

13.0 ACCOUNTANTS' REPORT



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Chartered Accountants

6 November 2006

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Dear Sirs/Madam

**RESINTECH BERHAD
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for the inclusion in the Prospectus of Resintech Berhad ("RB" or "the Company") to be dated **30 NOV 2006** in connection with the listing of RB on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Section 2 of this report.

2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME

In conjunction with and as an integral part of the listing of RB on the Second Board of Bursa Securities, the Company undertook the following transactions which have been approved by the relevant authorities:-

(1) Acquisition by RB of Resintech Plastics (M) Sdn. Bhd. ("RPSB") and its subsidiaries ("RPSB Group")

Acquisition of the entire issued and paid-up share capital of RPSB comprising 5,000,000 ordinary shares of RM1.00 each for a total consideration of RM42,060,437 which was fully satisfied by the issuance of 84,119,996 new ordinary shares of RM0.50 each in RB at an issue price of approximately RM0.50 per ordinary share. The purchase consideration was arrived at based on the adjusted audited net assets of RPSB Group as at 29 February 2004 of RM42,060,437. The acquisition of RPSB is hereinafter referred to as "the Acquisition". The Acquisition was completed on 8 September 2005, accordingly RB and RPSB Group are referred to as "the RB Group" or "the Group" hereinafter.

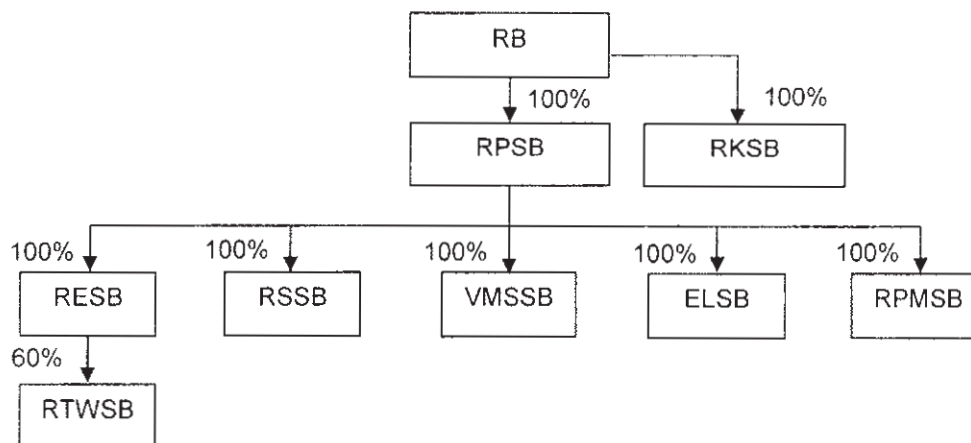
13.0 ACCOUNTANTS' REPORT (Continued)**2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME (CONT'D)****(2) Listing Scheme**

RB seeks a listing on the Second Board of Bursa Securities which comprise the following:-

- (a) public issue of 13,880,000 new ordinary shares of RM0.50 each in RB at an issue price of RM0.70 per new ordinary share, payable in full on application ("Public Issue");
- (b) offer for sale by the offerors of 5,100,000 ordinary shares of RM0.50 each in RB available by way of private placement to identified investors at an offer price of RM0.70 per ordinary share, payable in full on application ("Offer for Sale");
- (c) the establishment of an Employee Share Option Scheme ("ESOS") by RB which provides an option to its eligible directors and employees to subscribe for new ordinary shares in RB amounting up to 15% of the enlarged issued and paid-up share capital ("ESOS"); and
- (d) the listing of and quotation for the entire enlarged issued and paid-up share capital of RB comprising 98,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Securities.

3. GROUP STRUCTURE

The group structure of RB Group is as follows: -



RB acquired a 100% equity interest in RPSB on 8 September 2005. RPSB Group has been in existence throughout the Relevant Financial Period.

RKSB was incorporated on 1 June 2006 with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each were subscribed for on the date of incorporation. RB acquired a 100% equity interest in RKSB on 19 June 2006. On 5 July 2006, RKSB increased its ordinary paid-up share capital to RM100,000 by the allotment of 99,998 ordinary shares of RM1.00 each which was fully paid by RB.

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13.0 ACCOUNTANTS' REPORT (Continued)**3. GROUP STRUCTURE (CONT'D)**

Notes:-

RKSB	- Resintech-Kapar Sdn. Bhd.
RESB	- Resintech Engineering Sdn. Bhd.
RTWSB	- RT Water Technology Sdn. Bhd.
RSSB	- Resintech (Sabah) Sdn. Bhd.
VMSSB	- Vision Mould Specialist (M) Sdn. Bhd.
ELSB	- Exact Link Sdn. Bhd.
RPMSB	- Resintech Products Marketing Sdn. Bhd.

4. RELEVANT FINANCIAL PERIOD AND AUDITORS

The relevant financial period for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period is as follows:-

Company	Relevant Financial Period	Auditors	Auditors' Report
RB	Financial year ended ("FY") 30 September 2003.	KB Tan & Co.	Appendix I
	Financial period ("FP") from 1 October 2003 to 28 February 2005, FY 28 February 2006 and FP 31 August 2006.	Messrs. Horwath	Appendix II
RPSB Group	FY 28/29 February 2004 to 2006 and FP 31 August 2006.	Messrs. Horwath	Appendix III
RKSB	FP from 1 June 2006 (Date of incorporation) to 31 August 2006.	Messrs. Horwath	Appendix IV

The financial statements of RB, RPSB Group and RKSB for the Relevant Financial Period were reported upon without any audit qualification other than the emphasis of matter on the preparation of the financial statements of RB on a going concern basis for the FY 2003. A copy of the auditors' report is set out in Appendix I of this report.

5. ACCOUNTING STANDARDS AND POLICIES**5.1 BASIS OF PREPARATION**

The financial statements of RB Group and RPSB Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies below. The financial statements comply with approved accounting standards in Malaysia for the Relevant Financial Period.

13.0 ACCOUNTANTS' REPORT *(Continued)***5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.1 BASIS OF PREPARATION (CONT'D)**

During the FP 2006, RB Group and RPSB Group have adopted all of the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to their operations and effective for financial periods beginning on or after 1 January 2006. The applicable FRS are set out below:-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

The adoption of these new and revised FRS does not have any material financial effects on the financial statements of RB Group and RPSB Group.

5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by RB Group and RPSB Group in the preparation of this report are as follows:-

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are evaluated by the management on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Depreciation of Property, Plant and Equipment

The estimates of the residual values, useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of its property, plant and equipment to be insignificant. As a result, residual values are not being taken into consideration for the computation of depreciable amount.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)***(i) Depreciation of Equipment (Cont'd)*

The depreciation charge will increase when useful lives are less than previously estimated lives.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The RB Group and RPSB Group recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Functional and Foreign Currency*(i) Functional and Presentation Currency*

The individual financial statements of the Company and its subsidiaries are presented in its functional currency. Functional currency is determined by the primary economic environment in which each group entity operates.

The management has determined the functional currency of the Group to be Ringgit Malaysia ("RM"), as selling prices and major costs incurred by the Group are primarily transacted in RM.

The presentation currency of the financial statements of the Group and of the Company is in RM.

(ii) Transactions and balances

Transactions in foreign currency are converted into RM at the approximate rates of exchange ruling at the transaction date. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at the balance sheet date.

A subsidiary is defined as an enterprise in which the parent has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' assets, liabilities and contingent liabilities are determined and these values are reflected in the consolidated financial statements.

