinary share capital. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed above. The information on the extent and nature of these recognized financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.2. PROPERTY, PLANT AND EQUIPMENT

COST	Freehold land RM'000	Factory and office building RM'000	Leasehold land and building RM'000	Factory building and plant and machinery in progress RM'000	Plant and machinery RM'000	Extrusion die and Electrical installation RM'000	Office equipment, Renovation and Motor vehicles RM'000	Total RM'000
At 1 January 2001	3,142	1,364	-	-	1,534	620	244	6,904
Additions	-	-	-	-	665	231	33	929
Disposals	-	-	-	-	-	-	-	-
At 31 December 2001	3,142	1,364	-	-	2,199	851	277	7,833
ACCUMULATED DEPRECIATION								
At 1 January 2001	-	54	-	-	570	294	120	1,038
Charge for the year	-	27	-	-	221	168	56	472
Disposals	-	-	-	-	-	-	-	-
At 31 December 2001	-	81	-	-	791	462	176	1,510
Net Book Value								
At 31 December 2001	3,142	1,283	-	-	1,408	389	101	6,323
COST								
At 1 January 2002	3,142	1,364	-	-	2,199	851	277	7,833
Additions	-	65	-	-	1,625	350	143	2,183
Disposals	-	-	-	-	-	-	(32)	(32)
At 31 December 2002	3,142	1,429	-	-	3,824	1,201	388	9,984
ACCUMULATED DEPRECIATION								
At 1 January 2002	-	81	-	-	791	462	176	1,510
Charge for the year	-	28	-	-	383	235	64	710
Disposals	-	-	-	-	-	-	(6)	(6)
At 31 December 2002	-	109	-	-	1,174	697	234	2,214
Net Book Value								
At 31 December 2002	3,142	1,320	-	-	2,650	504	154	7,770

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Factory and office building RM'000	Leasehold land and building RM'000	Factory building and plant and machinery in progress RM'000	Plant and machinery RM'000	Extrusion die and Electrical installation RM'000	Office equipment, Renovation and Motor vehicles RM'000	Total RM'000
COST								
At 1 January 2003	3,142	1,429	-	-	3,824	1,201	388	9,984
Additions	-	2,417	-	-	3,827	380	41	6,665
Disposals	-	-	-	-	-	-	-	-
At 31 December 2003	3,142	3,846	-	-	7,651	1,581	429	16,649
ACCUMULATED DEPRECIATION								
At 1 January 2003	-	109	-	-	1,174	697	234	2,214
Charge for the year	-	45	-	-	409	265	74	793
Disposals	-	-	-	-	-	-	-	-
At 31 December 2003	-	154	-	-	1,583	962	308	3,007
Net Book Value								
At 31 December 2003	3,142	3,692	-	-	6,068	619	121	13,642
COST								
At 1 January 2004	3,142	3,846	-	-	7,651	1,581	429	16,649
Additions	2,090	3,829	-	1,455	4,870	642	819	13,705
Reclassifications	-	(861)	-	-	858	8	(5)	-
Returned*	-	-	-	-	(406)*	-	-	(406)
Disposals	-	-	-	-	(1,438)	-	(300)	(1,738)
At 31 December 2004	5,232	6,814	-	1,455	11,535	2,231	943	28,210
ACCUMULATED DEPRECIATION								
At 1 January 2004	-	154	-	-	1,583	962	308	3,007
Charge for the year	-	105	-	-	865	225	73	1,268
Reclassifications	-	(6)	-	-	5	1	-	-
Disposals	-	-	-	-	(1,073)	-	(239)	(1,312)
At 31 December 2004	-	253	-	-	1,380	1,188	142	2,963
Net Book Value								
At 31 December 2004	5,232	6,561	-	1,455	10,155	1,043	801	25,247

WH HAU & CO AUDITORS

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COST / VALUATION	Freehold land RM'000	Factory and office building RM'000	Leasehold land and building RM'000	Factory building and plant and machinery in progress RM'000	Plant and machinery RM'000	Extrusion die and Electrical installation RM'000	Office equipment, Renovation and Motor vehicles RM'000	Total RM'000
At 1 January 2005	5,232	6,814	-	1,455	11,535	2,231	943	28,210
Additions	-	324	850	4,975	4,153	895	370	11,567
Transfer	-	-	-	(1,455)	1,455	-	-	-
Revaluation surplus	1,410	2,297	-	-	-	-	-	3,707
Disposals	-	-	-	-	-	-	-	-
Elimination through revaluation	-	(253)	-	-	-	-	-	(253)
At 31 December 2005	6,642	9,182	850	4,975	17,143	3,126	1,313	43,231
Representing:								
At cost	-	324	850	4,975	17,143	3,126	1,313	27,731
At valuation	6,642	8,858	-	-	-	-	-	15,500
	6,642	9,182	850	4,975	17,143	3,126	1,313	43,231
ACCUMULATED DEPRECIATION								
At 1 January 2005	-	253	-	-	1,380	1,188	142	2,963
Charge for the year	-	144	1	-	1,036	406	238	1,825
Disposals	-	-	-	-	-	-	-	-
Elimination through revaluation	-	(253)	-	-	-	-	-	(253)
At 31 December 2005	-	144	1	-	2,416	1,594	380	4,535
Net Book Value								
At 31 December 2005	6,642	9,038	849	4,975	14,727	1,532	933	38,696

The valuations of the freehold land and factory building was carried out by TD Aziz Sdn. Bhd., an external independent firm of valuers, on 6 May 2005 using the comparative method.

Details of the external independent valuer involved were:

- Chockalingam P. Mohan (Registered Valuer)
- 16th Floor, Bangunan MNI Takaful,
  No. 23, Jalan Melaka,
  50100. Kuala Lumpur.

WH HAU & CO * AUDITORS *

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The resultant surplus was credited to revaluation reserves during the financial year.

The net book value (NBV) of the relevant freehold land and factory building as at 31 December 2005 that would have been included in the financial statements, had this asset been carried at cost less accumulated depreciation and impairment losses is as follows:

	2005 RM
Freehold land	5,231,500
Factory Building	6,424,909
	11,656,409

	As at 31 December				
Net Book Value:	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Assets acquired under hire purchase arrangements					
- plant and machinery	-	-	-	1,441	1,871
- motor vehicles	48	82	43	554	650

The above property, plant and equipment were pledged to banks for borrowings as disclosed in Paragraph 8.10. below.

* Plant and machinery acquired in 2003 amounting to RM406,291 was returned to the supplier in 2004. The corresponding depreciation charge was reversed accordingly.

8.3. INVENTORIES

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
At Cost					
- Raw materials	1,823	2,224	6,178	8,055	10,946
- Work in progress	-	-	-	1,714	2,344
- Finished goods	1,072	1,493	2,723	3,086	5,244
	2,895	3,717	8,901	12,855	18,534

WH HAU & CO AUDITORS

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.4. TRADE RECEIVABLES

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Trade receivables	4,103	6,603	12,003	21,889	28,423
Less: Allowance for doubtful debts	-	-	-	-	76
	4,103	6,603	12,003	21,889	28,347

The Group's normal trade credit terms ranges from 60 to 90 days. Other trade credit terms are assessed and approved on a case-by-case basis.

