
5.0 INDUSTRY OVERVIEW

5.1 Overview of the Malaysian Economy

5.1.1 Malaysian Economy in 2006

The growth momentum in Malaysia remains strong driven by robust domestic demand and favourable export performance. Real GDP expanded at a strong pace of 5.9% in the second quarter, following a growth of 5.5% in the first quarter of 2006. This unabated growth is expected to continue in the coming quarters to average 5.8% for the year as a whole. Growth is expected to be stronger in the second half of 2006 as reflected in the rising trend of the Leading Index of the Department of Statistics (DOS). For the second quarter of 2006, the Leading Index registered a growth of 6.3% (January-March 2006: 2.9%).

The private sector, which resumed its role as the key engine of growth since 2003, continues to drive domestic economic activities in 2006. With favourable business and financing conditions, rising disposable incomes and a stable labour market environment, private sector expenditure is envisaged to expand strongly by 7.6% (2005: 9.1%), driven by higher investment and consumption spending. Private sector expenditure is anticipated to contribute 4.7 percentage points to real GDP growth in 2006. Accordingly, the share of private sector in the economy is expected to increase further to 63.2% in 2006. Meanwhile, the share of public sector expenditure to GDP is expected to increase slightly to 30.1% in 2006 (2005: 29.5%), due to increases in spending by 8% (2005: 3.6%), contributing 2.4 percentage points to GDP growth. As a result, growth in aggregate domestic demand in real terms (excluding change in stocks) is projected to increase by 7.8%. Private consumption, an important component of expenditure in GDP, with a share of 50.7%, is envisaged to sustain its growth momentum at 7.1% (2005: 50%; 9.2%).

Public consumption expenditure is anticipated to sustain at 5.5% (2005: 5.4%) on account of higher spending for supplies and services, partly for upgrading the Government's administrative machinery and for maintenance of buildings and fixtures. Public investment expenditure is estimated to increase by 10.6% in 2006 (2005: 1.9%), spurred by the implementation of projects under the 9MP as well as higher investment by Non-Financial Public Enterprises (NFPEs).

Sectoral Performance

Real GDP growth for 2006 is expected to be broad based with all sectors contributing positively to the overall economic expansion. The services sector, with a share of 58.2% to GDP, continues to drive growth, supported by steady expansion in wholesale, retail trade, hotels and restaurants; and transport, storage and communication sub-sectors. With continuing strong domestic demand and expanding trade-related activities, the sector is estimated to expand by 5.7% (2005: 6.5%) with all sub-sectors recording positive growth. Manufacturing, which accounts for 32% of GDP, remains the largest export earner and the second most important sector generating employment for the economy. This sector is envisaged to record a higher growth of 7.3% in 2006 (2005: 5.1%), following the anticipated better performance of the export-oriented industries, particularly electrical and electronic (E&E), textile and petroleum.

(Source: Economic Report 2006/2007, Ministry of Finance)

5.1.2 Prospects of the Malaysian Economy in 2007

The Malaysian economy is expected to strengthen in 2007, despite a more challenging external environment. Overall, real GDP growth is envisaged to expand at 6% in 2007 (2006: 5.8%), consistent with the growth targets outlined in the Ninth Malaysia Plan (9MP). Growth will continue to be broad-based with positive contribution from all sectors of the economy. With the encouraging economic prospects, nominal GNP per capita is projected to rise by 7.2% to reach RM21,168 (2006: 9.4%; RM19,739), reflecting improvements in the well-being of the rakyat. In terms of purchasing price parity, per capita income is expected to increase by 6.7% to reach USD12,666 (2006: 11.8%; USD11,871).

(Source: Economic Report 2006/2007, Ministry of Finance)

5.0 INDUSTRY OVERVIEW *(Continued)*

5.2 Overview of the Manufacturing Sector

Value added of the manufacturing sector is expected to expand further, increasing by 7.3% in 2006 (2005: 5.1%), with production in the export-oriented industries contributing 63.6% to total output. The robust performance of the manufacturing sector is based on higher output growth of 8.7% registered in the first six months of 2006 (January-June 2005: 3.8%) and anticipated continued expansion in the second half. While export-oriented industries grew by 10.9%, growth in the domestic-oriented industries moderated to 5% (January-June 2005: 1.9%; 6.9%). Sales value of the manufacturing sector also increased 8.9% to RM239.7 million (January-June 2005: 14.1%; RM220.2 million) during the same period, mainly due to the improvement in prices as well as higher output of some industries, including iron and steel; and petroleum.

The plastics products industry registered a remarkable growth in output of at 21.3%, spurred by strong demand in E&E and to a lesser extent, transport equipment industries. This was evident in the double-digit growth of plastic bags and films (44.3%) and plastic injection moulded products (17.5%) (January-June 2005: 43.4%, -1.2%), which are components used in the E&E and transport industries. Domestic-oriented industries expanded by 5% in the first half of 2006 (January-June 2005: 6.9%). The expansion was led by plastic products and fabricated metal products while non-metallic minerals and basic metals contracted.

(Source: Economic Report 2006/2007, Ministry of Finance)

Outlook in 2007

In consonance with growing intra-regional trade and strong domestic economic activities, growth of the manufacturing sector is envisaged to expand by 6.8% (2006: 7.3%). This growth is also supported by new developments and the shift towards technology-driven manufacturing processes amidst greater intensity in R&D activities. The establishment of the electronics cluster in the northern corridor of Peninsular Malaysia, including expansion of Kulim Hi-Tech Park, will meet the growing demand for hi-tech electronics manufacturing activities. Industrial cluster developments in other corridors outlined in the 9MP will further stimulate growth in the manufacturing sector, particularly the development of petrochemicals cluster in the East Coast Development Corridor (ECDC) and the South Johor Economic Region (SJER) as well as Palm Oil Industrial Clusters in Sabah. Trickle down effects are expected to benefit industries linked to these developments. They include among others, industries relating to construction, cement and concrete as well as chemical and chemical products.

(Source: Economic Report 2006/2007, Ministry of Finance)

5.3 Overview of the Construction Sector and Property Development Sector

Valued-added in the construction sector declined by 1.1% during the first six months of 2006 (January-June 2005: -2.2%), due mainly to the continued slowdown in the civil engineering sub-sector. However, this sub-sector is expected to recover in the second half of 2006, benefiting from the implementation of 9MP projects scheduled for 2006. Overall the sector is envisaged to register a positive growth of 0.7% in 2006. (2005: -1.6%)

The civil engineering sub-sector is envisaged to pick up with the roll-out of infrastructure projects under the 9MP and ongoing projects such as Kuala Lumpur-Putrajaya Expressway, Senai-Desaru Expressway, as well as upgrading works at the Kota Kinabalu International Airport. Among the 9MP projects are the 880 new construction projects totalling RM15 billion. In light of the limited construction opportunities and excess capacity in the domestic market, several local construction companies have ventured abroad, mainly to India and the Middle-East, where they have secured projects mainly to construct roads, highways and buildings. Data from the Construction Industry Development Board indicated that local contractors are currently undertaking 48 projects worth RM15.3 billion in 36 countries.

5.0 INDUSTRY OVERVIEW *(Continued)*

Activities in the residential sub-sector softened during the first 6 months of 2006 amidst rising costs of building materials and transportation. Private developers completed a total of 77,027 houses during the period, increasing the existing stock level to 3,734,280 units at end-June 2006. Incoming supply, that is residential units under construction, sustained at 631,790 units during the period backed by a 12% increase in housing starts of mainly condominium and terraced units. The Government through Syarikat Perumahan Negara Berhad (SPNB) continues to build affordable houses priced below RM70,000. SPNB is currently involved in developing 16 projects at an estimated cost of RM2,116 million in various locations in the country.

(Source: Economic Report 2006/2007, Ministry of Finance)

Outlook in 2007

Meanwhile the construction sector is anticipated to grow at a higher rate of 3.7% in 2007 (2006: 0.7%), spurred by the acceleration in civil engineering activities, following the implementation of new infrastructure projects under the 9MP. Major projects that are expected to be underway to boost growth of the sector include the Pulau Pinang Second Bridge, Pulau Pinang Monorail System as well as the SJER Projects. Activities in the residential and non-residential sub-sectors are also envisaged to remain active, supported by sustained demand for housing as well as buoyant business and industrial activities.

(Source: Economic Report 2006/2007, Ministry of Finance)

5.4 Overview of the Infrastructure Sector

Infrastructure and utilities development during the Eighth Malaysia Plan (8MP) period, 2001-2005 contributed to the expansion of the transportation, water supply and sewerage networks. Recognising that efficient and reliable infrastructure facilities and services were vital to support economic development, infrastructure development continued to be given priority during the 8MP period. A total of RM38.7 billion was expended to increase the capacity as well as upgrade and refurbish the infrastructure and utilise networks to meet the rising demand and improve service delivery.

The thrust of the infrastructure development during the 9MP period will be on greater utilisation of existing facilities with emphasis on better delivery and quality of services, expansion of networks to underserved areas as well as capacity expansion. For example, efficiency of water supply services will be improved with the establishment of Suruhanjaya Perkhidmatan Air Negara as well as the implementation of the non-revenue water (NRW) reduction programme. A total of RM46.8 billion has been allocated under the 9MP for infrastructure and utilities development

(Source: 9MP 2006-2010)

5.4.1 Overview of the Sewerage Subsector

The sewerage sub-sector focused on improving services through the construction of new infrastructure as well as upgrading and rehabilitation of existing systems. In detail, the 8MP include sewerage capital development programmes, the implementation of 13 sewerage work projects in which 10 STP will be upgraded, the provision of three new central sludge facilities and a sewer network with a total length of 117 kilometres.