Subsidiaries acquired which have previously met the criteria for merger accounting will continue to be accounted for using merger accounting principles until the subsidiaries are disposed. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Basis of Consolidation (Cont'd)**

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group. Minority interests are presented in the consolidated balance sheet as part of the equity and are segregated from the shareholders' equity of the parent; and are separately disclosed in the consolidated income statement.

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of business combinations over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost, in the consolidated balance sheet and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of business combinations, the excess is recognised immediately in the income statement.

(f) Investments in Subsidiaries, Associates and Jointly Control Entities

Investments in subsidiaries, associates and jointly control entities are initially stated at cost in the balance sheet of the parent company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

13.0 ACCOUNTANTS' REPORT *(Continued)***5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Property, Plant and Equipment**

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation or amortisation and impairment losses, if any. Freehold land is stated at cost less any impairment losses, and is not depreciated.

Depreciation or amortisation is calculated under the straight-line method to write off the costs of the assets to its residual value over their estimated useful lives. The principal annual rates used for this purpose are as follows:-

Short and long leasehold land	Over the lease period of 16 to 99 years
Buildings	2%
Plant and machinery	10%
Tools and equipment	10% - 20%
Moulds	10%
Furniture and fittings	10%
Office equipment	10% - 12%
Motor vehicles and forklifts	20%
Electrical installation	10%
Renovation	10%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and is transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets till the date that the assets are completed and put into use, net of interest income on the temporary investment of those borrowings.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the period the asset is derecognised.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Impairment of Assets**

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(i) Assets Under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Section 5.2(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase arrangements.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, allowance is made for obsolete, slow-moving and defective inventories.

(k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(l) Amounts Due From/(To) Contract Customers

The amounts owing by/(to) contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and provision for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Interest-bearing Borrowings

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

Interest incurred on borrowings specifically taken to finance the construction of building, plant and machinery is capitalised and included as part of the cost of these capital assets until they are ready for their intended use.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(p) Income Taxes

Income tax expense for the period comprises current and deferred tax.

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

Deferred taxation is provided for, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost 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.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Income Taxes (Cont'd)**

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised 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 excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(q) Research And Development Expenditure

Research expenditure is written off to the income statement when incurred. Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure capitalised comprises costs incurred for development including direct and attributable indirect costs. Development costs initially recognised as an expense are not recognised as assets in a subsequent period.

Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit, but not exceeding five years, from the commencement of the commercial production of the products.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(s) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), inventories, receivables, and cash and bank balances.



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Segmental Information (Cont'd)

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(t) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(u) Revaluation Reserve

The Group has adopted a policy of regular revaluation for the landed properties whereby the properties are revalued periodically, at least once in every five years. Surplus arising from the revaluation of the properties are credited to a revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

Each year an amount to depreciation charge for the year on the net surplus on revaluation on relevant assets is transferred from the revaluation reserve to retained earnings. In the year of disposal of a revalued asset, the attributable revaluation surplus (net of depreciation, where applicable) is transferred from the revaluation reserve to retained earnings.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(v) Income Recognition***(i) Sale of goods*

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Contract income

Income on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the income on contracts will only be recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(iii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(iv) Interest income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(v) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(vi) Rental income

Rental income is recognised on an accrual basis.

13.0 ACCOUNTANTS' REPORT *(Continued)*



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no material changes in the significant accounting policies adopted by RB Group and RPSB Group during the Relevant Financial Period other than:

- (a) the change in accounting policy in FY 2004 with respect to the accounting treatment of deferred taxation to comply with FRS 112 - Income Taxes (formerly known as MASB 25). The change in the accounting policy has the effect of reducing the shareholders' equity of RPSB Group by approximately RM6,001,000 in that financial year; and
- (b) the adoption of the new and revised FRS, as disclosed in Section 5.1, which does not have any material financial effects on the financial statements of RB Group and RPSB Group for the Relevant Financial Period.

6. AUDITED FINANCIAL STATEMENTS

RB Group only existed in FY 2006, upon the completion of the acquisition by RB of RPSB Group on 8 September 2005, hence there are no consolidated financial statements of RB for the FY 2004 and FY 2005. For the purpose of this report, the audited financial statements of RPSB Group for FY 2004 to FY 2006 are also presented where RPSB Group had existed.

The audited financial statements of the subsidiaries, RESB, RTWSB, RSSB, VMSSB, ELSB and RPMSB, for the Relevant Financial Period are not shown separately as they are consolidated in RPSB Group for the Relevant Financial Period.

The financial statements of RB Group and RPSB Group as presented in Section 6.1 and Section 6.2 are based on the audited financial statements, modified as appropriate, for the purpose of this report.

All information are extracted from the audited financial statements except those in *italics* which are prepared based on calculation, representation and/or explanation provided by the management and those as otherwise indicated.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB****6.1.1 INCOME STATEMENTS OF RB**

Note	← The Company →					The Group	
	FY 2003 RM'000	FP 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000	FY 2006 RM'000	FP 2006 RM'000
Revenue	6.1.5	-	-	-	-	32,337	43,652
Cost of sales		-	-	-	-	(23,987)	(35,170)
Gross profit ("GP")		-	-	-	-	8,350	8,482
Other operating income	6.1.6	-	-	-	-	5,058	744
		-	-	-	-	13,408	9,226
Selling and distribution expenses		-	-	-	-	(604)	(796)
Administrative expenses		(1)	(10)	(36)	(32)	(2,382)	(2,554)
Other operating expenses		-	-	-	-	(713)	(1,053)
Finance costs		-	-	-	-	(1,026)	(1,405)
(Loss)/Profit before taxation ("LBT")/"PBT")		(1)	(10)	(36)	(32)	8,683	3,418
Depreciation		-	-	-	-	3,094	3,177
Interest expense		-	-	-	-	1,026	1,405
Interest income		-	-	-	-	(1)	-
(Loss)/Earnings before interest, depreciation and taxation		(1)	(10)	(36)	(32)	12,802	8,000
Depreciation		-	-	-	-	(3,094)	(3,177)
Interest expense		-	-	-	-	(1,026)	(1,405)
Interest income		-	-	-	-	1	-
(LBT)/PBT	6.1.7	(1)	(10)	(36)	(32)	8,683	3,418
Income tax expense	6.1.8	-	-	-	-	35	(423)
(Loss)/Profit after taxation ("LAT")/"PAT")		(1)	(10)	(36)	(32)	8,718	2,995
ATTRIBUTABLE TO:							
Equity holders of the parent		(1)	(10)	(36)	(32)	8,684	2,962
Minority interests ("MI")		-	-	-	-	34	33
		(1)	(10)	(36)	(32)	8,718	2,995
GP margin		N/A	N/A	N/A	N/A	25.8%	19.4%
PBT margin		N/A	N/A	N/A	N/A	26.9%	7.8%
PAT margin		N/A	N/A	N/A	N/A	27.0%	6.9%
Effective tax rate		N/A	N/A	N/A	N/A	-0.4%	12.4%
Interest coverage (times)		N/A	N/A	N/A	N/A	9.5	3.4
Weighted average number of ordinary shares in issue of RM0.50 each ('000)		#	^	40,101	^	84,120	40,101
Gross (loss)/earnings per share ("LPS")/"EPS") * (RM)		(500.00)	(5,000.00)	##	##	0.22	0.04
Net (LPS)/EPS * (RM)		(500.00)	(5,000.00)	##	##	0.22	0.04
Gross dividend rate		N/A	N/A	N/A	N/A	N/A	N/A

Horwath Offices in Malaysia:

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13.0 ACCOUNTANTS' REPORT *(Continued)*



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 RB (CONT'D)

6.1.1 INCOME STATEMENTS OF RB (CONT'D)

Notes:-

N/A - Not applicable.