8.5. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Deposits					
- Deposits for purchase of plant and equipment	-	-	-	71	1,729
- Deposits for trade purchase	-	-	-	2,073	445
- Other deposits	5	2	14	21	62
	5	2	14	2,165	2,236
Prepayments	-	535	33	6	83
Sundry receivables	27	31	33	188	-
	32	568	80	2,359	2,319

WH HAU & CO ★ AUDITORS ★

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.6. CASH AND BANK BALANCES

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Cash in hand and at banks	4,022	3,083	1,023	2,539	4,534
Fixed deposits with licensed banks	529	771	2,153	4,791	7,850
	4,551	3,854	3,176	7,330	12,384
Fixed deposits interest received	3.2% ~ 4.35%	3.2% ~ 4.05%	3% ~ 4.05%	2.5% ~ 3.70%	2.6% ~ 3.70%
Maturities of fixed deposits	3 months to 1 year	3 months to 1 year	3 months to 1 year	1 month to 2 years	1 month to 1 year

The fixed deposits with licensed banks are pledged to the banks to secure credit facilities granted to the Group.

8.7. TRADE PAYABLES

The normal trade credit terms granted to the Group vary from payment in advance to 45 days.

8.8. OTHER PAYABLES AND ACCRUALS

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Accruals	112	170	263	1,082	1,044
Other payables	-	-	849	178	800
	112	170	1,112	1,260	1,844

WH HAU & CO * AUDITORS *

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.9. AMOUNT DUE TO DIRECTORS

The amount due to directors represents unsecured, interest free with no fixed repayment terms..

The amount due to a director as at 31 December 2005 represents the balance purchase price for the acquisition of leasehold land and building from a director of a subsidiary during the financial year ended 31 December 2005.

8.10. BORROWINGS

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Current					
Bank overdraft (secured)	314	311	54	-	-
Bankers' acceptances, letter of credit and trust receipts (secured)	7,121	9,117	16,744	35,312	53,203
Bankers' acceptances (unsecured)	-	-	-	2,069	-
Term loans (secured)	364	723	815	1,207	6,037
Hire purchase liabilities *(Note 8.11)*	17	26	37	306	523
	7,816	10,177	17,650	38,894	59,763

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.10. BORROWINGS (CONT'D)

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Non-current					
Term loans (secured)	1,220	1,373	3,701	5,804	4,956
Hire purchase liabilities *(Note 8.11)*	34	48	4	1,112	1,118
	1,254	1,421	3,705	6,916	6,074
Total Borrowings					
Bank overdraft (secured)	314	311	54	-	-
Bankers' acceptances, letter of credit and trust receipts (secured)	7,121	9,117	16,744	35,312	53,203
Bankers' acceptances (unsecured)	-	-	-	2,069	-
Term loans (secured)	1,584	2,096	4,516	7,011	10,993
Hire purchase liabilities *(Note 8.11)*	51	74	41	1,418	1,641
	9,070	11,598	21,355	45,810	65,837
Maturity of borrowings (excluding hire purchase liabilities)					
Within one year	7,799	10,151	17,613	38,588	59,240
More than 1 year and less than 2 years	321	600	861	983	938
More than 2 years and less than 5 years	683	773	1,701	2,763	3,174
5 years or more	216	-	1,139	2,059	844
	9,019	11,524	21,314	44,393	64,196

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8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.10. BORROWINGS (CONT'D)

The ranges of the interest rates per annum at balance sheet date for the above borrowings were as follows:

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Bank overdraft (secured)	2% + BLR	8.4%	8.0%	6%~8%	7.5%~8%
Bankers' acceptances, letter of credit and trust receipts (secured and unsecured)	2% + overdraft rate	3.03%~8.5%	3.85%~8%	3%~8%	3%~8%
Term loans (secured)	8.5%~8.75%	5%~8.5%	5%~8.5%	3.88%~8.5%	1.5%~8.5%
Hire purchase liabilities *(Note 8.11)*	6.5%	5.9%~6.5%	5.9%~6.5%	4.25%~5.82%	2.75%~5.82%

The above banking facilities of the Group are secured by way of :-

(a) Legal charge over the Group's freehold and leasehold properties;
(b) Fixed deposits of the Group;
(c) Negative pledge by a subsidiary;
(d) Debenture on fixed and floating assets of the Group both present and future;
(e) Pledge of third party and Company General Investment Account together with Memorandum of Deposits;
(f) Corporate guarantee given by an affiliated company;
(g) CGC's guarantee; and
(h) Joint and several guarantees by the directors of the Group.

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.11. HIRE PURCHASE LIBILITIES

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Hire purchase obligations repayable:					
Within one year	22	39	39	407	628
More than 1 year and less than 5 years	45	44	4	1,262	1,217
	67	83	43	1,669	1,845
Future finance charges	(16)	(9)	(2)	(251)	(204)
Present value of hire purchase liabilities	51	74	41	1,418	1,641
Principal amount repayable:					
Within 1 year *(Note 8.10)*	17	26	37	306	523
More than 1 year and less than 5 years *(Note 8.10)*	34	48	4	1,112	1,118
	51	74	41	1,418	1,641

8.12. SHARE CAPITAL

Under the merger method of accounting, the shares issued for the acquisition of the subsidiary companies are deemed to have occurred in the Group on 1 January 2001. On this premise, the movements in the share capital of the Group are as shown in 6.3 above.

8.13. RESERVES

The movements in reserves are disclosed in Paragraph 6.3 above, proforma consolidated statements of changes in equity.

The Company has recorded its investment in subsidiary companies at the nominal value of ordinary shares issued as consideration. On consolidation, the excess of the nominal value of the shares acquired over the carrying value of the investment is recorded as merger deficit. The merger deficit is set off against available reserves on 1 January 2001.

WH HAU & CO * AUDITORS *

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.14. DEFERRED TAXATION

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
At 1 January	164	164	310	790	1,375
Recognised in income statement *(Note 8.18.)*	-	146	480	585	651
Recognised in equity	-	-	-	-	185
At 31 December	164	310	790	1,375	2,211
The amounts, determined after appropriate offsetting, are as follows:					
- Deferred tax liabilities	164	318	796	1,875	4,027
- Deferred tax assets	-	(8)	(6)	(500)	(1,816)
	164	310	790	1,375	2,211

The components and movements of deferred tax liabilities / (assets) during the financial year prior to offsetting are as follows:

Deferred tax liabilities:

- Property, plant and equipment

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
At 1 January	164	164	317	796	1,875
Recognised in income statement	-	154	479	1,079	1,967
Recognised in equity	-	-	-	-	185
At 31 December	164	318	796	1,875	4,027

Deferred tax assets:

- Other deductible temporary differences

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
At 1 January	-	-	(8)	(6)	(500)
Recognised in income statement	-	(8)	2	(494)	(1,316)
At 31 December	-	(8)	(6)	(500)	(1,816)

Deferred tax assets have not been recognised in respect of the following:

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
- Unabsorbed capital allowances	-	-	32	-	-

WH HAU & CO ★ AUDITORS ★

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.15. REVENUE

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Aluminium extrusion profiles	12,311	22,026	40,398	51,003	63,992
Aluminium billets	-	-	2,355	37,038	63,343
Tolling charges	-	-	135	208	428
	12,311	22,026	42,888	88,249	127,763