One of the major projects implemented to provide efficient, reliable and environmentally safe sewerage services was the National Sewerage Project (NSP). The construction of Phase 1 of the NSP, which comprised five projects in Kuala Lumpur and Selangor began in 2004. The construction of several STPs was completed such as the plants in Bayan Baru, Kuala Terengganu, Port Dickson as well as in Padang Mat Sirat and Pantai Tengah in Langkawi. The population served by these sewerage facilities increased from 6.7 million in 2000 to 8.1 million in 2005.

5.0 INDUSTRY OVERVIEW *(Continued)***Development Expenditure and Allocation for Sewerage (Utilities) 2001-2010 (RM million)**

	8MP (Expenditure)	9MP (Allocation)
Sewerage	1,347.9	3,132.8

(Source: Economic Planning Unit)

Sewerage services will continue to be expanded under the 9MP to ensure that the quality of effluent discharged into receiving water bodies comply with environmental standards and safeguard public health. Upgrading, rehabilitation and refurbishment of existing sewerage treatment systems, which are in the catchments of public water supply systems, will continue to be given priority.

The table above shows the allocation for the upgrading of sewerage services to RM3.13 billion for the 9MP compared to the total expenditure under the 8MP at RM1.35 billion.

(Source: Mid Term Review of the 8MP, 9MP 2006-2010)

5.4.2 Overview of the Water Supply Sub-sector

Under the 8MP period, a total of 129 water supply projects had been identified under Federal Government funding. The total allocation is RM3.96 billion. Among the major projects undertaken to ensure adequate and sustainable water supply to meet industrial and domestic demand were the Rasa Phase II Water Treatment Plant (WTP) and Bukit Badong Phase II WTP in Selangor, Gadek WTP in Melaka, Gemencheh WTP in Negeri Sembilan and Bintulu WTP in Sarawak. The construction of four dams was also completed, namely the Beris Dam in Kedah, Chereh Dam in Pahang, Jus Dam in Melaka and Kelalong Dam in Sarawak. The production capacity increased from 11,917 million litres per day (mld) in 2000 to 14,226 mld in 2005. Water supply coverage increased from 92% to 95% during the same period.

A total of RM640 million was expended during the 8MP period to reduce NRW. Measures undertaken included the replacement of 3,380 kilometres of old pipes and old water meters and the reduction of water pilferages as well as the rehabilitation and upgrading of water distribution systems and WTPs. The national NRW rate decreased from 40% in 2000 to 38% in 2005.

The total allocation for water supply projects in the 9MP period is RM8.2 billion. Under the 9MP period, efforts will be undertaken to conserve the quantity and improve the quality of existing water resources as well as identify potential water resources to be developed. Water demand for domestic and industrial use is expected to increase at an average rate of 6.6% per annum from 11,806 mld in 2005 to 16,270 mld in 2010. The construction of new dams, water intakes, WTPs and distribution systems will be undertaken.

The efficiency of water supply will be improved through the NRW reduction programme. Measures to be undertaken include strict enforcement against water theft, pipe and meter replacements, Geographical Information Systems (GIS) mapping of distribution networks, rehabilitation of distribution systems and upgrading of existing WTPs as well as setting up operation centres. The national NRW rate is expected to decrease to 30% in 2010.

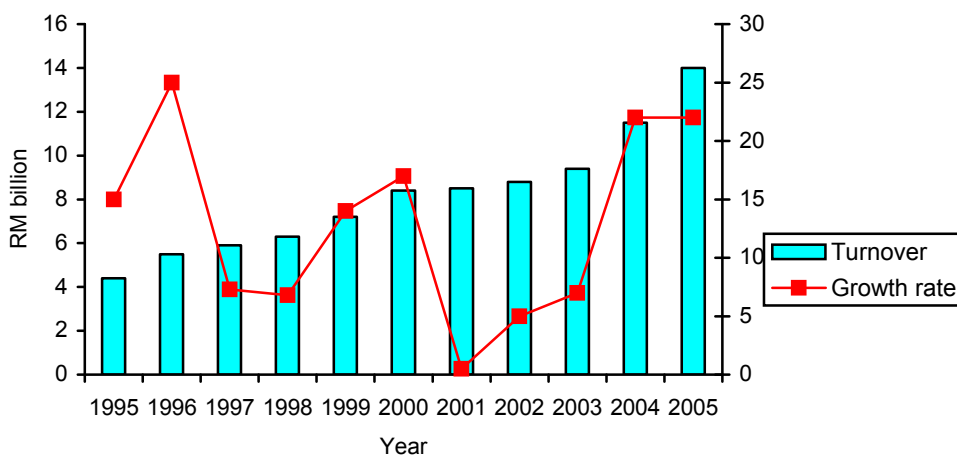
(Source: 9MP 2006-2010, Malaysia Water Industry Guide 2005)

5.0 INDUSTRY OVERVIEW (Continued)

5.5 Overview of the Plastics Industry

The plastics industry recorded a total sale of RM14 billion in 2005, an increase of 22% compared to the RM11.5 billion turnover achieved in 2004. The strong growth in turnover was attributed to the higher exports, particularly, bags, films and other packaging materials. Recovery of the automotive and electrical sub-sectors also boosted the growth of the plastics sector. Selling prices were generally higher due to stronger euro (the EU market represents 60% of the export market for Malaysian-made plastic products) and higher resins as well as other raw materials costs. Upon discounting the higher selling price, actual growth in output is estimated to be about 7% to 8%.

Turnover and Growth Rate of the Plastics Industry

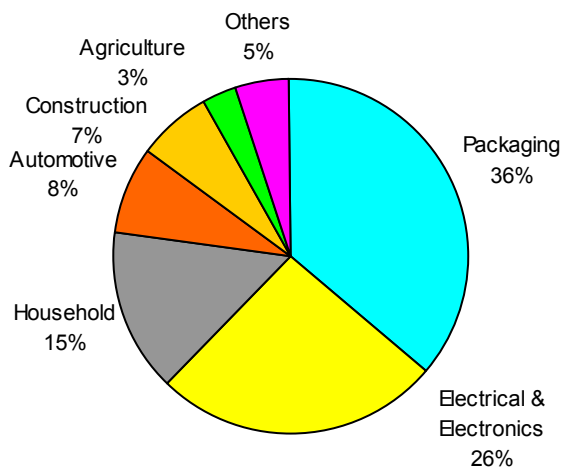


Source: MPMA

5.5.1 Major Market Segments

The consumption (based on sales value) of plastics by market sectors in Malaysia in 2005 can be summarised as follows:-

Major Market Segments for Plastic Products



Source: MPMA

5.0 INDUSTRY OVERVIEW *(Continued)*

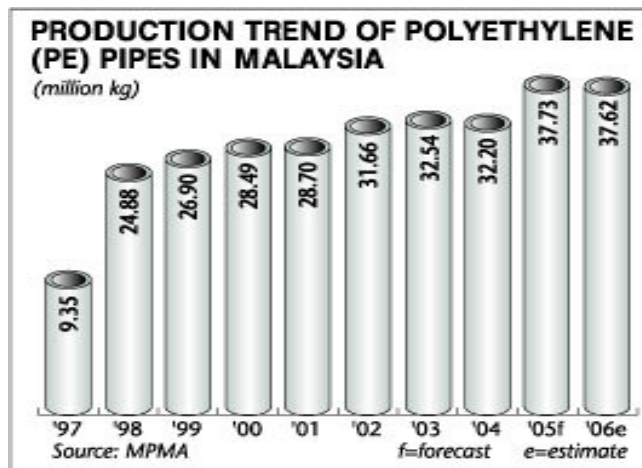
5.5.2 Construction sub-sector

The construction industry contracted by 1.6% mainly due to lower activities in the civil engineering sub-sector. However, the residential and non-residential sub-sectors continued to expand. The residential sub-sector was supported by sustained interest in new properties, especially in the prime locations. The non-residential sub-sector, particularly, the office and retail segments were supported by strong business activities.

The total production of plastic pipes which mainly catered for the domestic construction industry, is expected to remain unchanged at about 110,000 MT comprising 50,000 MT of PVC pipes and 60,000 MT of PE pipes in 2005. The production of PVC pipes increased strongly by 50% from 48,800 MT in 2002 to 73,350 MT in 2004. The demand for PE pipes has also increased by more than 20% and is forecast to reach 37.73 million kg in 2005 and estimated to hit 37.62 million kg in 2006.

The increase in demand for pipes was due to the commencement of many private sector construction activities, especially in water pipe-laying projects and infrastructure projects which were planned coupled with a stronger property (both residential and commercial) market. The construction industry is recovering and would be boosted by the massive development of infrastructure projects under the 9MP (2006-2010). The chart below shows the yearly production statistics on PE pipes.

Yearly Production Statistics for PE Pipes (1997- 2006)



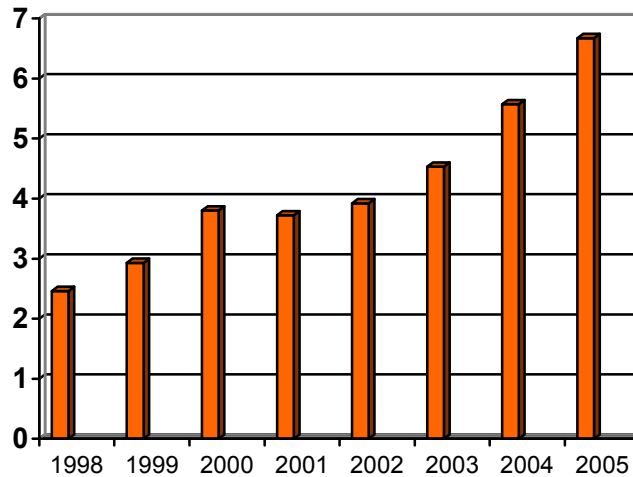
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5.0 INDUSTRY OVERVIEW *(Continued)*

5.5.3 Total Exports

The total export of plastic products grew by 20% from RM5.6 billion in 2004 to RM6.7 billion for 2005. The main exported plastic items are extruded plates, sheets, films (30%), followed by other plastic articles (27%) and bags (20%).