* - *The Gross EPS and Net EPS were computed by dividing the PBT and PAT after MI respectively by the weighted average number of ordinary shares in issue during the period. The Gross EPS and Net EPS computed were not annualised.*

** - *The Consolidated Income Statements for the six-month financial period ended 31 August 2005 are unaudited and are included for comparison purposes only.*

- *Represents 2 ordinary shares of RM1.00 each.*

- *Negligible.*

^ - *Represents 4 ordinary shares of RM0.50 each.*

Commentary:-

(a) *The Company has remained dormant during the Relevant Financial Period under review.*

(b) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

(c) *The consolidated income statement of RB for FY 2006 comprised mainly the post-acquisition results of RPSB Group. The commentary on the results of RPSB Group is set out in Section 6.2.1 of this report.*

(d) *The consolidated income statement of RB for the six-month financial period ended 31 August 2006 incorporated the six-month results of RPSB Group and RKSB., a subsidiary acquired in FP 2006. RKSB commenced its operations in June 2006 and recorded a revenue of approximately RM2 million with a loss after taxation of RM0.3 million for FP 2006.*

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.2 BALANCE SHEETS OF RB**

Note	← The Company →				The Group		
	30.9.2003 RM'000	28.2.2005 RM'000	28.2.2006 RM'000	31.8.2006 RM'000	28.2.2006 RM'000	31.8.2006 RM'000	
ASSETS							
NON-CURRENT ASSETS							
Investments in subsidiaries	6.1.9	-	-	42,060	42,160	-	-
Property, plant and equipment	6.1.10	-	-	-	-	60,201	77,064
		-	-	42,060	42,160	60,201	77,064
CURRENT ASSETS							
Inventories	6.1.11	-	-	-	-	20,505	23,566
Amount due from contract customers	6.1.12	-	-	-	-	46	7
Trade receivables	6.1.13	-	-	-	-	18,642	21,282
Other receivables, deposits and prepayments		-	-	8	657	2,643	1,589
Tax refundable		-	-	-	-	55	106
Cash and bank balances		-	-	-	-	2,828	6,821
		-	-	8	657	44,719	53,371
TOTAL ASSETS		-	-	42,068	42,817	104,920	130,435
EQUITY AND LIABILITIES							
EQUITY							
Share capital	6.1.14	#	#	42,060	42,060	42,060	42,060
Share premium	6.1.15	-	-	1	1	1	1
(Accumulated losses)/ Retained profits		(32)	(42)	(78)	(95)	8,642	11,604
SHAREHOLDERS' EQUITY		(32)	(42)	41,983	41,966	50,703	53,665
MINORITY INTERESTS		-	-	-	-	124	157
TOTAL EQUITY		(32)	(42)	41,983	41,966	50,827	53,822
NON-CURRENT LIABILITIES							
Long-term borrowings	6.1.16	-	-	-	-	3,719	14,494
Deferred tax liabilities	6.1.17	-	-	-	-	10,258	10,235
		-	-	-	-	13,977	24,729
CURRENT LIABILITIES							
Amount due to contract customers	6.1.12	-	-	-	-	93	21
Trade payables	6.1.18	-	-	-	-	4,940	6,202
Other payables and accruals		-	3	2	6	3,188	3,628
Amount owing to a subsidiary	6.1.19	-	-	44	845	-	-
Amount owing to related parties	6.1.20	32	39	39	-	-	-
Provision for taxation		-	-	-	-	181	324
Short-term borrowings	6.1.21	-	-	-	-	22,767	34,185
Bank overdrafts	6.1.24	-	-	-	-	8,947	7,524
		32	42	85	851	40,116	51,884
TOTAL LIABILITIES		32	42	85	851	54,093	76,613
TOTAL EQUITY AND LIABILITIES		-	-	42,068	42,817	104,920	130,435

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13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.2 BALANCE SHEETS OF RB (CONT'D)**

	← The Company →				The Group	
	30.9.2003 RM'000	28.2.2005 RM'000	28.2.2006 RM'000	31.8.2006 RM'000	28.2.2006 RM'000	31.8.2006 RM'000
Number of ordinary shares of RM0.50 each in issue ('000)	^	^^	84,120	84,120	84,120	84,120
Net tangible (liabilities)/assets ("NTL"/"NTA") (RM'000)	(32)	(42)	41,983	41,966	50,703	53,665
NTA per ordinary share (RM)	*	*	0.50	0.50	0.60	0.64
Inventories turnover period (months)	N/A	N/A	N/A	N/A	5.1	4.0
Trade receivables turnover period (months)	N/A	N/A	N/A	N/A	3.5	2.9
Trade payables turnover period (months)	N/A	N/A	N/A	N/A	1.2	1.1
Gearing ratio (times)	N/A	N/A	N/A	N/A	0.7	1.0

Notes:-

- RM2.00.

^ - 2 ordinary shares of RM1.00 each.

^^ - 4 ordinary shares of RM0.50 each.

* - More than (RM1,000).

N/A - Not applicable.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.3 CASH FLOW STATEMENTS OF RB**

Note	← The Company →					The Group	
	FY 2003 RM'000	FP 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000	FY 2006 RM'000	FP 2006 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES							
	(1)	(10)	(36)	(32)	(17)	8,683	3,418
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES (Loss)/Profit before taxation							
Adjustments for:-							
Allowance for doubtful debts	-	-	-	-	-	53	318
Depreciation of property, plant and equipment	-	-	-	-	-	3,095	3,177
Equipment written off	-	-	-	-	-	1	5
Interest expense	-	-	-	-	-	1,026	1,405
Allowance for doubtful debts written back	-	-	-	-	-	(66)	(154)
Gain on disposal of property, plant and equipment	-	-	-	-	-	(26)	(103)
Interest income	-	-	-	-	-	(1)	-
Excess of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combinations	-	-	-	-	-	(4,920)	-
Operating (loss)/profit before working capital changes	(1)	(10)	(36)	(32)	(17)	7,845	8,066
Increase in inventories	-	-	-	-	-	(1,597)	(3,061)
Increase in trade and other receivables	-	-	(7)	(8)	(649)	(4,615)	(1,750)
Increase/(Decrease) in trade and other payables	1	2	(1)	(1)	4	(1,976)	1,702
Increase in net amount due to contract customers	-	-	-	-	-	45	(33)
CASH (FOR)/FROM OPERATIONS	-	(8)	(44)	(41)	(662)	(298)	4,924
Income tax paid	-	-	-	-	-	(228)	(354)
Interest paid	-	-	-	-	-	(1,026)	(1,405)
NET CASH (FOR)/FROM OPERATING ACTIVITIES CARRIED FORWARD	-	(8)	(44)	(41)	(662)	(1,552)	3,165