8.16. PROFIT BEFORE TAXATION

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
This is stated after charging:-					
Allowance for doubtful debts	-	-	-	-	76
Auditors' remuneration					
- statutory	10	13	25	32	36
- non-statutory	-	-	-	11	23
Depreciation of property, plant and equipment	472	710	793	1,268	1,825
Directors' remuneration					
- Salaries and other emoluments	132	132	132	450	604
- Pension costs - defined contribution plan	-	-	-	-	73
Loss on disposal of plant and equipment	-	-	-	79	-
Preliminary expenses	-	-	1	-	6
Premises rental	19	26	31	38	32
Staff costs (excluding directors' remuneration)-*Note 8.17.*	539	688	1,155	2,575	3,667
Interest expense:					
- Term loans	133	101	240	401	577
- Hire purchase	5	15	6	41	132
- Others	338	463	593	1,280	2,243

WH HAU & CO ★ AUDITORS ★

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.16 PROFIT BEFORE TAXATION (CONT'D)

	As at 31 December				
	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
and after crediting:-					
Fixed deposits interest received	17	23	32	118	166
Gain on disposal of plant and equipment	-	1	-	-	-

8.17. STAFF COSTS

	2001 RM'000	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**
Salaries, bonus, wages and allowances	478	607	1,016	2,317	3,230
Pension costs - defined contribution plan	44	49	74	152	300
Other staff related expenses	17	32	65	106	137
	539	688	1,155	2,575	3,667
No. of employees (excluding directors) as at 31 December	37	45	67	156	189

WH HAU & CO AUDITORS

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.18. TAXATION

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Malaysian taxation based on results for the year:					
- Current year	-	91	239	597	1,086
- Underprovided in respect of prior years	-	55	28	1	-
	-	146	267	598	1,086
Deferred tax: *(Note 8.14.)*					
- Relating to origination and reversal of temporary differences:					
- Current year	-	146	482	621	651
- Under provided in respect of prior years	-	-	(2)	(36)	-
	-	146	480	585	651
	-	292	747	1,183	1,737

As at 31 December 2005, subject to agreement by the Inland Revenue Board, the Group has estimated tax credits amounted to RM1,732,176 under Section 108 of the Income Tax Act, 1967 and RM7,903,854 under tax exempt account respectively to frank future payment of dividends of RM12,358,021 without incurring additional tax liability.

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.18 TAXATION (CONT'D)

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

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Profit before taxation	731	1,435	4,286	8,206	10,261
Taxation at Malaysian statutory tax rate of 28%	205	402	1,200	2,298	2,873
Tax effect of:					
- Expenses not deductible for tax purpose	23	34	26	25	84
- Utilisation of reinvestment allowance	-	(199)	(537)	(1,105)	(1,220)
- Utilisation of capital allowance	(228)	-	-	-	-
- Deferred tax assets not recognised	-	-	32	-	-
- Malaysian taxation under provided in respect of prior years	-	55	28	1	-
- Deferred tax over provided in respect of prior years	-	-	(2)	(36)	-
	-	292	747	1,183	1,737

8.19. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Group's normal course of business are as follows:

WH HAU & CO
AUDITORS

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.19 FINANCIAL INSTRUMENTS (CONT'D)

Credit Risk

The Group's exposure to credit risk arises from its receivables. The Group has a credit policy in place and manages the exposure to credit risk through the application of credit approvals, credit limits and other monitoring procedures. At balance sheet date, the maximum exposure for the Group is represented by the carrying amounts of the financial assets in the balance sheets.

Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Group.

The Group has not hedged against this foreign currency exposure as it does not form a significant portion of the Group's gross assets.

Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to deposits and debt obligations with financial institutions.

The interest rates on the Group's debt obligations are comparable to interest rates of similar instruments in the market and are managed through a fair mix of fixed and floating rate debts. The Group does not generally hedge interest rate risk as it does not invest significantly in activities that require interest rates hedging.

Fixed deposits are placed with licensed banks to satisfy conditions for bank facilities granted to the Group. The Group manages its interest rate risk by monitoring market rates and placing such funds with varying maturity periods.

The effective interest rates for the interest bearing financial liabilities at balance sheet date are disclosed in the respective notes to the financial statements.

Liquidity and Cash Flow Risk

In the ordinary course of business, the Group practices prudent liquidity risk management by maintaining sufficient level of cash to meet its working capital requirements. The Group reviews its cash flow position regularly to manage its exposure to the fluctuations in future cash flows and balances its portfolio with short term financing so as to achieve overall cost effectiveness.

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Group at the balance sheet date approximated their fair values.

WH HAU & CO ★ AUDITORS ★

8. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8.20. CAPITAL COMMITMENTS

	As at 31 December				
	2001	**2002**	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capital expenditures approved and contracted but not provided for	-	-	-	534	5,400

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9. CASH FLOW STATEMENT

The cash flow statement of the Company and the proforma consolidated cash flow statement of the Group for the financial year ended 31 December 2005 are based on the audited financial statements of PA and PA Group. PA Group is consolidated using the merger accounting method on the assumptions that the acquisitions of the subsidiary companies were completed on 1 January 2001.

	NOTES	Company 2005 RM	Group 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		(46,628)	10,261
Adjustments for:			
Allowance for doubtful debts		-	76
Depreciation of property, plant and equipment		-	1,825
Loss on disposal of plant and equipment		-	-
Interest expenses		-	2,952
Interest income		-	(166)
Operating (loss) / profit before working capital changes		(46,628)	14,948
Increase in inventories		-	(5,679)
Increase in receivables		-	(6,494)
Increase in amount due to a subsidiary		344,120	-
Increase in payables		180,776	1,468
Cash generated from / (used in) operations		478,268	4,243
Interest received		-	166
Interest paid		-	(2,952)
Tax paid		-	(1,171)
Net cash inflow / (outflow) from operating activities		478,268	286
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	A	-	(10,085)
Payment for listing expenses		(757,380)	(757)
Net cash outflow from operating activities		(757,380)	(10,842)

WH HAU & CO. * AUDITORS *

9. CASH FLOW STATEMENT (CONT'D)

	NOTES	Company 2005 RM	Group 2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to hire purchase liabilities		-	(494)
Net proceeds from bankers acceptance and trust receipts		-	15,822
Repayment of term loans		-	3,982
Increase in fixed deposits pledged		-	(3,059)
Pre-merger dividend paid		-	(4,000)
Proceeds from issuance of shares		299,998	300
Net cash inflow from financing activities		299,998	12,551
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		20,886	1,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2	2,539
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		20,888	4,534
Represented by:			
CASH AND CASH EQUIVALENTS			
Cash in hand and at banks		20,888	4,534
Fixed deposits with licensed banks		-	7,850
Bank overdrafts		-	-
		20,888	12,384
Fixed deposits pledged		-	(7,850)
		20,888	4,534

NOTES TO THE CASH FLOW STATEMENT

NOTE A - PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Company acquired property, plant and equipment by way of the following:	RM	RM'000
Hire purchase	-	717
Due to directors (Note 8.9)	-	765
Working capital	-	10,085
At cost	-	11,567

WH HAU & CO ★ AUDITORS ★

10. STATEMENT OF ASSETS AND LIABLITIES

The Statement of Assets and Liabilities based on the audited financial statements of the Group as at 31 December 2005 have been included in the Proforma Consolidated Balance Sheets as stated in Paragraph 6.1 above.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements of PA and its subsidiary companies have been prepared in respect of any period subsequent to 31 December 2005.

12. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The Company proposed a restructuring and listing scheme which has been approved by the relevant authorities. Details of which are set out in 2.4 above.