Export of plastic products (1998-2005) RM billion

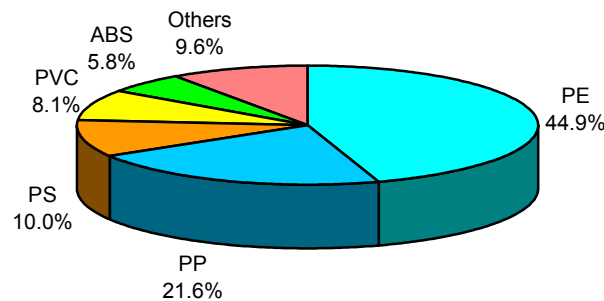


(Source: MPMA)

5.5.4 Resin consumption

Total resin consumption increased by 8% from 1.6 million MT in 2004 to 1.72 million MT in 2005, of which about 65% were polyolefins (PE & PP). About 40% of the resins consumed are imported mainly because the types and grades are not produced locally. Local and regional supply of PE, PP and PS is expected to be tight for the next two to three years before the next phase of expansion is completed.

Resin Consumption in 2005 (1.72 million MT)



(Source: MPMA)

5.0 INDUSTRY OVERVIEW *(Continued)*

5.6 Government legislation, policies and incentives

The Government has implemented several legislations, policies and incentives to promote and assist in the development of the plastics industry in Malaysia. Among the legislation, policies and incentives by the Government are as follows:-

- (a) pioneer status;
- (b) investment tax allowance;
- (c) reinvestment allowance;
- (d) export incentives;
- (e) R&D incentives; and
- (f) import duty exemption on machinery and plastic resin.

Currently, our Group is enjoying investment tax allowances, reinvestment allowances and exemption of import duty on certain products from the Ministry of Finance.

5.7 Factors Contributing to the Future Growth of the Plastics Industry

The following factors are the main contributors to the future growth of the plastics industry:-

(i) Increased Applications

Every year new resins are developed for better quality, stronger performance and wider applications in sectors such as telecommunications, medical, pharmaceutical, construction and etc. The per capita consumption of plastics in Malaysia is only about 56kg which is low compared to the average per capita consumption of 80kg to 100kg in developed countries.

(ii) Potential to replace other materials

Due to its flexibility and workability, plastics can be easily moulded, extruded or formed and designed to conform to various required physical properties. Therefore plastics are increasingly being used to replace traditional materials and to penetrate new fields of applications because it is light-weight, relatively cheaper to produce and offers superior quality than the existing materials which it replaces.

(iii) Enlarged ASEAN and Global Market

Trade liberalisation through the World Trade Organisation Free Trade Area and ASEAN Free Trade Area will provide opportunities for our local plastics manufacturers to expand their market share to countries overseas. Many of our Malaysian plastics manufacturers should be able to compete in the global market in view of their high quality manufacturing capability and flexibility.

(Source: The Malaysian Plastics Industry – Development Trends and Future Prospects 2004, MPMA)

5.8 Substitute Products

In general, PE, PP, uPVC and ABS pipes can be substituted with other types of materials such as cast iron, mild steel, vitrified clay and AC. PE water tanks can be substituted with fibre glass and metal tanks.

However, our Group's pipes and water tanks have an edge over the other more conventional substitute products as mentioned above. This is due to the superior physical and chemical properties of PE, PP, uPVC and ABS over the conventional raw materials such as metal, cement and clay for pipes and metal and fibre-glass for tanks. Unlike metal, clay, and cement based products, PE, PP, PVC and ABS do not rust easily, are durable and light weight which makes transportation easier.

5.0 INDUSTRY OVERVIEW (Continued)

Our plastic resin based pipes and tanks are also resistant to chemicals, abrasion and corrosion and are leakage-proof as well. Cost-wise, it is also cheaper than steel, iron and fibre glass.

As published in the “*Malaysia Water Industry Guide 2005*,” PE and uPVC pipes have been identified and are used by the state governments and private companies as one of the suitable alternatives for the replacement of old AC pipes.

5.9 Industry’s Reliance on Imports

The major raw materials used in the manufacturing of our Group’s water, sewerage and cable protection pipes, fittings and water tanks are primarily polyethelene, PVC and roto-moulding grade resins. These resins are produced locally and can also be sourced from abroad.

According to MPMA, total resin consumption increased by 8% from 1.6 million MT in 2004 to 1.72 million MT in 2005, of which about 65% were polyolefins (PE and PP). About 40% of the resins consumed are imported mainly because the types and grades are not produced locally.

As resins are made from petrochemical, any major natural disasters that may affect the production of petroleum-based products in the major producing countries may potentially affect the supply of resins worldwide. We currently source a majority i.e. approximately 90% of our PE and PVC resins from local suppliers and hence do not foresee any problem in our reliance on imports.

5.10 Market Coverage, Industry Players and Competition

Manufacturers of industrial plastic pipes and tanks face normal competitive conditions based on a number of factors, including the quality of the product and after sales service, prompt delivery schedules, the ability to offer a wide range of products and cost competitiveness, amongst others.

There are several major plastic pipes and water tank manufacturers that provide similar pipes and/or tanks produced by our Group namely Weida (M) Berhad, Polyolefins Pipe Berhad, Musa & Rahman Plastic Industries Sdn Bhd, Paling Industries Sdn Bhd, Polyflow Pipes Sdn Bhd, Spirolite (M) Sdn Bhd and UAC Pipes Sdn Bhd.

As part of our expansion plan, RPSB had undertaken the Acquisition of New Assets from FPSB, our former competitor, thus strengthening our position in the market.

According to MPMA, the total production of plastic pipes which mainly cater for the domestic construction industry, is about 110,000 MT comprising 60,000 MT of PVC pipes and 50,000 MT of PE pipes in 2005. In FYE 2006, our Group’s total production of pipes was approximately 7,674 MT. Hence, our market share for domestic production of PE and PVC pipes in 2005 was approximately 7.0%.

Our Group aims to position ourselves by offering a wide and diverse range of plastic products for the water, sewerage, construction and property markets. Backed by our experience and track record in the manufacturing of PE, PP, uPVC and ABS products for the relevant and targeted industries as mentioned above, we are well-positioned to take advantage of any new opportunities via market expansion in East Malaysia, Singapore, Brunei, Indonesia, Sri Lanka, and Australia or product diversification for our current range of products. We shall only focus and concentrate on our core business in the plastics industry.

5.0 INDUSTRY OVERVIEW *(Continued)*

5.11 Future Prospects

The Malaysian plastics industry registered a strong growth in turnover for 2005 due to stronger demand, both from the domestic and overseas sectors. Market sub-sectors that registered strong growth were the automotive, electrical and packaging sub-sectors. Higher selling price was the other main factor contributing to the strong growth. Converters were passing on the drastic price increase in resins and other raw material costs gradually and partially to the consumers over the past two years. Exports were encouraged by the stronger euro and higher demand mainly from the EU countries.

The manufacturing sector will continue to spearhead growth. However, the plastic exports to the EU would grow further because of the expected strengthening of the euro and the reduction of tariff on Malaysian products by the reinstatement of the EU Generalised System of Preferences from 6.5% to 3% effective 1 January 2006 for a period of three years.

The outlook for global economic growth remains sound and would be driven by the upturn in the global investment and electronics circle. Additional demand is expected from the euro area, as domestic demand strengthens in these economies. With high capacity utilization rates in both the domestic-oriented and exports-oriented industries in the manufacturing sector, private investment activities would sustain. With these positive developments, the Malaysian economy is expected to register a growth of 6% for 2006.

The construction sub-sector of the plastics industry would benefit from the recovery of the construction industry and would be boosted by the infrastructure and utilities development projects budgeted for the 9MP. The allocation expenditure for the 9MP for infrastructure and utilities is RM46.8 billion. Meanwhile the residential and non-residential sub-sectors are expected to expand further supported by the attractive financing packages and brisk business activities.