13.0 ACCOUNTANTS' REPORT (Continued)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 RB (CONT'D)

6.1.3 CASH FLOW STATEMENTS OF RB (CONT'D)

Note	← The Company →					The Group	
	FY 2003 RM'000	FP 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000	FY 2006 RM'000	FP 2006 RM'000
	NET CASH (FOR)/FROM OPERATING ACTIVITIES BOUGHT FORWARD						
	-	(8)	(44)	(41)	(662)	(1,552)	3,165
	CASH FLOWS FOR INVESTING ACTIVITIES						
	-	-	-	-	-	1	-
	-	-	-	-	-	34	190
6.1.25	-	-	-	-	-	(1,494)	(19,882)
6.1.26	-	-	-	-	-	(3,837)	-
	-	-	-	-	(100)	-	-
	NET CASH FOR INVESTING ACTIVITIES						
	-	-	-	-	(100)	(5,296)	(19,692)
	CASH FLOWS FROM FINANCING ACTIVITIES						
	-	-	-	-	-	3,335	8,944
	-	-	-	-	-	-	15,175
	-	-	-	-	-	(232)	(261)
	-	-	44	-	801	-	-
	-	-	-	-	-	(2,374)	(1,915)
	-	8	-	41	(39)	-	-
	NET CASH FROM FINANCING ACTIVITIES						
	-	8	44	41	762	729	21,943
	NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS						
	-	-	-	-	-	(6,119)	5,416
	CASH AND BANK BALANCES AT BEGINNING OF FINANCIAL YEAR/PERIOD						
	-	-	-	-	-	-	(6,119)
	CASH AND BANK BALANCES AT END OF FINANCIAL YEAR/PERIOD						
6.1.27	-	-	-	-	-	(6,119)	(703)

Note:-

** - The Cash Flow Statement of the Company for the six-month financial period ended 31 August 2005 is unaudited and is included for comparison purposes only.

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13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.4 STATEMENTS OF CHANGES IN EQUITY OF RB**

The Group	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
Balance at 1.3.2006	42,060	1	8,642	50,703	124	50,827
Profit after taxation for the financial period	-	-	2,962	2,962	33	2,995
Balance at 31.8.2006	42,060	1	11,604	53,665	157	53,822

The Company	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total Equity RM'000
Balance at 1.3.2005	#	-	(42)	(42)
Loss for the financial period	-	-	(32)	(32)
Balance at 31.8.2005**	#	-	(74)	(74)
Balance at 1.3.2006	42,060	1	(78)	41,983
Loss for the financial period	-	-	(17)	(17)
Balance at 31.8.2006	42,060	1	(95)	41,966

Notes:-

- RM2

** - The Statement Of Changes In Equity of the Company for the six-month financial period ended 31 August 2005 is unaudited and is included for comparison purposes only.

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.5 REVENUE**

	The Group	
	FY 2006	FP 2006
	RM'000	RM'000
Sale of goods	31,490	42,784
Services	345	53
Contract revenue	502	815
	<u>32,337</u>	<u>43,652</u>

Revenue from sale of goods and services represents the invoiced value of goods sold and services rendered less discounts and returns. Contract revenue represents the proportionate contract value attributable to work performed.

6.1.6 OTHER OPERATING INCOME

	The Group	
	FY 2006	FP 2006
	RM'000	RM'000
Excess of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combinations	4,920	-
Other income:		
- Allowance for doubtful debts written back	66	154
- Fixed deposit interest income	1	-
- Gain on disposal of plant and equipment	26	110
- Gain on foreign exchange - realised	11	104
- Sundry income	34	376
	<u>138</u>	<u>744</u>
	<u>5,058</u>	<u>744</u>

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.7 (LOSS)/PROFIT BEFORE TAXATION**

In addition to those disclosed in Section 6.1.6 to this report, (loss)/profit before taxation is arrived at after charging:-

	← The Company →					The Group	
	FY 2003 RM'000	FP 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000	FY 2006 RM'000	FP 2006 RM'000
Allowance for doubtful debts	-	-	-	-	-	53	318
Audit fee							
- statutory audit	1	1	1	1	10	20	29
- overprovision in the previous financial year	-	-	(1)	-	(1)	(1)	(5)
- other non-statutory services	-	2	1	2	5	9	29
Contract costs recognised as expenses	-	-	-	-	-	493	684
Depreciation of property, plant and equipment	-	-	-	-	-	3,095	3,177
Directors' non-fee emoluments	-	-	-	-	-	221	416
Equipment written off	-	-	-	-	-	1	5
Hire of equipment	-	-	-	-	-	1	-
Interest expense:							
- bank overdrafts	-	-	-	-	-	328	351
- bills payable	-	-	-	-	-	376	580
- hire purchase	-	-	-	-	-	25	29
- term loans	-	-	-	-	-	297	445
Rental of premises	-	-	-	-	-	15	27
Research expenses	-	-	-	-	-	17	17
Staff costs	-	-	-	-	-	1,759	2,235

Note:-

** - Not audited and is included for comparison purposes only.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.8 INCOME TAX EXPENSE**

	The Group	
	FY 2006	FP 2006
	RM'000	RM'000
Current tax expense		
- for the financial year	448	503
- overprovision in the previous financial year	-	(57)
	448	446
Deferred tax expense (Section 6.1.17)		
- relating to origination and reversal of temporary differences	(483)	(23)
	(35)	423

A reconciliation of the income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of RB Group and the Company is as follows:-

	← The Company →					The Group	
	FY 2003	FP 2005	FY 2006	FP 2005**	FP 2006	FY 2006	FP 2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(1)	(10)	(36)	(32)	(17)	8,683	3,418
Tax at the statutory tax rate	#	(3)	(10)	(9)	(5)	2,431	923
Tax effects:-							
Non-taxable gains	-	-	-	-	-	(1,636)	(19)
Non-deductible expenses	#	3	10	9	5	127	555
Utilisation of reinvestment allowances	-	-	-	-	-	(939)	(1,001)
Utilisation of previously not recognised deferred tax assets	-	-	-	-	-	-	(46)
Deferred tax assets not recognised during the financial year/period	-	-	-	-	-	31	89
Overprovision of current tax expense in the previous financial year	-	-	-	-	-	-	(57)
Differential in tax rates	-	-	-	-	-	(49)	(21)
Tax for the financial year/period	-	-	-	-	-	(35)	423

Notes:-

- Negligible.

** - Not audited and is included for comparison purposes only.

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13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.8 INCOME TAX EXPENSE (CONT'D)**

Subject to agreement with the tax authorities, RB Group has unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances at the balance sheet date available to be carried forward for offset against future taxable business income as follows:-

	The Group	
	FY 2006 RM'000	FP 2006 RM'000
Unutilised tax losses *	987	1,372
Unabsorbed capital allowances *	189	117
Unutilised reinvestment allowances	8,218	6,379
	<u>9,394</u>	<u>7,868</u>

* No deferred tax assets are recognised in the balance sheet on these items.

6.1.9 INVESTMENTS IN SUBSIDIARIES

	← The Company →			
	30.9.2003 RM'000	28.2.2005 RM'000	28.2.2006 RM'000	31.8.2006 RM'000
Unquoted shares, at cost	-	-	42,060	42,160

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

NAME OF COMPANY	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	28.2.2006	31.8.2006	
Direct subsidiaries:-			
Resintech Plastics (M) Sdn. Bhd.	100%	100%	Designing, manufacturing, trading and marketing of a diversified range of plastic pipes, water tanks and fittings, and investment holding.
Resintech-Kapar Sdn. Bhd.	-	100%	Designing, manufacturing, trading and marketing of a diversified range of PP, PE and ABS pipes and fittings.