Pursuant to and in connection with the listing and quotation of the enlarged issued and fully paid-up ordinary share capital of PA on the Second Board of Bursa Malaysia Securities Berhad, the Company undertook the following exercises subsequent to the balance sheet date:

12.1. On 27 January 2006, the Company completed a rights issue of 4,000,000 new ordinary shares of RM1.00 each at par ("Rights Shares"), on the basis of approximately 17 Rights Shares for every 100 existing ordinary shares at RM1.00 for cash.

12.2. On 17 February 2006, PA undertook a share split in which the existing ordinary share of RM1.00 each was subdivided into two (2) ordinary shares of RM0.50 each.

Yours faithfully,

WH Hau & Co.
[No: AF-1076]
Chartered Accountants

Hau Wan Hock
[No: 1703/02/07(J)]
Partner of the firm

WH HAU & CO AUDITORS

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

P.A. RESOURCES BERHAD. (664612-X)
專藝資源有限公司

Registered Office:

22nd Floor, Menara EON Bank
288 Jalan Raja Laut
50350 Kuala Lumpur

22 MAR 2006

The Shareholders
P.A. Resources Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of P.A. Resources Berhad ("PA"), I report after due inquiry that during the period from 31 December 2005 (being the date of the last audited financial statement of PA and its subsidiaries ("Group") have been made up) to 22 MAR 2006 (being a date not earlier than fourteen days (14) before the issuance of this Prospectus):

(a) the business of the Group, in the opinion of the Directors, has been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;

(e) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors of PA are aware of, since the date of the last audited financial statement of the Group; and

(f) there have been no material changes in the published reserves nor any unusual factors affecting the profits of the Group since the date of the last audited financial statements of the Group.

Yours faithfully,
For and on behalf of
the Board of Directors of PA

Chong Sze San
Managing Director

No. 11, Jalan 5/118C, Desa Tun Razak, 56000 Kuala Lumpur. Tel : 03-9172 4828 Fax : 03-9172 4515
Email : pagroup@tm.net.my Website : pagroup.com.my

14. EXECUTIVE SUMMARY REPORT BY INFOCREDIT D&B

(Prepared for inclusion in this Prospectus)

Infocredit D&B

2 2 MAR 2006

Board of Directors
P.A. Resources Berhad
No. 11, Jalan 5/118C
Desa Tun Razak
56000 Kuala Lumpur

RE: EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT FOR P.A. RESOURCES BERHAD ("PA" OR THE "COMPANY")

This Executive Summary has been prepared for inclusion in the Prospectus dated 2 9 MAR 2006 pursuant to the listing of PA on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

This research has been undertaken with the purpose of providing an overview of the aluminium extrusion industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house databases, internet research as well as online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Independent Market Researcher" or "IMR") has prepared this Report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Report. We acknowledge that if there are significant changes affecting the content of the Report after the issue of the Prospectus and before the issue of securities, the Independent Market Researcher has an on-going obligation to either cause the Report to be updated for the changes or withdraw our consent to the inclusion of the Report in the Prospectus.

An Executive Summary is highlighted in the following sections.

For and on behalf

INFOCREDIT D&B (MALAYSIA) SDN BHD

Tan Sze Chong
Managing Director

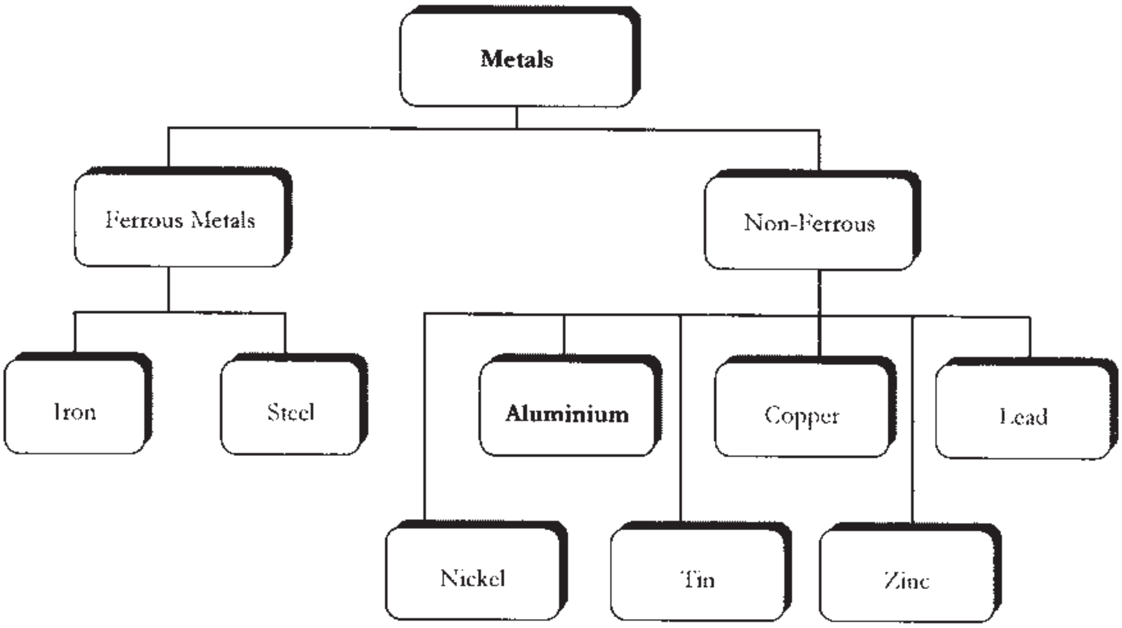
Infocredit D&B

1 GENERAL OVERVIEW

1.1 INDUSTRY STRUCTURE

As depicted in the following diagrammatical illustration of the various types of primary metals, aluminium falls under the basic non-ferrous metal category.