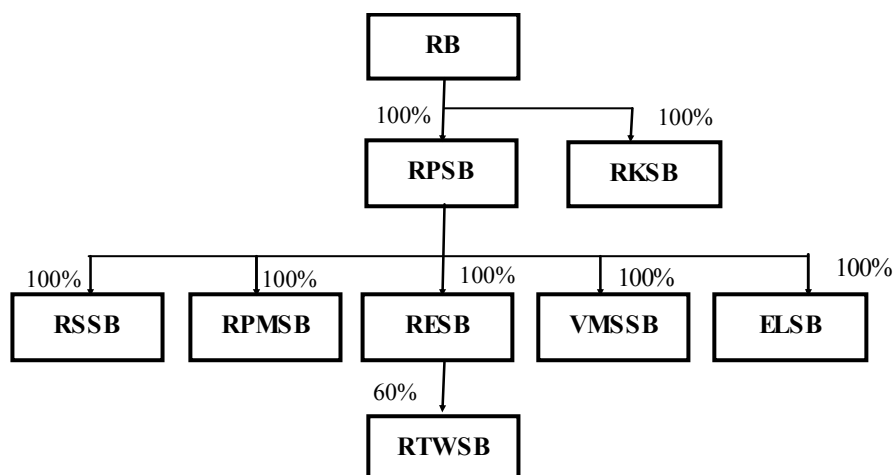
(Source: Performance of the Malaysian Plastics Industry Report 2005 – MPMA)

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6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP

6.1 Introduction

The corporate structure as well as the principal activities of our Group are set out below:-



Company	Principal Activities
RPSB	Designing, manufacturing, trading and marketing of a diversified range of PE, PP, uPVC and ABS pipes, tanks and fittings
RKSAB	Designing, manufacturing, trading and marketing of a diversified range of PE, PP and ABS pipes and fittings
RESB	<ul style="list-style-type: none"> ▪ CCTV inspection services for water and sewerage pipelines ▪ Fabrication of steel structures
RSSB	Trading and marketing of a diversified range of PE, PP, uPVC and ABS pipes, tanks and fittings for the Sabah, Brunei and Kalimantan markets
VMSSB	Fabrication of plastic moulds and roto-moulding moulds
ELSB	Property holding
RPMSB	<ul style="list-style-type: none"> ▪ Marketing of sewerage and wastewater treatment plants ▪ Trading of children's playground equipment
RTWSB	<ul style="list-style-type: none"> ▪ Designing and contracting for sewerage treatment plants ▪ Provision of consultancy services including survey, design and project management

Our head office and primary manufacturing facility is located in Telok Panglima Garang, Selangor Darul Ehsan. This location serves as the base of operations of our subsidiaries namely RPSB, RESB, ELSB, RPMSB and RTWSB and also as a primary manufacturing plant for our PE, PP, uPVC and ABS range of products. Our other subsidiary companies, RSSB, VMSSB and RKSAB operate from other premises located in Lahad Datu, Balakong, and Kapar respectively.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

6.2 History and Business Activity

Our Company was incorporated in Malaysia under the Act on 24 April 1995 as a private limited company under the name of Resintech Sdn Bhd. Subsequently, on 24 November 2004, our Company was converted into a public limited company and assumed our current name. Our principal activity is as an investment holding company. Our main/largest subsidiary company, RPSB is principally involved in the designing, manufacturing, trading and marketing of a diversified range of PE, PP, uPVC and ABS pipes, tanks and fittings.

As part of our expansion plan, RPSB had undertaken the Acquisition of New Assets from FPSB (our former competitor) thus strengthening our position in the market. With the Acquisition of New Assets, our Group subsequently acquired a new company, RKSMB on 21 June 2006 to engage in the business of designing, manufacturing, trading and marketing of a diversified range of PE, PP and ABS pipes and fittings.

6.2.1 History

From our humble beginning when the Company commenced operation from a backyard in Pandamaran New Village, RPSB now operates from a plant with modern facilities created on a ten (10) acre industrial land belonging to our Company at Telok Panglima Garang. Y.B. Dato' Dr. Teh Kim Poo started the business of manufacturing of water tanks made from fibreglass materials in 1983. Water tanks continued to be our main contributor until 1992, when we made the decision to diversify our product offerings to include other plastic products.

We set our sight to diversify into the field of plastic products with the production of our then core product, uPVC pipes. Plans to implement the manufacturing of corrugated pipes into its existing facilities took shape in the late 1990s, helping us to grow to become one of the prominent manufacturers of plastic pipes in Malaysia.

The combination of the knowledge and experience of our founder together with the key contributions of our management team and employees has helped us grow from a small manufacturing concern in 1983 to our current position as a competitive and one of the leading manufacturers of pipes, tanks and fittings for the construction and infrastructure industries encompassing the water, drainage, sewerage, energy and telecommunication sectors. This distinction came about due to our ability to manufacture a wide range of products to cater to the sewerage and piping industry. Our effort to increase our manufacturing capacity, improve our customer technical support, to engage in more in-house R&D and to further diversify our range of offerings have all helped us remain competitive in today's market place.

Our products are sold in Malaysia and also exported to regions such as Asia-Pacific, South Asia, the Middle East and Africa. Through our accumulated years of experience in the industry, we have proven our mettle in the design, manufacturing and marketing of our wide range of PE, PP, uPVC and ABS products, earning us to the distinction of being a "One-Stop Centre" for our targeted customers and end users.

We continue to push ahead to achieve our goal and never rest on our past achievements. Our founder and managing director, Y.B. Dato' Dr. Teh Kim Poo through his extensive business acumen and visionary leadership ensured and will continue to ensure an ever vibrant approach to the Group's business.

6.2.2 Principal Location of Business

Our head office and primary manufacturing facility is located in Lot 3 & 5, Jalan Waja 14, Kawasan Perindustrian Telok Panglima Garang, Selangor Darul Ehsan with a total land area of 477,693 sq. ft. This location serves as the primary manufacturing plant of RPSB for its PE, PP, uPVC and ABS range of products and also as the base of operations for RESB, ELSB, RPMSB and RTWSB.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

We also operate from other premises located in A161, Batu 13/4, Jalan Tengah Nipah, 91121 Lahad Datu, Sabah and No. 21, Jalan Taming 7, Taman Taming Jaya, 43300 Balakong, Selangor for a combined total size area of approximately 45,285 sq. ft. RSSB operates in Lahad Datu whilst VMSSB is located in Balakong.

With the subsequent incorporation of RKSb and the Acquisition of new Assets, we are also operating from Lot 6461, Batu 5¼, Jalan Kapar, 42200 Kapar, Klang measuring in area approximately 219,978 sq. ft.

6.2.3 Business Activity

We are involved in the design, manufacturing and the marketing of a range of PE, PP, uPVC and ABS pipes and fittings and water tanks to be used in a variety of applications. These products primarily cater to the following industries and sectors in construction, infrastructure, water, drainage, sewerage, wastewater, energy and telecommunications.

RPSB also provides services in the areas of sewerage pipe diagnostics and maintenance, and sewerage treatment plant consultancy via its subsidiaries RESB and RTWSB respectively.

The diagnostics of sewerage pipes by RESB are performed through the strategic use of mobile CCTV units, which are sent down into the existing sewerage pipes to probe for defects, malfunctions and wear and tear. This is the service which we intend to build upon via RESB due to the savings in long term maintenance costs it provides to our clients, and also the upcoming mandatory requirements by JPP which state that all sewerage pipes must undergo regular diagnostics.

RTWSB provides a number of consultancy and maintenance services for a number of applications ranging from sewerage and wastewater treatment plants, sewerage catchments, rainstorm retention systems and rain harvesting systems. Its consultancy services encompass the design, supply, construction, implementation and maintenance of a particular application, allowing RTWSB to serve as a one-stop solutions provider for the sewerage and wastewater treatment industry.

We also have production capabilities in the manufacturing of the moulds used to manufacture PE, PP, uPVC and ABS products. This is achieved via our subsidiary VMSSB. Currently the moulds are made specifically for internal use within our Group only. There are plans to extend its market to other manufacturers as we have a team of highly skilled workers.

The PE, PP, uPVC and ABS products manufactured by our Group via RPSB have been MS ISO 9001:2000 certified which according to our Directors is also equivalent to other international standards such as the German Standard (DIN), European Standard (EN) and British Standard (BS) accordingly. RPSB was awarded the MS ISO 9001:2000 Quality Management System's certification on 3 August 2001 by Lloyd's Register Quality Assurance.

With the recent Acquisition of New Assets and the subsequent acquisition of RKSb, we have enhanced our core business as it allows us to increase our production capacity of HDPE pipes as well as to increase our capability of producing HDPE pipes from 450 mm to 2000 mm in diameter size. In addition, we are also now able to manufacture MDPE gas supply pipes and fittings for the gas industry ranging in diameter sizes from 50 mm to 630 mm.

We have also been granted a license to manufacture Weholite PE pipes (a type of HDPE pipe). Weholite PE pipes are constructed using a patented structured wall process, making it possible to manufacture pipes with diameters up to 3000 mm.

The new HDPE pipes produced by RKSb conform to DIN 8074/75, MS1058 and ISO 4427 standards for potable water applications, whilst the MDPE pipes for natural gas conform to the MS 1086 and ISO 4437 Standards. In addition, RKSb is in the process of adopting the system of operation in compliance to ISO 9002.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Most of our products are manufactured under the brand name “Resintech” and are sold locally while a small portion is exported to regions such as Asia-Pacific, South Asia, Middle East and Africa.