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13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.9 INVESTMENTS IN SUBSIDIARIES (CONT'D)**

NAME OF COMPANY	Effective Equity Interest		PRINCIPAL ACTIVITIES
	28.2.2006	31.8.2006	
Indirect subsidiaries:-			
Resintech Engineering Sdn. Bhd.^	100%	100%	Provision of CCTV inspection services for water and sewerage pipelines, trading and marketing of fibreglass products and investment holding.
Resintech (Sabah) Sdn. Bhd.^	100%	100%	Trading and marketing of a diversified range of plastic pipes, water tanks and fittings.
Resintech Products Marketing Sdn. Bhd.^	100%	100%	Trading of children's playground equipment.
Vision Mould Specialist (M) Sdn. Bhd.^	100%	100%	Fabrication of plastic moulds and roto-moulding moulds.
Exact Link Sdn. Bhd.^	100%	100%	Property holding.
RT Water Technology Sdn. Bhd.#	60%	60%	Designing and contracting for sewerage treatment plants and the provision of consultancy services including survey, design and project management.

^ Interest held by Resintech Plastics (M) Sdn. Bhd.

Interest held by Resintech Engineering Sdn. Bhd.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.10 PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land, Short And Long Leasehold Land And Buildings RM'000	Plant, Machinery, Tools, Equipment And Moulds RM'000	Furniture, Fittings, And Office Equipment RM'000	Motor Vehicles And Forklifts RM'000	Electrical Installation And Renovation RM'000	Capital Work-In- Progress RM'000	Total RM'000
Net book value At 1.3.2005	-	-	-	-	-	-	-
Acquisition of subsidiaries	33,262	24,766	484	1,519	850	744	61,625
Additions	10	417	51	318	-	884	1,680
Disposals/Written off	-	(1)	-	(8)	-	-	(9)
Depreciation charge	(373)	(2,247)	(69)	(301)	(105)	-	(3,095)
Net book value at 28.2.2006/1.3.2006	32,899	22,935	466	1,528	745	1,628	60,201
Additions	4,692	13,103	19	574	227	1,517	20,132
Disposals/Written off	-	(60)	(5)	(27)	-	-	(92)
Depreciation charge	(338)	(2,332)	(69)	(332)	(106)	-	(3,177)
Net book value at 31.8.2006	37,253	33,646	411	1,743	866	3,145	77,064
At 31.8.2006 At cost	40,536	64,768	1,692	3,990	2,592	3,145	116,723
Accumulated depreciation	(3,283)	(31,122)	(1,282)	(2,246)	(1,726)	-	(39,659)
Net book value	37,253	33,646	410	1,744	866	3,145	77,064
At 28.2.2006 At cost	35,844	51,716	1,700	3,575	2,365	1,628	96,828
Accumulated depreciation	(2,945)	(28,781)	(1,234)	(2,047)	(1,620)	-	(36,627)
Net book value	32,899	22,935	466	1,528	745	1,628	60,201

(a) The net book values of the freehold land, short and long leasehold land and buildings at the balance sheet date were as follows:-

	The Group	
	28.2.2006 RM'000	31.8.2006 RM'000
Freehold land	83	3,233
Short leasehold land	539	512
Long leasehold land	12,789	12,771
Buildings	19,488	20,737
	<u>32,899</u>	<u>37,253</u>

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13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.10 PROPERTY, PLANT AND EQUIPMENT**

(b) The net book values of the property, plant and equipment at the balance sheet date pledged as security with the bank for credit facilities were as follows:-

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Freehold land and buildings	-	4,677
Long leasehold land and buildings	31,925	28,966
Plant and machinery	8,044	7,337
	<u>39,969</u>	<u>40,980</u>

(c) Included in the net book values of property, plant and equipment at the balance sheet date were the following assets acquired under hire purchase terms:-

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Plant and equipment	179	157
Motor vehicles	1,214	1,154
	<u>1,393</u>	<u>1,311</u>

(d) The titles to the following assets have not yet been issued by the relevant authorities:-

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
At net book value:-		
Short leasehold land	277	275
Long leasehold land and buildings	29,245	29,065
	<u>29,522</u>	<u>29,340</u>

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.11 INVENTORIES**

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
At cost:-		
Raw materials	5,629	5,509
Work-in-progress	36	30
Finished goods	14,840	18,027
	<u>20,505</u>	<u>23,566</u>

None of the inventories was carried at fair value less costs to sell, at the balance sheet date.

6.1.12 AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Contract costs incurred	1,473	1,415
Attributable profits	265	345
	<u>1,738</u>	<u>1,760</u>
Progress billings	(1,785)	(1,774)
Net amount due to contract customers	<u>(47)</u>	<u>(14)</u>

The net amount due to contract customers comprises the following:-

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Amount due from contract customers	46	7
Amount due to contract customers	(93)	(21)
	<u>(47)</u>	<u>(14)</u>

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.13 TRADE RECEIVABLES**

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Trade receivables	20,204	23,008
Allowance for doubtful debts:-		
At beginning of the financial year/period	-	(1,562)
Arising from the acquisition of subsidiaries	(1,575)	-
Additions	(53)	(318)
Write-back	66	154
At end of the financial year/period	(1,562)	(1,726)
	<u>18,642</u>	<u>21,282</u>

RB Group's normal credit terms range from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

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

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Singapore Dollar	323	286
United States Dollar	13	-

The trade receivables ageing analysis for the FP 2006 is set out below:-

	0 to 30 Days RM'000	31 to 60 Days RM'000	61 to 90 Days RM'000	> 90 Days RM'000	Gross RM'000	Allowance For Doubtful Debts	
						RM'000	Net RM'000
Balance as at 31.8.2006	<u>5,773</u>	<u>5,832</u>	<u>3,368</u>	<u>8,035</u>	<u>23,008</u>	<u>(1,726)</u>	<u>21,282</u>

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.14 SHARE CAPITAL**

	← THE COMPANY →			
	28.2.2006 NUMBER OF SHARES ('000)	31.8.2006	28.2.2006 RM'000	31.8.2006 RM'000
ORDINARY SHARES OF RM0.50 Each:-				
AUTHORISED				
At beginning of the financial year/period	50,000	200,000	25,000	100,000
Created during the financial year	150,000	-	75,000	-
At end of the financial year/period	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>
ISSUED AND FULLY PAID-UP				
At beginning of the financial year/period	^	84,120	#	42,060
Allotment of shares pursuant to acquisition of subsidiaries	84,120	-	42,060	-
At end of the financial year/period	<u>84,120</u>	<u>84,120</u>	<u>42,060</u>	<u>42,060</u>

Notes:-

- RM2.00.

^ - 4 ordinary shares of RM0.50 each.

6.1.15 SHARE PREMIUM

	The Company	
	28.2.2006 RM'000	31.8.2006 RM'000
At beginning of the financial year/period	-	1
Premium arising on shares issued pursuant to the acquisition of subsidiaries	1	-
At end of the financial year/period	<u>1</u>	<u>1</u>

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.16 LONG-TERM BORROWINGS**

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Secured:		
Hire purchase payables (Section 6.1.22)	152	259
Term loans (Section 6.1.23)	3,567	14,235
	<u>3,719</u>	<u>14,494</u>

6.1.17 DEFERRED TAX LIABILITIES

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
At beginning of the financial year/period	-	10,258
Arising from the acquisition of subsidiaries	10,741	-
Recognised in the income statement (Section 6.1.8)	(483)	(23)
At end of the financial year/period	<u>10,258</u>	<u>10,235</u>

The deferred tax liabilities comprise the following:-

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Accelerated capital allowances	6,146	6,007
Revaluation of properties of subsidiaries	4,112	4,228
	<u>10,258</u>	<u>10,235</u>

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.18 TRADE PAYABLES**

The normal trade credit terms granted to RB Group range from 30 to 90 days.