Figure 1.1: Metals Industry Structure



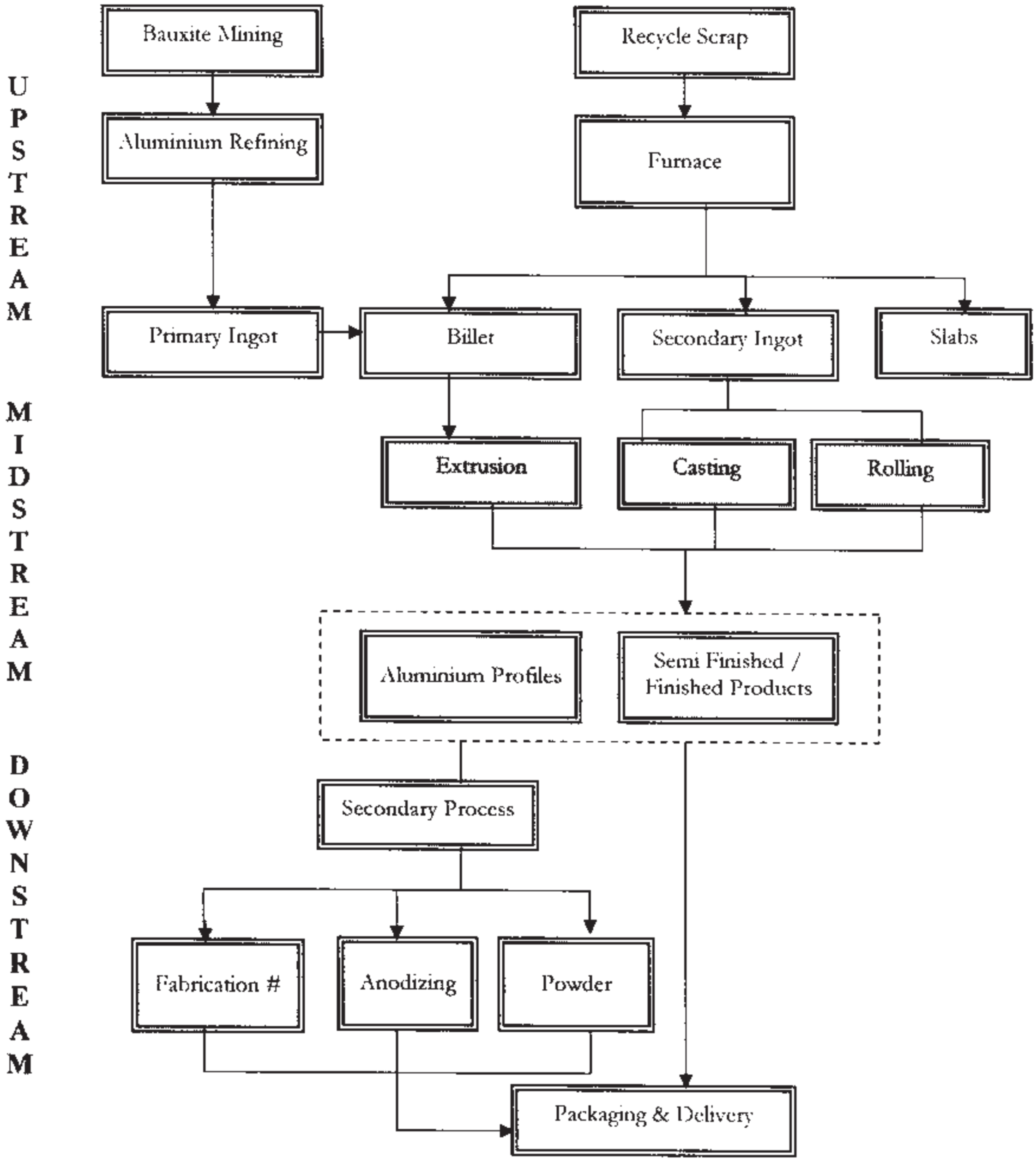
Source: Infocredit D&B

Sir Humphrey Davy, a British, discovered a metal based property and named it "aluminum" in 1808. The term "aluminium" was later adopted by the International Union of Pure and Applied Chemists to conform to the "ium" ending with most elements. However, both terms were used interchangeably by mid 1800s. As aluminium became widely available, various uses of this non-ferrous metal have been discovered.

1.2 ALUMINIUM PRODUCTION PROCESSES

Aluminium can be produced through two (2) different processes, namely primary aluminium production from bauxite ore, and secondary aluminium production from aluminium recycling using aluminium scraps. The primary production of aluminium involves three (3) stages. The first stage is the mining of bauxite, followed by refining of bauxite to alumina and lastly, smelting of alumina to aluminium. These are the upstream activities of the aluminium production while the midstream activities consist of remelting, extrusion, casting rolling. The midstream products are logs/billets, profiles, sheets, extrusions and foils. The downstream activities cover fabrication processes.

The following diagram depicts the structure of an integrated aluminium industry and the type of activities along the processes.



Notes:
 # - Include bending, drilling, punching, milling, cutting, stamping, etc
PA Group intends to move into additional secondary process namely anodizing to complement its current activities and become a fully integrated aluminium company.

2 ALUMINIUM EXTRUSION

There are three (3) widely used aluminium downstream processes, namely casting, rolling and extrusion. PA Group's principal activities involve aluminium extrusion and billet casting.

Developments in the aluminium extrusion industry have brought about wider scope in aluminium application markets cutting across a diverse range of industry sub-sectors. Aluminium extruded products have become particularly important for the construction and manufacturing industries. Consumption of aluminium extrusions in the transport sector is gaining in-roads for motor vehicles, aerospace, rail and marine transport segments. New aluminium applications will evolve through on-going research which would be the catalyst to the growth of the industry. Future trends of the aluminium extrusion industry will depend, to a significant degree, on the demand trend of final products.

There are 32 projects approved by the Malaysian Industrial Development Authority ("MIDA") in 2004 with investments amounted to RM1.9 billion compared to 31 projects approved with investments of RM8.7 billion. A total of 21 applications approved were new projects while the remaining 11 were for expansion and diversification. The high investment in 2003 was due to the approval of an aluminium ingot project. Of the 32 projects approved, nine (9) were for the manufacture of non-ferrous products (total investments of RM455.4 million).

The major applications for aluminium extrusion in Malaysia are for the transport industry, construction & building materials industry as well as the E&E ("Electronic & Electrical") industry. Aluminium extrusions are also moving into emerging applications such as the aerospace and marine sectors. Some of the hundreds of extruded products include, among others, window and door frames, prefabricated structures, roofings, sports equipment, car trimmings, ships and electrical fittings and appliances.

The following is a description of the application markets for aluminium extrusion:

Major application markets		Description
Construction & Building Materials	:	The strength, weight, versatility and corrosion resistance of aluminium properties make it suitable for building and cladding material. Aluminium is used in various building materials such as windows, cladding, skylights, weather proof doors, screens and canopies.
Transport Equipment	:	For transport components such as automotive parts, components and body, boat and ship parts, aerospace components and train and wagon components
Packaging	:	Used extensively for protecting, storing and preparation of food and beverages. Aluminium can protect food, cosmetics or pharmaceutical products from bacteria, ultra-violet and odours.
E&E	:	Aluminium or aluminium alloy electrical conductors are widely used for overhead lines, electrical energy distribution and transport cables as well as energy cables for industrial use.

		Examples of products made from aluminium are television antennae, satellite dish, electric light bulbs and electric lamps.

There are about 30 aluminium extruders in the local market to-date. In order to be viably competitive in the market, these players would have to boost their marketing and production efforts to compete at the domestic and international levels. Some of the larger aluminium extrusion companies in terms of sales revenue are Press Metal Berhad, LB Aluminium Berhad, Fujisash (Malaysia) Sdn Bhd and PA Group. The industry is mainly dominated by these few large companies which have the ability to invest significantly in aluminium extrusion technology to enhance their products for a broad range of application markets.

3 ALUMINIUM BILLETS

Aluminium billets form the major raw materials for the manufacturing of aluminium products through extrusion process while aluminium ingots are important raw materials used in billet casting. Ingots and billets are produced from casting process using molten aluminium. Ingots can be in the form of primary and secondary ingots. *Primary* indicates metal recovered from ore repositories while *secondary* indicates metal recovered from recycled materials, including post-manufacturing residues and used consumer products.

In a cast facility, most of the aluminium alloys are cast using direct-chill process and produce ingots for rolling mills, log-like billets for extrusion presses or square billets for wire, rod and bar production. Companies that have their own in-house billet casting facilities are Press Metal Berhad, PA Group and Fujisash (Malaysia) Sdn Bhd.

Only three (3) billet makers are operating on a commercial scale in the country namely, Rapison Aluminium Sdn Bhd, PA Group and A-Rank Berhad. The limited number of players indicates tremendous opportunities in the billets industry which is in line with the demand for extrusion products. The commercial billet casting market among the three (3) major players in Malaysia recorded an estimated market size of 105,600 tonnes in 2004. In terms of tonnage, the two (2) largest manufacturers collectively contributed approximately 90% of the estimated production market size.