Our products can be broadly classified into nine (9) categories which are as follows:-

Category	Description and Applications
Corrugated	Corrugated double-walled pipes used in underground sewer piping, sub-soil drainage, sewerage treatment, rain storm water and water piping systems. Also used in electrical conduit appliances
PE	<ul style="list-style-type: none"> • Pipes made out of HDPE in composite design used mainly for water supply networks, underground sewer lines and channels for waste-water/drainage conduction • Pipes made out of MDPE used mainly for gas distribution • Weholite PE pipes – Pipes construed using a patented structured wall process for drainage and piping systems
PP	Pipes used in hot water supply piping systems
uPVC	Pipes used in water supply piping, cable piping and sewer piping systems
ABS	Pipes and fittings made out of ABS materials for water supply purpose
ISTP	A system to treat domestic sewerage
Tanks	Tanks used for the storage of water, diesel and chemicals
Rainwater System	System for collection of rainwater for recycle use
Moulds	Moulds used in the rotational moulding facilities of the Group

The nine (9) main categories are further divided into a range of PE, PP, uPVC and ABS products covering the whole range of our Group’s offerings. They are shown in the table below:-

Product	Application	Advantages & Strengths
HDPE Double-Wall Corrugated Sewer Pipes & Fittings	<ul style="list-style-type: none"> • Underground sewer piping system • Industrial waste water piping system • Sizes available: 100mm, 150mm, 200mm, 225mm, 300mm, 375mm, 450mm, 600mm • Lengths available: 4m, 6m, 12m 	<ul style="list-style-type: none"> • Works as a substitute for vitrified clay pipe • Cost effective • Leakage proof • Superior physical properties • Superior chemical resistance • Superior jointing technology • Easy handling/installation • Wide service temperature range -40° C to +80° C • Superior abrasion resistance • Superior hydraulic flow capacity • Recyclable

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Product	Application	Advantages & Strengths
HDPE Single or Double-Wall (Perforated) Corrugated Drainage Pipes and Fittings	<ul style="list-style-type: none"> • Underground sub-soil drainage piping system for highways, streets, airports, stadiums & golf courses • Sewerage treatment plant's sludge drying bed • Sizes available: 100mm, 150mm, 200mm, 225mm, 300mm, 375mm, 450mm, 600mm • Lengths available: 6m, 12m, 30m, 50m 	<ul style="list-style-type: none"> • Longer lengths with lesser joints • Light and easy installation • Strong & less-prone to cracks • Superior abrasive and chemical resistance • Simple base and embedment • Recyclable
HDPE Double-Wall Corrugated Pipes Drain & Culvert & Fittings	<ul style="list-style-type: none"> • Rain storm pipe drain for highways • Pipe drain for houses, shop-houses, factories & schools • Culvert pipe for road crossings • Sizes available: 300mm, 375mm, 450mm, 600mm • Lengths available: 4m, 6m, 12m 	<ul style="list-style-type: none"> • Strong and resistant towards cracks and physical damages • Comes in a wide range of lengths and diameters • Light installation • Superior abrasive and chemical resistance • Recyclable
HDPE Double-Wall Corrugated Underground Cable Pipes & Fittings	<ul style="list-style-type: none"> • Underground cable protection piping for electricity and telecommunications • Sizes available: 100mm, 150mm, 200mm • Lengths available: 6m, 12m, 30m, 50m 	<ul style="list-style-type: none"> • Cost effective • Durable • Recyclable
PE 80 & PE 100 Water Supply Pipes & Fittings	<ul style="list-style-type: none"> • Underground water supply piping • Sizes available: 16mm to 1200mm • Rating: PN6, PN8, PN10, PN12.5, PN16 • Lengths available: 6m, 12m, 50m, 100m 	<ul style="list-style-type: none"> • Easy installation • Durable • Recyclable
MDPE Gas Supply Pipes and Fittings	<ul style="list-style-type: none"> • Used for gas supply distribution • Sizes available: 50 mm to 630 mm in diameter 	<ul style="list-style-type: none"> • Easy installation • Recyclable • Lightweight • Flexible • Durable

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Product	Application	Advantages & Strengths
Weholite PE pipes (constructed using a patented structured wall process for large diameters)	<ul style="list-style-type: none"> • Used for various applications including:- <ul style="list-style-type: none"> ○ storm water attenuation tanks ○ substitute for reinforced culvert pipes ○ CSO attenuation tanks ○ Surface drainage ○ Inter-process pipework ○ Foul sewers • Lengths available: 4 m, 6 m and 12 m • Diameters range from 300 mm to 3000 mm 	<ul style="list-style-type: none"> • Light weight and low pressure • Strong and durable • Greater ease of installation • Cost effective
PP Pipes & Fittings	<ul style="list-style-type: none"> • Hot water supply piping systems • Sizes available: 20 mm to 160 mm 	<ul style="list-style-type: none"> • Longer life span and non toxic • Easy installation • Recyclable
PVC and uPVC Water, Soil & Ventilation and Sewer Pipes & Fittings	<ul style="list-style-type: none"> • Water supply piping • Soil & ventilating piping • Sewer piping • Cable protection piping • Sizes available: 15mm to 250mm • Rating: Class E, D, C, B, O, AE, 6, 7 • Lengths available: 4m, 6m 	<ul style="list-style-type: none"> • Lightweight and easy installation • Made from a tough, durable material • Recyclable
ABS Pipes & Fittings	<ul style="list-style-type: none"> • Hot water supply piping systems • Sizes available: 20 mm to 160 mm 	<ul style="list-style-type: none"> • Longer life span and non toxic • Easy installation • Recyclable
Polyethylene Cold Water Tank	<ul style="list-style-type: none"> • Cold water storage • Sizes available: 225 ltrs, 365 ltrs, 455 ltrs, 685 ltrs, 910 ltrs, 1135 ltrs, 1365 ltrs, 1820 ltrs, 2270 ltrs, 2725 ltrs, 4550 ltrs, 6850 ltrs, 9000 ltrs, 13620 ltrs, 18160 ltrs, 22700 ltrs, 30000 ltrs 	<ul style="list-style-type: none"> • Reduces algae growth in the water • Strong and durable • Recyclable • Black colour • Resistant towards ultra violet light
PE Diesel Storage Tank and Chemical Storage Tank	<ul style="list-style-type: none"> • Skip-tank for storage of diesel at factories, estates & construction sites 	<ul style="list-style-type: none"> • Wide range of storage capacities • Lightweight and easy installation • Cost effective • Recyclable

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Product	Application	Advantages & Strengths
Polyethylene Individual Sewerage Treatment Plant	<ul style="list-style-type: none"> Individual sewerage treatment plant PE capacity: 5PE, 8PE, 15PE, 25PE, 30 PE 	<ul style="list-style-type: none"> Made from a strong, durable material Produced using the latest state of the art rotational moulding machinery and technology Superior treatment system in Cosmoballs plastic media for vertical up-flows filters chamber Easy installation and maintenance Recyclable
Rainwater Harvester and Storm Water Detention System	<ul style="list-style-type: none"> Rain storm water detention system for houses, shop-houses, factories & schools Used to collect rainwater in an open area such as a garden, to be reused in applications such as gardening and home sanitation Sizes available: 1000 ltrs, 1500 ltrs, 2000 ltrs, 2500 ltrs, 3000 ltrs, 5000 ltrs, 7500 ltrs, 10000 ltrs, 50000 ltrs, 100000 ltrs 	<ul style="list-style-type: none"> Easy installation Strong & less-prone to cracks Superior chemical resistance Recyclable
Moulds	<ul style="list-style-type: none"> Used for rotational moulding products to manufacture tanks 	<ul style="list-style-type: none"> Continuous improvements on designs for better strengths.

6.2.4 Production and Operation

Majority of the machines and equipments used by us are purchased from Germany, Italy and USA. These machines run 24 hours a day and are highly automated, and fully customised to meet our production processing needs. The degree of machinery automation allows us to realise considerable savings and increases in efficiency in the allocation of human resources.

Our premises occupy a combined total area of 742,956 sq. ft. and we employ 272 employees in our plants in Telok Panglima Garang, Balakong, Kapar and our warehouse in Lahad Datu as at the Latest Practicable Date. Currently, we have 30 production lines, and each production line is tasked with the manufacturing of a specific range of sizes of pipes.

Our manufacturing facilities in Telok Panglima Garang are segregated into three (3) main sections based on their operational processes:-

- preparation of raw material;
- production; and
- storage.

Under the preparation of raw materials, it is further separated into three (3) segments:-

- Pelletizer facility;
- Pulverizer facility; and
- Mixing facility.

For the production of corrugated pipes and PE tanks, the process of compounding and palletizing has to be performed. This procedure is important in obtaining the best quality of colored resin. Raw material will be palletized to any color resin needed and then used directly in the corrugated pipe manufacturing. For the production of PVC pipes, raw material has to be mixed and compounded with other additives prior to extrusion. The right dosage of additives added to the resin, will provide the best quality of product during the production of pipes.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

In the process of rotational moulding, raw material has to be compounded and palletized in order to have the best blend of color dispersion in the resin. Then, it will be pulverized. This step is for grinding of resin from pallet form to powder form. A good grinding facility will grind the resin evenly and provide a good excellent surface for the finished products. After pulverizing, the resin is ready to be used in the rotational moulding process.

The efficiency of the production process ensures that we are able to deliver volume orders of our selected range of products within a short time frame. Our products are mass-produced in streamlined processes and are governed by strict quality control procedures at all stages.

6.2.5 Material plant and equipment

The machinery used in our production processes are shown below:-

Description of Machinery / Equipment	Machine Brand & Model	No. of units
Corrugated (Profile Pipes)	FRANKISCHE FDC 250-36V	2
	FRANKISCHE FDC 800-36V	1
HDPE Pipes Extruder	BANDERA 80 1962	1
	BATTENFELD BEX 1-60-30	2
	CINCINNATI CMS 60	1
	CINCINNATI CMS 90	2
	EXTRON 2506	1
	EXTRON 50	1
	KRAUSS MAFFEI KME 1-45	1
	KRAUSS MAFFEI KME 1-90-30	1
	WINDSOR 65	1
PVC Pipes Extruder	BATTENFELD BEX 2-65	2
	KRAUSS MAFFEI KMD 75-36R	2
	KRAUSS MAFFEI KMD 90-XS/R	1
	KRAUSS MAFFEI KME 45-36 B/R	1

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Type of Machinery / Equipment	Machine Brand & Model	No. of units
Rotomoulding (Tanks/Children Playground)	CACCIA A3- 2800	1
	CACCIA A3C-3000	1
	CACCIA A3C-4500	1
	CACCIA ROTOBX SFMM 4500	1
	CACCIA ROTAUT - 5000	2
	FERRY TMRS3-430	1
Injection Machine	SHINE KON ENT CO. LTD SK-1000	1
	SHINE KON ENT CO. LTD SK-650	1
	BORCH BT 200V-1	1
Pelletizer (PE)	BATTENFELD BEX 1-75-30B	3
	BATTENFELD BEX 1-90-30B	1
Pulverizer (Rotational Moulding Powder)	PALLMAN PKM600	2
	ZERMA PM800	1
Pulverizer (PVC Powder)	ZERMA PM300	1
Heavy Duty Granulator	ZERMA GSH800/1200-9-3	2

As at 31 August 2006, the audited net book value of the above machineries and equipments stood at approximately RM33.6 million.