	<i>0 to 30 Days RM'000</i>	<i>31 to 60 Days RM'000</i>	<i>61 to 90 Days RM'000</i>	<i>> 90 Days RM'000</i>	<i>Total RM'000</i>
<i>Balance as at 31.8.2006</i>	<i>1,799</i>	<i>3,097</i>	<i>1,224</i>	<i>82</i>	<i>6,202</i>

6.1.19 AMOUNT OWING TO A SUBSIDIARY

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

6.1.20 AMOUNT OWING TO RELATED PARTIES

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

6.1.21 SHORT-TERM BORROWINGS

	<i>The Group</i>	
	<i>28.2.2006</i>	<i>31.8.2006</i>
	<i>RM'000</i>	<i>RM'000</i>
Secured:		
Bills payable	<i>19,539</i>	<i>28,483</i>
Hire purchase payables (Section 6.1.22)	<i>423</i>	<i>305</i>
Term loans (Section 6.1.23)	<i>2,805</i>	<i>5,397</i>
	<i>22,767</i>	<i>34,185</i>

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.21 SHORT-TERM BORROWINGS (CONT'D)**

The bills payable of RB Group at the balance sheet date bore effective interest at rates ranging from 4.04% to 8.50% (28.2.2006 - 4.37% to 8.10%) per annum and are secured by way of:-

- (a) legal charges over certain long leasehold land and buildings of the subsidiaries and of a related party;
- (b) a debenture over certain plant and machinery of a subsidiary; and
- (c) a joint and several guarantee of Dato' Dr. Teh Kim Poo, DSSA, PJK, JP, Datin Gan Jew, PJK, directors of RB, and Teh Leng Kang, PJK and Resintech Holding Sdn. Bhd., a related party.

6.1.22 HIRE PURCHASE PAYABLES

	The Group	
	28.2.2006	31.8.2006
	RM'000	RM'000
Future minimum hire purchase payments		
- not later than one year	475	339
- later than one year and not later than five years	161	291
	636	630
Less: Future finance charges	(61)	(66)
Present value of hire purchase payables	575	564
Current:		
- not later than one year (Section 6.1.21)	423	305
Non-current:		
- later than one year and not later than five years (Section 6.1.16)	152	259
	575	564

The hire purchase payables of RB Group at the balance sheet date bore effective interest at rates ranging from 5.11% to 7.87% (28.2.2006 - 6.14% to 7.87%) per annum.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.23 TERM LOANS**

	The Group	
	28.2.2006 RM'000	31.8.2006 RM'000
Secured:		
Not later than one year (Section 6.1.21)	2,805	5,397
Later than one year and not later than five years (Section 6.1.16)	3,567	14,235
	<u>6,372</u>	<u>19,632</u>

Term loan	Number of monthly instalment	Monthly instalment RM	Commencement date of repayment	The Group	
				28.2.2006 RM'000	31.8.2006 RM'000
1	84	101,473	February 2002	2,693	2,184
2	60	124,570	January 2002	1,099	387
3	180	34,770	March 1998	1,372	1,218
4	180	21,596	November 1996	797	700
5	36	66,049	February 2003	411	681
6	60	11,952	December 2005	-	347
7	84	94,840	May 2006	-	1,133
8	60	63,300	August 2006	-	3,777
9	60	193,000	October 2006	-	9,205
				<u>6,372</u>	<u>19,632</u>

The term loans of RB Group at the balance sheet date bore effective interest at rates ranging from 4.18% to 8.60% (28.2.2006 - 4.20% to 8.10%) per annum and are secured in the same manner as the bills payable disclosed in Section 6.1.21 to this report.

6.1.24 BANK OVERDRAFTS

The bank overdrafts of RB Group at the balance sheet date bore effective interest at rates ranging from 7.75% to 8.60% (28.2.2006 - 7.25% to 8.30%) per annum and are secured in the same manner as the bills payable as disclosed in Section 6.1.21 to this report.

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.25 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	The Group	
	FY 2006 RM'000	FP 2006 RM'000
Cost of property, plant and equipment purchased	1,680	20,132
Amount financed through hire purchase	(186)	(250)
	1,494	19,882

6.1.26 ACQUISITION OF SUBSIDIARIES

On 8 September 2005, RB acquired the entire equity interest of RPSB Group for a purchase consideration of RM42,060,437. The purchase consideration was satisfied by the issuance of 84,119,996 new ordinary shares of RM0.50 each at an issue price of approximately RM0.50.

On 21 June 2006, RB acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each of RKSB for a cash consideration of RM2.00. On 5 July 2006, RKSB increased its ordinary paid-up share capital to RM100,000 by the allotment of 99,998 ordinary shares of RM1.00 each which was fully paid by RB.

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.26 ACQUISITION OF SUBSIDIARIES (CONT'D)**

The effects of net assets acquired and cash flow arising from the acquisition of the subsidiaries are as follows:-

	The Group	
	FY 2006 RM'000	FP 2006 RM'000
Property, plant and equipment	61,625	-
Other current assets	35,763	-
Cash and cash equivalents	(3,837)	2
Current and deferred liabilities	(41,563)	-
Long-term liabilities	(4,918)	-
Minority interests	(90)	-
Net fair value of assets and liabilities acquired	46,980	2
Excess of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combinations	(4,920)	-
Total cost of business combinations	<u>42,060</u>	<u>2</u>
Cost of business combinations satisfied by:		
- issuance of new ordinary shares	42,060	-
- cash	-	(2)
Cash and cash equivalents of subsidiaries acquired	(3,837)	2
Cash outflow on acquisition of subsidiaries	<u>(3,837)</u>	<u>-</u>

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.26 ACQUISITION OF SUBSIDIARIES (CONT'D)**

The effects of the acquisition of subsidiaries on the financial results of RB Group for the financial year are as follows:-

	The Group	
	FY 2006	FP 2006
	RM'000	RM'000
Revenue	32,337	4,156
Cost of sales	(23,987)	(4,166)
Gross profit/(loss)	8,350	(10)
Other operating income	5,131	10
	13,481	-
Selling and distribution expenses	(604)	-
Administrative expenses	(2,418)	(255)
Other operating expenses	(713)	-
Finance costs	(1,026)	(75)
Profit/(Loss) before taxation	8,720	(330)
Income tax expense	34	-
Profit/(Loss) after taxation	8,754	(330)
Minority interests	(34)	-
Increase/(Decrease) in net profit of RB Group	8,720	(330)

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.26 ACQUISITION OF SUBSIDIARIES (CONT'D)**

The effects of the acquisition of the subsidiaries on the financial position of the Group at the end of the financial year are as follows:-

	The Group	
	FY 2006 RM'000	FP 2006 RM'000
Property, plant and equipment	60,201	531
Inventories	20,505	3,982
Other current assets	21,461	1,685
Cash and cash equivalents	(6,119)	321
Current liabilities	(31,167)	(6,749)
Long-term borrowings	(3,719)	-
Deferred taxation	(10,258)	-
Minority interests	(124)	-
Increase/(Decrease) in net assets of RB Group	<u>50,780</u>	<u>(230)</u>

6.1.27 CASH AND CASH EQUIVALENTS

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

	The Group	
	FY 2006 RM'000	FP 2006 RM'000
Cash and bank balances	2,828	6,821
Bank overdrafts	(8,947)	(7,524)
	<u>(6,119)</u>	<u>(703)</u>

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.28 DIRECTORS' REMUNERATION**

The aggregate amount of emoluments received and receivable by the Directors of RB during the financial year/period are as follows:-