4 PRODUCT SUBSTITUTES

In the construction & building materials industries, plastic composites and/or wood composites can be a substitute for aluminium while other materials such as glass and plastics can substitute aluminium in the packaging industry.

Albeit the substitution of aluminium products with the aforementioned materials for certain applications, extruded aluminium products have begun to replace traditional metals such as copper for electrical and transport applications particularly due to the advantage of weight reduction and improved fuel efficiency. Aluminium has also remained a preferred choice for users in the construction & building materials industry particularly for products such as window frames, door grilles, curtain walling and partitions.

5 GOVERNMENT LEGISLATIONS, POLICIES AND INCENTIVES

The non-ferrous metal manufacturing industry is subject to various Government legislations and at the same time could enjoy a variety of incentives given by the Government to the manufacturing sector. Generally, most of the incentives given are tax-related and among the major tax incentives for companies investing in the manufacturing sector are the Pioneer Status or Investment Tax Allowance ("ITA"). Eligibility for Pioneer Status or ITA is based on certain priorities. This includes the levels of value-added services, technology used and industrial linkages. Such eligible projects are termed as promoted activities or promoted products as stated in the Promotion of Investments Act 1986. Particularly, for non-ferrous metal industry, the list of promoted activities and products which are eligible for consideration of Pioneer Status and ITA is as below:

Manufacture of non-ferrous metals and their products:

No	Description
1	Dressing and/or smelting of non-ferrous metals other than tin metals
2	Primary ingots, billets or slabs of non-ferrous metals
3	Bars, rods, shapes or sections of non-ferrous metals except Eddy Current (EC) copper rods
4	Plates, sheets, coils, hoops or strips of non-ferrous metals
5	Pipes or tubes of non-ferrous metal
6	Copper clad laminates and products from in-house copper clad laminates
7	Powder, cream or paste of non-ferrous metals
8	Wire or wire products of non-ferrous metals
9	Fabricated products of non-ferrous metals

Of the nine (9) promoted activities, the manufacturing activities of PA Group falls under items 3, 5 and 9.

The activities of the manufacturing sector are monitored by The Department of Environment ("DOE"). Under the Environmental Quality Act 1974, DOE is empowered to control and prevent pollution and to protect and enhance the quality of the environment. A set of regulations dealing with hazardous waste management which regulate the storage, transport, treatment and disposal of hazardous wastes was enforced in May 1989. This includes the Environmental Quality (Scheduled Wastes) Regulations, 1989, Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Regulations, 1989, and Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order, 1989. In addition, under the emission and effluents standards, industries are required to comply with both air emission and effluent discharge standards which are regarded as acceptable conditions allowed in Malaysia. The standards are stipulated in the Environmental Quality (Clean Air) Regulations 1978 and the Environmental Quality (Sewerage and Industrial Effluents) Regulations 1979.

6 DEMAND AND SUPPLY

In terms of global demand, the world aluminium consumption is expected to reach 42.2 million tonnes by 2008 mainly driven by increased consumption in the Asian countries, in particular China. On the domestic front, aluminium is consumed by various major sectors such as the transport equipment, consumer durables, E&E and construction & building materials industries.

On the supply of aluminium extrusions, Malaysia recorded a significant sales increase from RM381.1 million in 2003 to RM487.8 million in 2004, representing a growth of 28%. According to the Department of Statistics, production of aluminium extrusions stood at 45,823 tonnes in 2004 compared to 42,660 in 2003. The data is based on aluminium extruders employing more than 100 employees.

The U.S., Europe and several Asian countries are expected to remain as the main markets for Malaysia's aluminium extrusion industry. There are rooms for further growth with the untapped market potential in various export markets. Among others, countries in the Middle East, particularly Bahrain, Qatar and the U.A.E., are expected to present growth prospects for local players.

7 RAW MATERIAL SUPPLY

In Malaysia, there is no primary aluminium production to date. Virtually all primary unwrought aluminium alloyed or non-alloyed were met by imports with total imports value recorded at about RM1.4 billion in 2004 as illustrated in the table below. Unwrought aluminium that Malaysia exports to other countries is known as secondary aluminium. This raw material is obtained from re-melting aluminium scraps and is also an alternative to primary aluminium. Unwrought aluminium is aluminium in its basic form made from primary metal or scraps.

Malaysia Imports of Aluminium, Non-Alloyed and Alloyed, 1999 – 2004

Import	1999 RM million	2000 RM million	2001 RM million	2002 RM million	2003 RM million	2004 RM million
Aluminium, not alloyed	549.0	685.3	564.3	529.7	476.5	486.4
Aluminium alloys	399.1	493.2	413.7	473.1	540.3	1,001.3
Total	948.1	1,178.5	978.0	1,002.8	1,016.8	1,487.7
Growth %	-	*24%*	*-17%*	*3%*	*1%*	*46%*

Source: Department of Statistics

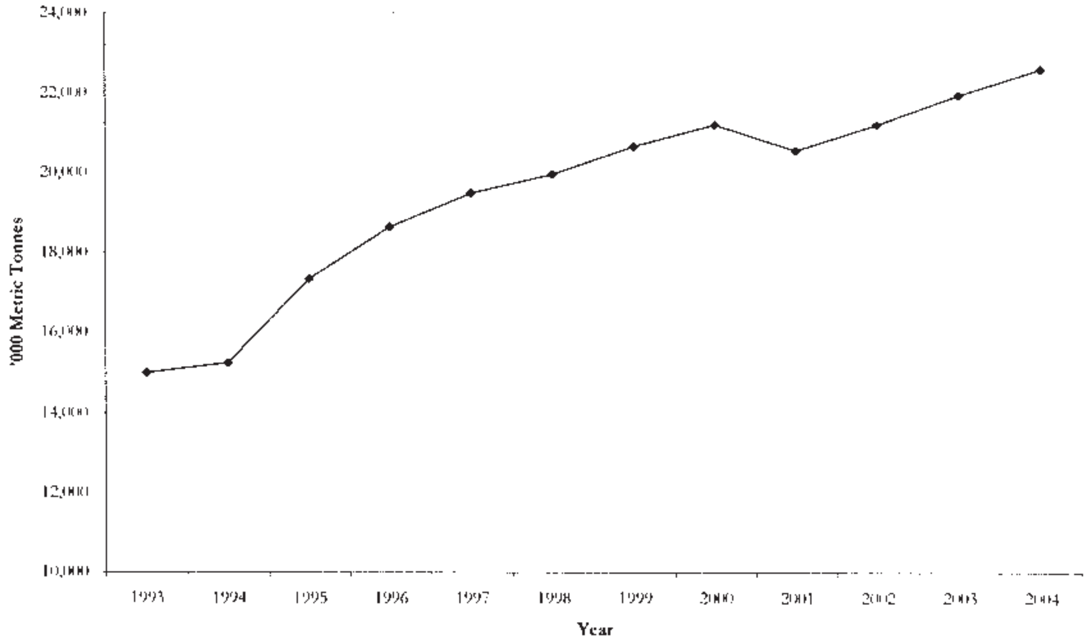
Top import countries of aluminium by tonnage in 2004 were Australia, China, the United Arab Emirates ("U.A.E.") and India. Australia is by far the most important source of import for unwrought aluminium (alloyed and not alloyed) to be used in the production of aluminium products in Malaysia.