The production output and capacity of our Group analysed by subsidiary and category of products are calculated based on 8 hour shift cycle, are as follows:-

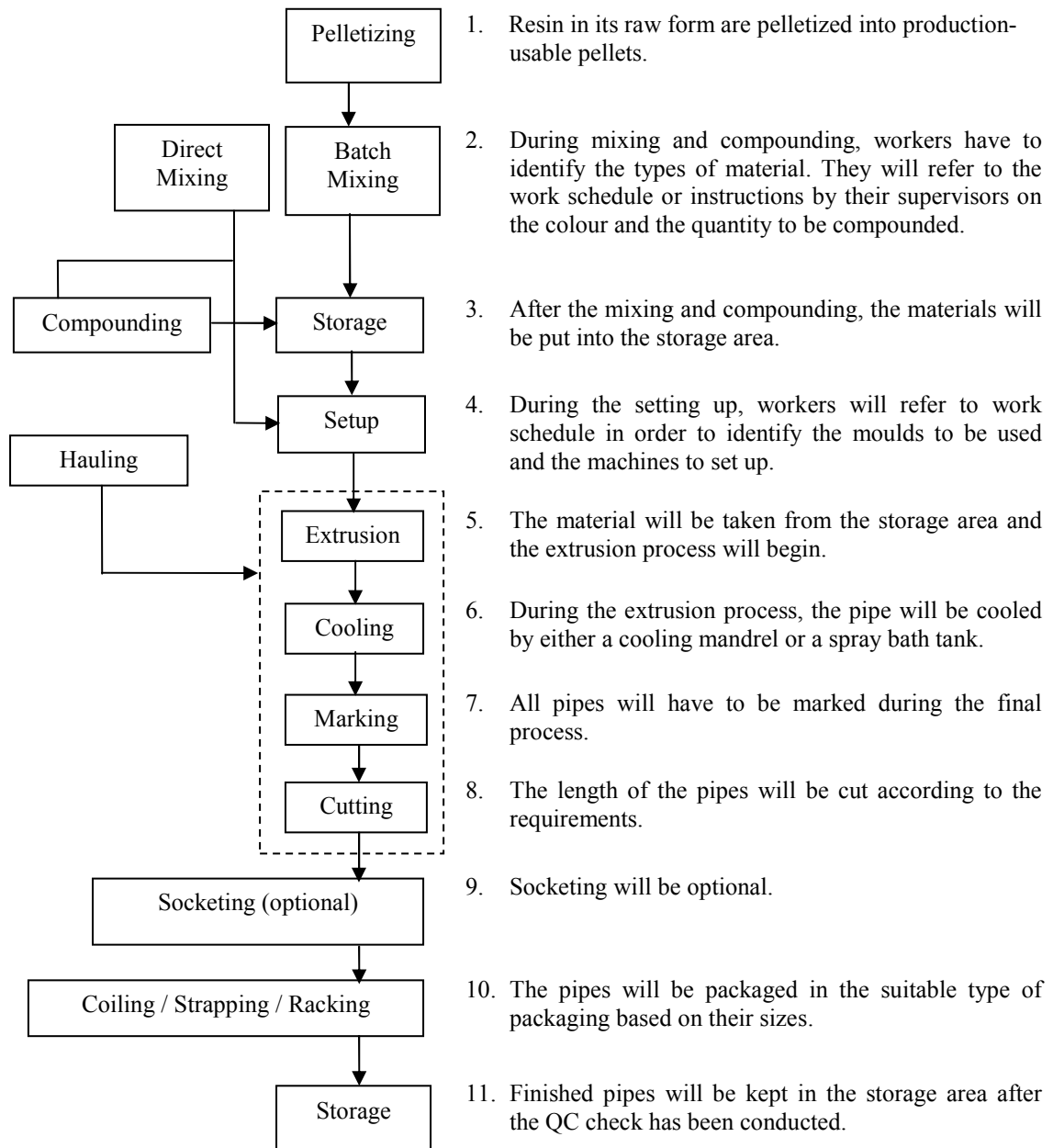
Company	Broad Category	Optimum Production Capacity per Annum	Current Production Output per Annum	Current utilisation rate
RPSB	Pipes and tanks	30,000 tonnes	15,000 tonnes	50.0 %
VMSSB	Moulds	52 moulds	40 moulds	76.9 %
RKSB	Pipes and Fittings	6,000 tonnes	1,300 tonnes	21.7 %

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

6.2.6 Business Processes

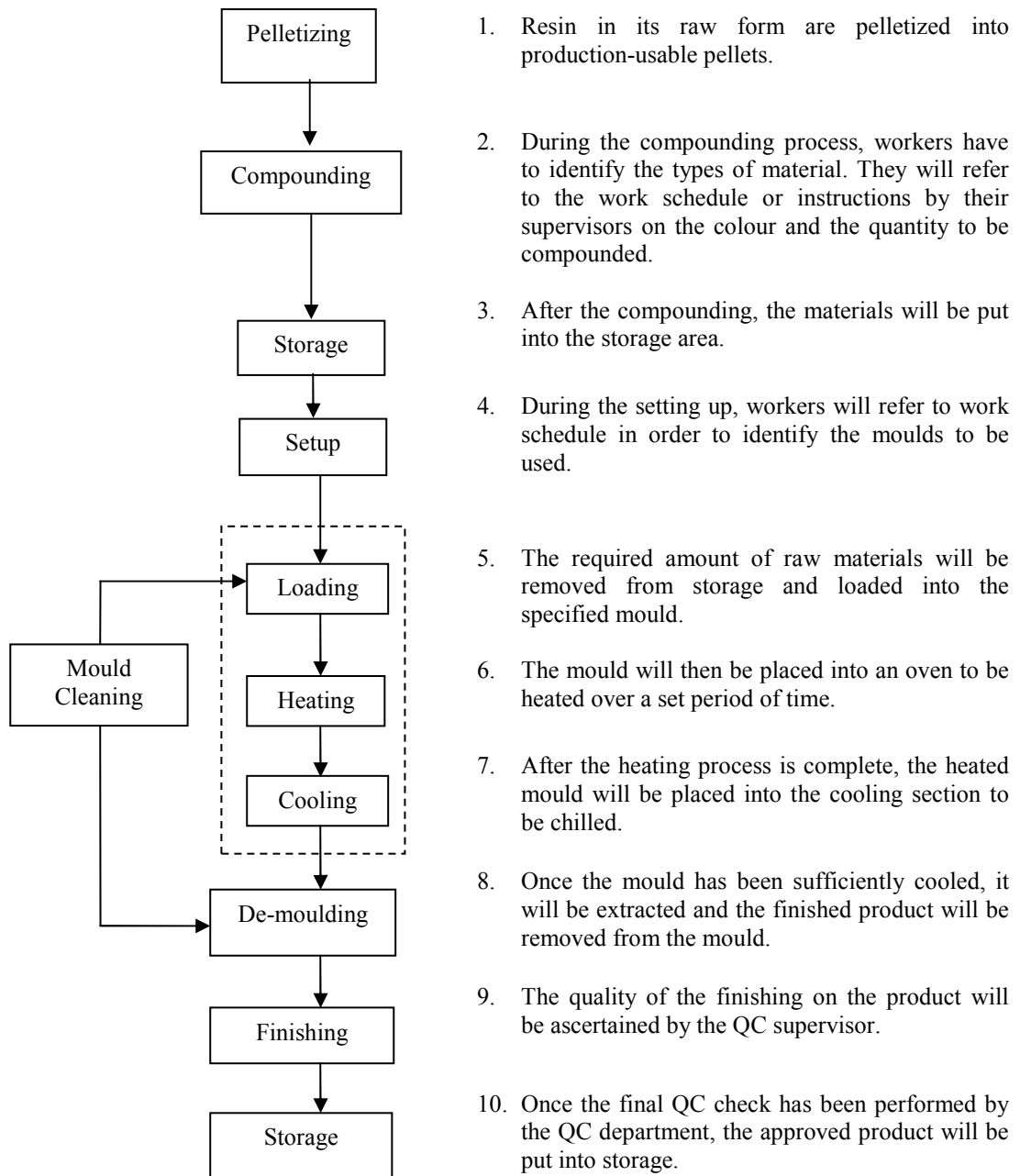
A diagram depicting the manufacturing process undertaken by each of the manufacturing facilities and a brief explanation of the processes is further described below:-

Extrusion Process Operational Flowchart



6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

Rotational Moulding Facility Operational Flowchart

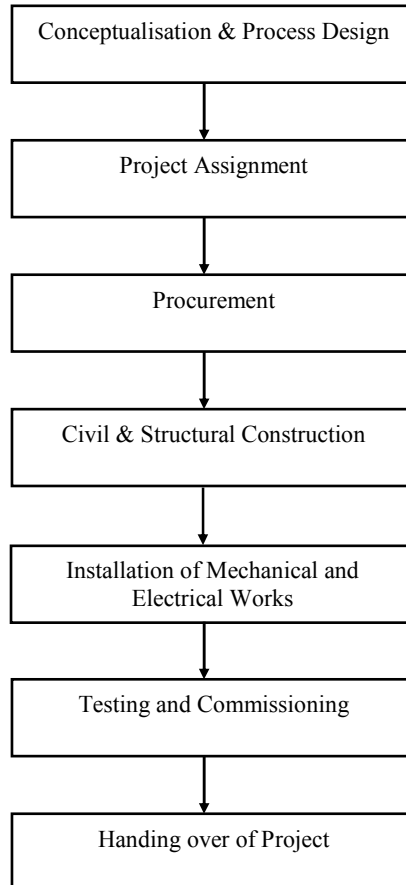


6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

Our subsidiary RTWSB is involved in the provision of consultancy services for the design, construction, implementation and maintenance of sewerage and wastewater treatment plants.