	The Company	
	FY 2006 RM'000	FP 2006 RM'000
Executive directors:		
- non-fee emoluments	221	408
Non-executive director:		
- non-fee emoluments	-	9
	<u>221</u>	<u>417</u>

The details of emoluments for the directors of the Company received/receivable for the financial year/period in bands of RM50,000 are as follows:-

	The Company			
	Executive Directors		Non-Executive Director	
	FY 2006	FP 2006	FY 2006	FP 2006
Below RM50,000	1	2	-	1
RM50,001 - RM100,000	-	2	-	-
RM150,001 - RM200,000	1	-	-	-
RM200,001 - RM250,000	-	1	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 RB (CONT'D)****6.1.29 SIGNIFICANT RELATED PARTY TRANSACTIONS**

	Note	Nature of Transactions	The Group	
			FY 2006 RM'000	FP 2006 RM'000
Resintech Holdings Sdn. Bhd.	(a)	Sales of goods	2	103
		Rental paid/payable	15	15

(a) A company in which Dato' Dr. Teh Kim Poo, DSSA, PJK, JP and Datin Gan Jew, PJK, who are the directors of the Company, have substantial financial interests.

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

6.1.30 CAPITAL COMMITMENTS

	The Group	
	28.2.2006 RM'000	31.8.2006 RM'000
Property, plant and equipment:		
- approved and contracted for	12,023	1,199
- approved but not contracted for	185	-
	<u>12,208</u>	<u>1,199</u>

6.1.31 FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the balance sheet date are as follows:-

	The Group	
	28.2.2006 RM	31.8.2006 RM
Singapore Dollar	2.29	2.29
United States Dollar	3.71	3.71



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 RB (CONT'D)

6.1.32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Amounts Owing To A Subsidiary/Related Parties

It is not practicable to estimate the fair values of the amounts owing to a subsidiary/the related parties due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

(b) Long-Term Borrowings

The carrying amounts approximated the fair values of these instruments. The fair values of the long-term borrowings are determined by discounting the relevant cash flows using the current interest rates for similar instruments at the balance sheet date.

(c) Bank Balances And Other Short-Term Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP****6.2.1 INCOME STATEMENTS OF RPSB GROUP**

	Note	FY 2004 RM'000	FY 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000
Revenue	6.2.5	52,014	54,135	60,913	28,576	39,496
Cost of sales		(33,082)	(39,546)	(45,530)	(21,542)	(31,139)
Gross profit ("GP")		18,932	14,589	15,383	7,034	8,357
Other operating income	6.2.6	2,103	1,035	334	196	869
		21,035	15,624	15,717	7,230	9,226
Selling and distribution expenses		(1,034)	(990)	(1,146)	(543)	(796)
Administrative expenses		(3,534)	(4,215)	(4,380)	(2,034)	(2,267)
Other operating expenses		(2,382)	(1,419)	(1,441)	(728)	(1,053)
Finance costs		(3,322)	(2,364)	(2,049)	(1,023)	(1,345)
Profit before taxation ("PBT")		10,763	6,636	6,701	2,902	3,765
Depreciation		5,818	5,842	5,962	2,868	3,168
Interest expense		3,322	2,364	2,049	1,023	1,345
Interest income		(332)	-	(1)	-	-
Earnings before interest, depreciation and taxation		19,571	14,842	14,711	6,793	8,278
Depreciation		(5,818)	(5,842)	(5,962)	(2,868)	(3,168)
Interest expense		(3,322)	(2,364)	(2,049)	(1,023)	(1,345)
Interest income		332	-	1	-	-
PBT	6.2.7	10,763	6,636	6,701	2,902	3,765
Income tax expense	6.2.8	(1,555)	(582)	(234)	(269)	(423)
Profit after taxation ("PAT")		9,208	6,054	6,467	2,633	3,342
ATTRIBUTABLE TO:						
Equity holders of the parent		9,428	6,213	6,431	2,631	3,309
Minority interests ("MI")		(220)	(159)	36	2	33
		9,208	6,054	6,467	2,633	3,342
GP margin		36.4%	26.9%	25.3%	24.6%	21.2%
PBT margin		20.7%	12.3%	11.0%	10.2%	9.5%
PAT margin		17.7%	11.2%	10.6%	9.2%	8.5%
Effective tax rate		14.4%	8.8%	3.5%	9.3%	11.2%
Interest coverage (times)		4.2	3.8	4.3	3.8	3.8
Weighted average number of ordinary shares in issue of RM1.00 each ('000)#		4,597	5,000	5,000	5,000	5,000
Gross earnings per share ("EPS") * (RM)		2.39	1.36	1.33	0.58	0.75
Net EPS * (RM)		2.05	1.24	1.29	0.53	0.66
Gross dividend rate		737.3%	84.0%	-	-	-

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13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP (CONT'D)****6.2.1 INCOME STATEMENTS OF RPSB GROUP (CONT'D)**

Notes:-

- # - *The weight average number of ordinary shares for FY 2004 was computed after taking into consideration the rights issue of 2,461,996 issued by RPSB during FY 2004.*
- * - *The Gross EPS and Net EPS were computed by dividing the PBT and PAT after MI respectively by the weighted average number of ordinary shares in issue during the period. The Gross EPS and Net EPS computed were not annualised.*
- ** - *The Consolidated Income Statements for the six-month financial period ended 31 August 2005 are unaudited and are included for comparison purposes only.*

Commentary:-

(a) *Revenue for FY 2004 increased by 4.5% to RM52.0 million compared to FY 2003 mainly due to the increase in demand for HDPE corrugated sewer pipes and HDPE pipes. PBT increased by 18.7% to RM10.8 million mainly due to the increase in other operating income, mainly attributed to gain on disposal of property, plant and equipment.*

(b) *Revenue for FY 2005 was slightly higher by 4% or RM2.1 million to RM54 million as compared to FY 2004. The demand for PVC pipes, poly septic and water tanks and underground pipes had increased during the financial year whilst the demand for HDPE products series had decreased. The slight change in the sales mix was mainly due to the increase in selling price of the existing products arising from the increase in resin price, whereby some of the customers had switched their demands to substitute products with lower prices.*

Despite the slight increase in revenue, PBT for FY 2005 decreased by 38.3% or RM4.1 million mainly due to the decrease in gross profit margin by 9.5% from 36.4% in FY 2004 to 26.9% in FY 2005. The lower gross profit margin was largely due to the increase in resin price which could not be fully passed to the customers.

(c) *Revenue for FY 2006 increased further by 12.5% or RM6.8 million to RM60.9 million as compared to FY 2005 mainly due to increase in demand for HDPE corrugated cable pipes, HDPE corrugated drainage pipes and HDPE sewer pipes as a result of a huge order from a customer which amounted to RM5.2 million.*

Despite the increase in revenue, PBT for FY 2006 remained fairly constant as compared to FY 2005. This was mainly due to the decrease in other operating income. Other operating income for FY 2005 comprised the gain from the disposal of property, plant and equipment and investment amounting to RM0.7 million.

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13.0 ACCOUNTANTS' REPORT *(Continued)*



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 RPSB GROUP (CONT'D)

6.2.1 INCOME STATEMENTS OF RPSB GROUP (CONT'D)

Commentary (Cont'd):-

(d) *The annualised revenue for the six-month financial period ended 31 August 2006 (FP 2006) increased by 29.7% or RM18.1 million as compared to FY 2006 mainly due to the increase in demand for HDPE pipes and HDPE corrugated pipes as a result of huge orders secured from three new customers of which an amount of RM8.1 million had been fulfilled and the goods had been delivered during the FP 2006.*

The annualised PBT for FP 2006 increased by 12.4% or RM0.8 million as compared FY 2006 mainly due to the increase in revenue. However, the percentage of increase in PBT was lower than revenue mainly due to the increase in the purchase prices of resins, the main raw material, which had led to a lower gross profit margin of 21.2%, as compared to 25.3% in FY 2006.