Malaysia has plans to set-up a smelter plant in Sarawak with total investments of US$2 million (RM7.6 billion). The plant is expected to be completed by 2007. With the country's first proposed smelter plant in place, Malaysia is set to become an aluminium exporter by 2007 expecting to reach a full capacity of 500,000 million tonnes by 2010. This would make Malaysia a self-sufficient country in aluminium supply which could offer benefits to midstream and downstream players within the aluminium sector.

In terms of global production, the table below shows the data for global production of primary aluminium.

Infocredit D&B

Global Primary Aluminium Production, 1993 – 2004



Notes:
The data for aluminium production have been derived from primary aluminium producers

Source: Infocredit D&B

Global production of primary aluminium has increased at a stable pace in recent decades. Worldwide primary aluminium production reached 22.6 million MT in 2004, a 3.0% increase from 2003. World production is expected to continue rising with capacity expansions, notably in China, India, Mozambique and Norway. MT. Aluminium Corp. of China Ltd ("Chalco"), which will construct a refinery and smelter plant in Guangxi province with Minmetals Nonferrous Metals Co. Ltd and Guangxi Investment Ltd, is expected to produce an initial annual output of 8.0 million MT of alumina by 2006.

8 PROSPECTS AND OUTLOOK

Prospects of the aluminium extrusion industry are expected to remain bright in the next few years due to growing demand and preference for aluminium as a favourable material across diversified industries.

The key growth drivers of the industry in which the Group operates can be summarised as below:

(i) Transportation industry applications.
This is mainly due to the advantages exhibited by aluminium over other competing materials. The global automotive industry will drive the growth of aluminium with increasing demand for lightweight motor vehicles.

(ii) Increasing demand for value-added services.
Some large players are capable of providing value-added services which among others, include billet casting, fabrication, rolling, anodizing and powder coating services. For example, anodized finish is used in automotive components due to its resistance to abrasions, longer life span, metallic surface finishing and ease of maintenance.

(iii) Opportunities in export markets.
The U.S., Europe and Asian countries are expected to remain as main markets for Malaysia's aluminium extrusion industry. In addition, countries in the Middle East, particularly Bahrain, Qatar and the U.A.E., are expected to present growth prospects for local producers

(iv) Recycling
Aluminium will remain as a valuable raw material due to its high recycling rates compared to other materials such as plastics. Furthermore, the Government's encouragement in using recycled aluminium would better serve the local aluminium manufacturers to reduce the dependency on imports.

(v) Opportunities for billets
The demand for billets used in the large extrusion market coupled with the limited availability of local billet producers indicates potential growth for the local aluminium billets industry.

Company No.: 664612-X

15. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

DIRECTORS

Nur Ibrahim Masi
B. Sc (Hons) Land Admin. (Lon)
MBA (Finance) (Lon)
M.R.I.C.S., M.I.S.M. Registered Valuer

C. Mohan
B. Sc (Hons) M.I.S.M. Registered Valuer

Jamsari Mohamad Aris
B. Business (Val & Land Econ)
M.I.S.M. Registered Valuer

TD AZIZ SDN. BHD.
(Company No. 65217 A) (VE(1)0019)
In association with
King Sturge
International Property Consultants
16th Floor, Bangunan MNI Takaful,
No. 23, Jalan Melaka, 50100 Kuala Lumpur.
Tel : 03-26921299 (10 Lines)
Fax : 03-26928479
E-mail : tdaziz@po.jaring.my

VALUATION CERTIFICATE

Our Ref : VI/02/0405/SC, VI/03/0405/SC & VI/04/0405/SC

Date : 22 MAR 2006

The Board of Directors,
22nd floor, Menara EON Bank,
No. 288, Jalan Raja Laut,
50350 Kuala Lumpur

Dear Sirs,

PREMISES LOT 440 AND 424, BOTH MUKIM OF IJOK, DISTRICT OF KUALA SELANGOR, SELANGOR DARUL EHSAN AND PREMISES NO 11, JALAN 5/118C, DESA TUN RAZAK, 56000 KUALA LUMPUR

This Certificate has been prepared for inclusion in the Prospectus of P.A. Resources Bhd ("P.A.") to be dated 29 MAR 2006 in relation to the public issue of 9,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per ordinary share payable in full on application and special issue of 27,600,000 ordinary shares of RM 0.50 each to Bumiputera investors approved by the Ministry of International Trade and Industry at an issue price of RM0.70 per ordinary share payable in full on application by way of private placement.

In accordance with your instruction, we have assessed the Market Values of the abovementioned properties in conjunction with the restructuring and listing of P.A. on the Second Board of Bursa Malaysia Securities Berhad.

We have inspected the subject properties on 9th March 2005 and the material date of valuation is taken as at 6th May 2005.

The basis of the valuation is the market value of the subject property. The market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation has been prepared in accordance with the requirements as set out in the Guidelines on Asset Valuation for Submission to the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

JOHOR BAHRU BRANCH
Suite 15-04, 15th Floor, City Plaza, No. 21, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim. Tel: 07-2765399 Fax: 07-2765398 E-mail: tdazizjb@po.jaring.my
www.kingsturge.com

TD AZIZ SDN. BHD.
In association with
King Sturge

Brief description of the subject properties :-

Property Identification (Title Details Address)	General Description Of Property	Market Value
Our ref: VI/02/0405/SC Lot No Lot 440, Mukim of Ijok, District of Kuala Selangor, Selangor Darul Ehsan Title No Geran Mukim 115 Address Lot 440, Mukim of Ijok, District of Kuala Selangor, Selangor Darul Ehsan Land Area 2.0487 hectares (5.062 acres) Beneficial owner P. A. Extrusion (M) Sdn Bhd Category of Land Use Perusahaan/Perindustrian Encumbrances Charge to Bank of Commerce (Bumiputra Commerce Bank Berhad) Presentation No. 643/1999, Jilid No. 116, Folio No. 43, registered on 11th June 1999 Charge six times to Bumiputra-Commerce Bank Berhad, vide presentation nos. 1514/99, 859/2000, 971/2001, 2964/2001, 2089/2002 and 744/2003, registered on 26th November 1999, 31st May 2000, 25th April 2001, 14th December 2001, 15th October 2001 and 25th April 2003.	The subject property comprises a parcel of industrial land accommodating two single storey detached factories known as Lot 440, Mukim of Ijok, District of Kuala Selangor, Selangor Darul Ehsan. Site The site is a rectangular shaped parcel of land having a land area of about 2.0487 hectares (5.062 acres). It has a frontage of about 101.23 metres (332.1 feet) onto an unnamed metalled road and has a depth of about 203.18 metres (666.6 feet). Building Factory 'A' is constructed of steel portal frames with plastered walls at the lower portions of the side enclosure surmounted with metal cladding walls with inter-mitten translucent perspex sheets supporting a steel trussed roof laid over with metal decking sheets incorporating a raised jack roof. The front and rear entrances to the building are of metal sliding doors whilst other doors are of metal roller shutters. Generally windows for the building are of adjustable and fixed glass louvres in timber frames. The building has a floor to eaves level height of about 7 metres (23 feet) and a width and length measurement of about 36.58 metres (120 feet) by 73.15 metres (240 feet). The factory building has a main floor area of about 2,675.52 square metres (28,800 square feet) and ancillary floor area of about 445.92 square metres (4,800 square feet). The office has a floor area of about 52.024 square metres (560 square feet).	RM7,900,000.00