The flowchart below illustrates the scope of the consultancy services offered by RTWSB.

RTWSB as the technology provider/consultant/turnkey contractor



Conceptualisation and Process Design

Upon the receipt of a customer's enquiry, our sales and technical division will seek an understanding of the customer's specific requirements on project concept and process design. Based on our design expertise and customer's requirements, our technical division is responsible to ensure design criteria and project requirements are met. A proposal will then be prepared that will include the concept recommendation, design criteria and specifications and final budget for their approval. Once the customer accepts the proposal, a project contract or tender is drafted for approval.

Project Assignment

Upon acceptance and award of the project by the customer, we will appoint a Project Manager internally to manage the project from the start to final completion. The Project Manager's role is to coordinate and monitor all design & engineering, procurement, fabrication, assembly, installation and commissioning activities to ensure that the project is progressing as schedule and all technical and specifications are met. A project status report is prepared for the client for update purposes.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

System approval

Prior to physical works at the site, each system requires approval from the authorities. STP system requires the approval from the JPP or the Sewerage Services Department.

Procurement

Once drawings and design are finalised and approved by the relevant authorities and the customer, a detailed list of equipment and materials for the project will be drawn up. The selection of approved and appropriate equipment and material is finalised by the Purchasing and the Technical Division. After proper price negotiations, purchase orders will be issued to relevant suppliers. All materials received from suppliers will be checked and inspected for compliance to terms set in the purchase requisition and specification of the customer.

Civil and Structural Construction at the Site

We will outsource the civil and structural work based on the customer's requirements.

Installation of Mechanical and Electrical Works

Based on the design and drawings, the actual construction of the components needed for the STP plant will commence. Once the installation is complete, engineers in-charge and the project manager will ensure that the assembled and fabricated components, parts and structure meets with the necessary quality standards and specifications.

Testing and Commissioning

Upon the completion of the installation at the treatment site, the system will then be tested and commissioned before it is handed over to the client. This is to ensure that the installation including all process flow, mechanical, electrical, control and monitoring instrumentation are carried out in accordance to the project requirements. The entire plant is also checked to ensure that it meets the specification set by the customers and comply to environmental and/or design guidelines set by the federal and local governments which may include obtaining emission or discharge of wastewater samples for lab analysis.

Handing over of Project

Once the project has been completed, the ownership of the project will be transferred to the client. Subsequent to this, there will be opportunities for us to continue to be involved and to obtain recurring revenue through the provision of regular maintenance services.

6.2.7 Interruptions to Production

There has been no significant interruption to our business or operations in the past twelve (12) months preceding the date of this Prospectus.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)**6.3 Principal Markets**

We sell our products and systems both locally and overseas. The sales volume for our products in the local and export markets, on proforma basis for the respective FYE are as follows:-

Market	2004		2005		2006	
	RM'000	%	RM'000	%	RM'000	%
Local	51,219	98.7	52,698	97.6	59,408	97.5
Export	653	1.3	1,298	2.4	1,505	2.5

We export our products to countries in Asia Pacific, South Asia, Africa and the Middle East. The growth of the principal export markets of our Group is dependent on the prospects of the manufacturing sector, the infrastructure sector, and the construction sector and the ability of our Group to increase our market share and penetration into new markets. The prospects of the Malaysian economy, the manufacturing sector, infrastructure sector and the construction industry are mentioned in Section 5.0 of this Prospectus.

Generally, our Group's sales are consistent throughout the year and meant for various commercial applications. Hence our sales are not affected by any seasonal or cyclical sales fluctuation.

6.4 Availability of Raw Materials

The main raw materials used by our manufacturing process are various types and grades of resin. As resin is a petrochemical based raw material, the price of resin generally follows the price trend of crude oil, which recently has been highly volatile. Other raw materials include colouring, stabilisers and calcium. Approximately 80% of our raw materials are sourced locally while the remaining portion is imported. Raw materials sourced locally consist of PE and PVC resins. Imported PE resins are mainly from South Korea and Thailand.

The raw materials utilized as a percentage of the total raw materials purchased for the six (6) month financial period ended 31 August 2006 is shown below:-

Raw Materials	RM'000	%
<u>Local</u>		
Resin	21,174	74.45
Colouring	372	1.31
Stabilizer	43	0.15
Calcium	26	0.09
Others	923	3.24
<u>Import</u>		
Resin	5,904	20.76
Total	28,442	100.0

To-date, we have not encountered any problems in sourcing for raw materials. We have access to a regular supply of raw materials at competitive prices and over the years have maintained a good working relationship with our suppliers where we have an established track record for our purchase and payment commitments. We are confident that our suppliers will be able to support any increase in raw material requirements as and when the need arises.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)**6.5 Trademarks, Patents, Licences and Certifications****6.5.1 Trademarks**

We market our finished products under the trademark name of “Resintech” and “KRT_{WH-SYSTEM}” brand. Our subsidiary, RPSB has obtained the approval from the Registrar of Trademark, Malaysia on 30 September 1992 for the registration of the logo with the word “Resintech”.

RKSB will be marketing its products under the trademark name of “KRT_{WH-SYSTEM}”. We have submitted an application to the Registrar of Trademark Malaysia on 24 July 2006 for the use of the said trademark.

6.5.2 Patents

We have obtained patents for our products as detailed in the table below:-

Type of Patents	Authority/Certification Bodies
Septic Tank (MY 01-00435 – Design 1 of 2)	Kementerian Perdagangan Dalam Negeri Dan Hal Ehwal Pengguna Malaysia
Septic Tank (MY 01-00435 – Design 2 of 2)	
Water Tank (MY 01-00436 – Design 1 of 2)	
Water Tank (MY 01-00436 – Design 2 of 2)	
Connection Socket (MY 01-00425 – Design 1 of 4)	
Connection Socket (MY 01-00425 – Design 2 of 4)	
Connection Socket (MY 01-00425 – Design 3 of 4)	
Connection Socket (MY 01-00425 – Design 4 of 4)	

6.5.3 Licenses and Certifications

The products offered by us have been certified by SIRIM QAS and approved by the relevant ministries and various regulatory bodies. We have further obtained individual approval from some of the districts in Malaysia where our products are being utilized. The list of certificates and approvals are set out in Section 11.0 of this Prospectus.

6.6 Quality Control

We are fully committed to maintaining high standards of quality in order to meet the stringent quality requirements of our international and local customers.

At present, we have a QC team led by Zaiton Binti Abdul Rahman and Noraisah Binti Selamat whom are responsible for ensuring that all of our operations and procedures, as well as the finished products meet the requirements of international standards.

The roles of the in-house QC team are as follow:-

- Ensure that all inspections and testing requirements are specified for the purpose of controlling, monitoring and satisfying product standards and customers’ requirements;
- Ensure precision, accuracy and reliability of all the inspection procedures, testing and measuring equipment in the factory in order to achieve accurate and reliable data;
- Establish procedures for analyzing the test data and status; and
- Inspect finished products for any defects and deformities.

We have also undertaken steps to ensure that our PE and uPVC products comply with regulatory requirements related to certifications or approvals according to Malaysian standard or other international standard set by SIRIM QAS and other regulatory bodies. Our quality control department is also fully equipped to conduct the necessary tests in accordance to the Malaysian Standard (MS) which standard is also equivalent to British standard (BS), European norm (EN) and German standard (DIN).

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

For products certified by SIRIM QAS under the “Product Licensing Scheme”, regular factory inspections are conducted to monitor the process flow in the production process and quality of these products. The products that undergo the routine inspection are HDPE corrugated underground sewerage pipes, underground HDPE corrugated pipes for electrical installation, uPVC soil and ventilating pipes, uPVC pipes for cold water services, uPVC pipes for industrial use, rigid uPVC conduit for underground telecommunication cables, PE pipes for water supply, uPVC waste pipes and PE cold water storage tanks.

RPSB was awarded the MS ISO 9001:2000 Quality Management System certification on 3 August 2001 by Lloyd’s Register Quality Assurance covering the manufacture of uPVC and HDPE products for water storage, sewerage, drainage and underground cable piping systems. The certification also covers the manufacture of HDPE products for water storage, sewerage treatment and rainstorm water detention systems which is valid until 2 August 2007.

RKSB also manufactures HDPE and MDPE pipes with diameter sizes of 20 mm to 1200 mm in all pressure classes conforming to DIN 8074/75, MS1058 and ISO 4427 standards for potable water application. The MDPE pipes for natural gas are manufactured up to a size of 630 mm in diameter for SDR 17 and SDR 11 according to the MS 1086 and ISO 4437 Standards. RKSB is also in the process of adopting the system of operation in compliance with ISO 9002.

6.7 Research and Development

The R&D initiatives are geared towards the following tasks:-

- (i) Gathering information on customers’ preferences;
- (ii) Maintaining products’ quality;
- (iii) Creating new designs and products; and
- (iv) Modifying the design to improve efficiency and minimise production costs.