(e) *The effective tax rates for FY 2004 to FY 2006 and FP 2006 were lower than the statutory tax rate mainly due to the utilisation of reinvestment allowances.*

(f) *There were no exceptional or extraordinary items in the Relevant Financial Period under review.*

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

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP (CONT'D)****6.2.2 BALANCE SHEETS OF RPSB GROUP**

	Note	29.2.2004 RM'000	28.2.2005 RM'000	28.2.2006 RM'000	31.8.2006 RM'000
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment	6.2.9	55,330	50,926	60,201	76,533
CURRENT ASSETS					
Inventories	6.2.10	12,088	15,148	20,505	19,584
Amount due from contract customers	6.2.11	-	31	46	7
Trade receivables	6.2.12	15,407	12,268	18,642	19,677
Other receivables, deposits and prepayments		620	893	2,674	852
Amount owing by holding company	6.2.13	-	-	44	845
Amount owing by a related company		-	-	-	6,355
Tax refundable		-	147	55	106
Fixed deposits with licensed banks	6.2.14	12,495	-	-	-
Cash and bank balances		189	662	2,828	6,501
		40,799	29,149	44,794	53,927
TOTAL ASSETS		96,129	80,075	104,995	130,460
EQUITY AND LIABILITIES					
EQUITY					
Share capital	6.2.15	5,000	5,000	5,000	5,000
Reserves	6.2.16	27,809	30,022	45,780	49,089
SHAREHOLDERS' EQUITY		32,809	35,022	50,780	54,089
MINORITY INTERESTS		632	88	124	157
TOTAL EQUITY		33,441	35,110	50,904	54,246
NON-CURRENT LIABILITIES					
Deferred tax liabilities	6.2.18	6,904	7,242	10,258	10,235
Long-term borrowings	6.2.19	11,632	6,953	3,719	14,494
		18,536	14,195	13,977	24,729
CURRENT LIABILITIES					
Amount due to contract customers	6.2.11	-	33	93	21
Trade payables	6.2.20	6,124	4,350	4,940	6,134
Other payables and accruals		2,636	3,419	3,186	3,297
Amount owing to directors	6.2.21	1,319	17	-	-
Provision for taxation		654	38	181	324
Short-term borrowings	6.2.22	16,233	14,647	22,767	34,185
Bank overdrafts	6.2.25	17,186	8,266	8,947	7,524
		44,152	30,770	40,114	51,485
TOTAL LIABILITIES		62,688	44,965	54,091	76,214
TOTAL EQUITY AND LIABILITIES		96,129	80,075	104,995	130,460

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13.0 ACCOUNTANTS' REPORT *(Continued)***6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP (CONT'D)****6.2.2 BALANCE SHEETS OF RPSB GROUP (CONT'D)**

	29.2.2004	28.2.2005	28.2.2006	31.8.2006
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>	5,000	5,000	5,000	5,000
<i>Net tangible assets ("NTA") (RM'000)</i>	32,809	35,022	50,780	54,089
<i>NTA per ordinary share (RM)</i>	6.6	7.0	10.2	10.8
<i>Inventories turnover period (months)</i>	4.4	4.6	5.4	3.8
<i>Trade receivables turnover period (months)</i>	3.6	2.7	3.7	3.0
<i>Trade payables turnover period (months)</i>	2.2	1.3	1.3	1.2
<i>Gearing ratio (times)</i>	1.4	0.9	0.7	1.0

13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP (CONT'D)****6.2.3 CASH FLOW STATEMENTS OF RPSB GROUP**

	Note	FY 2004 RM'000	FY 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES						
Profit before taxation		10,763	6,637	6,701	2,902	3,765
Adjustments for:-						
Allowance for doubtful debts		1,275	267	238	185	318
Bad debts written off		10	2	-	-	-
Depreciation of property, plant and equipment		5,818	5,842	5,962	2,868	3,168
Impairment loss on properties		-	29	-	-	-
Interest expense		3,322	2,364	2,049	1,023	1,345
Plant and equipment written off		-	-	5	4	5
Allowance for doubtful debts written back		-	(268)	(81)	(14)	(154)
Gain on disposal of property, plant and equipment		(1,456)	(512)	(26)	-	(103)
Gain on disposal of a subsidiary		-	(156)	-	-	-
Interest income		(332)	-	(1)	-	-
Reversal of impairment loss		-	-	(27)	(27)	-
Operating profit before working capital changes		19,400	14,205	14,820	6,941	8,344
Increase in inventories		(950)	(3,738)	(5,357)	(3,760)	921
(Increase)/Decrease in trade and other receivables		(2,070)	2,477	(8,311)	(3,667)	623
Increase/(Decrease) in trade and other payables		649	(663)	357	2,294	1,305
Increase in net amount due to contract customers		-	2	45	1	(33)
Increase in amount owing by related parties		(103)	-	-	-	-
CASH FROM OPERATIONS		16,926	12,283	1,554	1,809	11,160
Income tax paid		(827)	(1,046)	(605)	(377)	(354)
Interest paid		(3,322)	(2,364)	(2,049)	(1,023)	(1,345)
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		12,777	8,873	(1,100)	409	9,461

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13.0 ACCOUNTANTS' REPORT (Continued)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 RPSB GROUP (CONT'D)****6.2.3 CASH FLOW STATEMENTS OF RPSB GROUP (CONT'D)**

	Note	FY 2004 RM'000	FY 2005 RM'000	FY 2006 RM'000	FP 2005** RM'000	FP 2006 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		12,777	8,873	(1,100)	409	9,461
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES						
Interest received		332	-	1	-	-
Proceeds from disposal of property, plant and equipment		5,754	1,495	37	3	190
Purchase of property, plant and equipment	6.2.26	(2,154)	(1,794)	(2,092)	(598)	(19,342)
Net cash inflow from disposal of a subsidiary	6.2.27	-	572	-	-	-
Advances to holding company		-	-	(44)	-	(801)
Advances to a related company		-	-	-	-	(6,355)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		3,932	273	(2,098)	(595)	(26,308)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES						
(Repayment)/Drawdown of bills payable		(3,438)	(1,942)	9,822	6,486	8,944
Drawdown of term loans		-	-	-	-	15,175
Repayment of hire purchase obligations		(453)	(604)	(577)	(345)	(261)
Repayment of term loans		(4,224)	(4,408)	(4,545)	(2,171)	(1,915)
Advances from/(Repayment to) a director		2,285	(1,294)	(17)	(17)	-
Repayment from related parties		5,499	-	-	-	-
Proceeds from issuance of shares		2,462	-	-	-	-
Dividends paid		(18,426)	(4,000)	-	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(16,295)	(12,248)	4,683	3,953	21,943
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		414	(3,102)	1,485	3,767	5,096
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR/PERIOD		(4,916)	(4,502)	(7,604)	(7,604)	(6,119)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR/PERIOD	6.2.28	(4,502)	(7,604)	(6,119)	(3,837)	(1,023)

Note:-

** - The Consolidated Cash Flow Statements for the six-month financial period ended 31 August 2005 are unaudited and are included for comparison purposes only.

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