<u>Tenure</u> Interest in perpetuity <u>Express Condition</u> Bangunan perusahaan <u>Restriction in Interest</u> Nil	Factory 'B' is constructed of wide steel portal frames for larger unencumbered factory space, with plastered walls at the lower portions of the side enclosure surmounted with metal cladding walls with inter-mitten translucent perspex sheets supporting a high steel trussed roof laid over with metal decking sheets incorporating a raised jack roof. We noted that the under side of the roof was specially treated with special anti-rust material to slow down the effects of corrosion. We also noted that the southern elevation of the building was enclosed whilst its lower northern elevation was open-sided. The front and side entrances to the building (other than the open-sided portion) are secured with huge metal sliding doors. Generally windows for the building are of inter-mitten translucent perspex sheets. The building has a floor to eaves level height of about 9.14 metres (30 feet) and a width and length measurement of about 36.58 metres (120 feet) by 73.15 metres (240 feet). The factory building has a main floor area of about 2,675.52 square metres (28,800 square feet) and ancillary floor area of about 543.465 square metres (5,850 square feet).	Please refer to previous page

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Our ref: VI/03/0405/SC <u>Lot No</u> Lot 424, Mukim of Ijok, District of Kuala Selangor, Selangor Darul Ehsan <u>Title No</u> Geran Mukim 114 <u>Address</u> Lot 424, Mukim of Ijok, District of Kuala Selangor, Selangor Darul Ehsan <u>Land Area</u> 2.0108 hectares (4.969 acres) <u>Beneficial owner</u> Professional Aluminium Smelting Sdn Bhd <u>Category of Land Use</u> Perusahaan/Perindustrian <u>Encumbrances</u> Charged twice to Malayan Banking Berhad, i) vide presentation no. 1620/2004, registered on 14th September 2004. ii) vide presentation no. 1621/2004, registered on 14th September 2004 * **We wish to draw attention that from a "presentation statement" (Penyata Perserahan) dated 15th December 2005 made at the Pejabat Daerah/Tanah Selangor, we noted a discharge (No. Perserahan 2395/2005) and presentation for two new charges (No. Perserahan 2396/2005 and 2397/2005) have been submitted to the above land office to be endorsed on title no. GM 114, Lot 424.**	The subject property comprises a single storey detached factory and four single storey terraced factories. <u>Site</u> The site is a rectangular in shaped parcel of land having a land area of about 2.0108 hectares (4.969 acres). It has a frontage of about 100.89 metres (331 feet) onto Jalan Bukit Rotan and has a depth of about 200.16 metres (656.7 feet). <u>Building</u> Factory 'C' an open sided single storey detached factory is constructed of a steel portal frames laid over with metal decking sheets for roofing and is generally open sided. Floor finishes within the building are barefaced cement render. The building has a floor to eaves level height of about 7 metres (23 feet) and a width and length measurement of about 18.29 metres (60 feet) by 91.44 metres (300 feet). Factory 'D' comprises four single storey terraced factories and is constructed of steel portal frames with walls of plastered brick at the lower portions and metal deck cladding on the upper portions supporting metal decking sheet roofs incorporating raised jack roof. The entrance into each factory is secured by metal sliding doors whilst the windows are of adjustable and fixed glass louvers in timber frame. The building has a floor to eaves level height of about 7 metres (23 feet) and a width and length measurement of about 42.67 metres (140 feet) by 73.15 metres (240 feet). The building has a total floor area of about 3,121.44 square metres (33,600 square feet). The guard house has a built-up area of about 7.432 square metres (80 square feet).	RM7,600,000.00

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Further enquires with the landowners and their solicitors revealed that application to discharge the existing charges to Malayan Banking Berhad has been presented to the relevant land office and presentations to register the new charges to Ambank Berhad has been submitted to the land office. Tenure Interest in perpetuity Express Condition Perusahaan Restriction in Interest Nil Note : We wish to draw attention that as at the date of our inspection on 9th March 2005, construction work on the warehouse measuring about 8,400 square feet and the new four (4) storey factory cum office building had not yet commenced. As such, the said structure now erected on Lot 424 is not included in our valuation.	Please refer to previous page	Please refer to previous page

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Our ref: VI/04/0405/SC Lot No Lot 31491, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur Title No Pajakan Negeri 10092 Address No 11, Jalan 5/118C, Desa Tun Razak, 56000 Kuala Lumpur Land Area 223 square metres (2,400 square feet) Beneficial owner Chong Sze San and Len Yoong Chan (1/2 share each) * **We wish to draw attention that from a photocopy of the Sale and Purchase Agreement dated 30th May 2005 made between the vendors Chong Sze San and Len Yoong Chan, and the purchaser P.A. Extrusion (M) Sdn Bhd, we noted that the subject property has been sold to the purchaser. However, we also noted that the change of name to the purchasers as registered proprietors in title is yet to be effected.** Category of Land Use Perusahaan Encumbrances Charged thrice to Public Bank Berhad, i) vide presentation no 3181/1996, registered on 11th March 1996. ii) vide presentation no 8650/1997, registered on 12th June 1997	The subject property comprises an extended and renovated double storey mid terraced light industrial building Site The subject site is a rectangular in shape parcel of land having a land area of about 223 square metres (2,400 square feet). It has a frontage of about 9.144 metres (30 feet) to Jalan 5/118C and a depth of about 24.38 metres (80 feet). Building The double storey building is constructed of a reinforced concrete frame with brick infills, rendered externally and plastered internally supporting a metal trussed roof laid over with metal decking sheets. The entrance to the ground floor is via a tinted glass double leaf aluminium framed swing door further secured with metal roller shutters and metal sliding gates. The entrance to the first floor is secured with an automated metal security door with an intercom system. Other internal doors for the building are of nyatoh, ply timber flushed type, glass panel swing doors and timber doors incorporating glass panels. Windows are of aluminium framed casements incorporating tinted glass panels. The building has a gross floor area of about 445.92 square metres (4,800 square feet). The building has been extended and renovated with relevant approvals from the Jabatan Perancang dan Kawalan Bangunan bearing reference no: (4) dlm DBKL.JP&KB 5613, No. Siri 01459/TPC 11/29.8.95/28-DL No. Permohonan 064-795.	RM850,000.00

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iii) vide presentation no 18478/2001, registered on 9th October 2001 * **We wish to draw attention than enquiries with the landowner and their solicitors revealed that the above charges (i) and (ii) to Public Bank Berhad as at the date of this certificate of valuation has been discharged.** Tenure Leasehold interest for a term of 99 years expiring on 20th March 2085 Express Condition Bangunan yang didirikan diatas tanah ini hendaklah digunakan untuk maksud perusahaan yang diluluskan oleh kerajaan sahaja. Restriction in Interest Tanah ini tidak boleh dipindah milik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur	Please refer to previous page	Please refer to previous page

We have valued the properties as mentioned above by the Comparison Method of Valuation and as a check, the Cost Method and Investment Method of Valuation vide our Valuation Report under Reference No VI/02/0405/SC, VI/03/0405/SC and VI/04/0405/SC dated 6th May 2005.

We certify that in our opinion the total market value for the existing use of the above properties using the aforementioned valuation methods as at 6th May 2005 is RM16,350,000.00 (Ringgit Malaysia Sixteen Million Three Hundred and Fifty Thousand).

Yours faithfully,
T.D AZIZ SDN BHD

CHOCKALINGAM P.MOHAN, MIS(M)
Registered Valuer - V365