At present, our R&D team is led by Y.B. Dato’ Dr. Teh Kim Poo and is responsible for undertaking R&D activities to improve our existing processes and offerings, and also to develop new products to add to the existing products.

With the aid of computer-aided design programs, we have the ability and capacity to design and develop our products from the conceptual stage through technical drawings. Programs such as AutoCAD allows us to effectively reduce the time in designing, varying and modifying products to suit various requirements prior to actual production. These programs are used in our mould making operations only. Another program utilized by us is WinCam, a program which facilitates the gathering of data pertaining to the conditions of our pipes after installation. This allows us to closely monitor the durability and conditions of our pipes, greatly aiding in our R&D initiatives.

We also work closely with suppliers of manufacturing machineries in order to keep abreast with the latest development of new machineries that will shorten the production process or increase the yield from each unit of raw material.

R&D activities are carried out in the following areas:-

- Research on the latest developments by competitors in other countries for new product ranges and new technologies;
- Research on related industries such as the construction industry around the region to identify areas that require the supply of our products and services; and
- Reengineer existing design process.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

The above R&D activities are geared towards achieving the following outcome:-

- Enhance existing products and develop new products to diversify product range;
- Increase efficiency of the production process by shortening the production cycle or lowering production and operational cost and using new, innovative technologies and supporting machineries;
- Provide customer satisfaction through the promotion of quality and reliability; and
- Provide better and more consistent raw material supplies to ensure consistent quality of final products.

The table below details the past activities of our R&D team:-

FYE 28/29 February	R&D activities	R&D Expenditure (RM) / % of Turnover
2004	R&D on newly acquired machines INOEX Automation System Aurex and INOEX Automation System Saveomat to control the consistency and uniformity of diameter thickness of the pipe	616,289/ 1.19%
2005	R&D on design of rotomoulding and pipe fittings to strengthen product and reduce cost of production	428,218 / 0.8%
2006	R&D into the production of wood composite products (a combination of plastics and wood)	234,104 / 0.4%

For the near future, our R&D activities will be focused on achieving the following objectives:-

Year	R&D Activities
2007	<ul style="list-style-type: none"> ▪ R&D new products such as manholes and wastewater storage tanks by incorporating Weholite pipe technology
2008	<ul style="list-style-type: none"> ▪ R&D to develop innovative products at a reduced cost
2009	<ul style="list-style-type: none"> ▪ R&D new usages of our existing product lines

6.8 Marketing

Our products and systems are mainly sold via the following methods:-

(i) Wholesalers, Dealers and Distributors

Our products are distributed through wholesalers, importers, retailers and other dealers and distributors.

We believe that an effective approach in providing our products and services is via establishing and maintaining mutually beneficial long-term relationships with our marketing intermediaries to rapidly reach out to a wider market locally and globally with minimal cost of market penetration. As wholesalers are generally aware of the dynamics and latest developments within the infrastructure and construction industry and have their respective established distribution networks, we are able to capitalise on their existing networks to distribute and promote our products in the markets where the wholesalers are located.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

By working closely with these marketing intermediaries, we will be able to capitalize on their working knowledge of the customers' requirements in their respective markets and their extensive relationships with related parties such as contractors, local Federal Government agencies and municipalities to ensure the successful implementation and management of projects procured.

We select our wholesalers, dealers and distributors based on several key criteria. We will assess the potential wholesalers, dealers or distributors based on an in-depth analysis of the potential candidate's performance in the industry, its reputation amongst its market peers and also its financial position and capabilities.

(ii) Direct to customers

Our main distribution channel is via our own sales and marketing team. Our sales & marketing team comprises ten (10) personnel who will establish contact with potential and existing customers. Further, all levels of management are exposed to our customers to enable them to gain a better understanding of the customers' needs and also the infrastructure and construction industry as a whole. Our sales & marketing team regularly attends international and domestic trade exhibitions and fairs to showcase our products as well as observe the latest trends and developments. Currently, we have employed a team of six (6) telemarketers to further reinforce our marketing efforts.

The responsibilities of our sales & marketing team are as follows:-

- Marketing Team : To promote our products to potential customers via cold-calls, presentations and organised visits to potential clients.
- Sales Team : To follow up and support the efforts of the marketing team in order to secure orders. Customer service and after sales service will feature prominently in the sales team's responsibilities.

We currently have three (3) distribution centres in the following areas to enable us to provide prompt and efficient service and delivery:

1. Lahad Datu - to serve Tawau and Sandakan
2. Kapar and Telok Panglima Garang – to serve the northern, central and southern regions of West Malaysia
3. Kota Bharu - to serve Kelantan

We have so far participated in a number of prominent trade fairs and exhibitions as listed below:-

Trade Fairs & Exhibitions	Location
Asiawater 2002	Mines Exhibition Centre, Kuala Lumpur
MALBEX 2002	Mines Exhibition Centre, Kuala Lumpur
The Big 5 Show 2002	Dubai, UAE
JTJAD 2002, PAM	Hotel Golden Legacy, Melaka
Showcase Malaysia 2003	PWTC, Kuala Lumpur
Water & Drainage 2003	PWTC, Kuala Lumpur
PUAS 2003	Sheraton Hotel, Subang Jaya
Asiawater 2004	Mines Exhibition Center, Kuala Lumpur

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)**(iii) Internet Marketing**

We have engaged a website designer to improve our existing website (<http://www.resintechmalaysia.com>) in terms of aesthetics and content design.

6.9 Key Awards and Recognition

Our main subsidiary, RPSB was awarded the SMI-BSA International Best Overall Award in 2003. This award is bestowed on non-listed SMIs which are rising fast or making a big impact on the business world in recent years. Being awarded this distinction is a great achievement as it is an indicator of the inherent value and competitiveness of RPSB's operations as a whole.

RPSB has also been awarded a range of Anugerah Kecemerlangan in 2001. These awards serve as a significant endorsement by the local authorities towards the quality and value of the company's contribution. The table below shows the Anugerah Kecemerlangan awards which RPSB has received:-

Awards	Year	Awarded by
Anugerah Kecemerlangan Pengurusan Kualiti Negeri Selangor	2001	Anugerah Industri Selangor
Anugerah Kecemerlangan Rekabentuk Negeri Selangor	2001	Anugerah Industri Selangor
Anugerah Kecemerlangan Produk Negeri Selangor	2001	Anugerah Industri Selangor
Anugerah Kecemerlangan Produk Jenama Negeri Selangor	2001	Anugerah Industri Selangor

6.10 Competitive Advantages

We have established ourselves as a reliable and competitive manufacturer of PE, PP uPVC and ABS products and provider of consultancy services relating to sewerage and wastewater in Malaysia. Set out below are some of the areas of competency in which we possess that will allow us to compete effectively in the industry:-

(i) Strong and far-sighted management team

We have a strong and farsighted management, the technology know-how and the business experience relating to our industry. Our key management team led by Y.B. Dato' Dr. Teh Kim Poo has proven that we are capable of managing and improving key operations adopted within our Group as evidenced by the quality of our products and the orderly manner of our manufacturing process. We believe that the experience and knowledge of our management team is one of the contributing factors to our success and will continue to spearhead our competitiveness.

(ii) Proven track record

We have been in the business for more than fifteen (15) years and our track record is disclosed in Section 2.4 of this Prospectus. Our management has striven hard for this and it is a testament to our far-sighted vision, efficient operations and superior products. With a range of high quality products, we are confident that we will be able to expand our export markets. Currently, our products are mainly sold locally and also to customers in Asia-Pacific, South Asia, Africa and the Middle East.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

(iii) Experience in the industry

Having been in the PE, uPVC and tanks manufacturing industry for more than ten (10) years, we have accumulated a significant amount of knowledge and experience in the industry. This knowledge and experience has and will prove to be a critical factor of success in this increasingly competitive industry.

(iv) Commitment to QA & QC

We are committed to product quality and have established a quality assurance system that places great emphasis on achieving consistent quality in our products. Our commitment to quality has been recognised by us being awarded the MS ISO 9001:2000 certification by Lloyd's Register Quality Assurance covering the manufacture of uPVC and HDPE products for water storage, sewerage, drainage, underground cable piping system. This award also covers the manufacture of HDPE products for water storage, sewerage treatment and rainstorm water detention systems.

(v) Extensive marketing and distribution network

We possess a network of distributors, wholesalers and dealers located both locally and overseas, which enable us to market and trade our products in an efficient and logistically-feasible manner.

(vi) Brand equity

Having been in the business for more than fifteen (15) years, our flagship brand name of "Resintech" holds weight in the minds of our existing and potential customers. Throughout the years, our Directors believe that the name "Resintech" has been closely associated with products which are superior in quality and yet competitive in its pricing.

(vii) Dependency on customers

We do not depend on any single customer for our sales. Our strong relationship with our customers coupled with our reputation have enabled us to enjoy competitive advantage for sale of our products.

(viii) Wide range of products and services

We are a fully integrated provider of a wide range of water and sewerage piping and storage related products. Our products feature good physical properties such as durability, resistance to heat and cracking. We also provide value added services such as STP consultancy and water pipe diagnostics.

(ix) Product certification and approval

In line with the regulatory standards and requirements found in Malaysia as well as other foreign countries, we have successfully obtained certificates of approval for most of our products, as well as licenses permitting their usage from/by the relevant regulatory bodies and ministries. Our products are certified MS ISO 9001:2000 by Lloyd's Register Quality Assurance which covers the manufacturing of uPVC and HDPE products. Regulatory bodies such as SIRIM along with ministries such as JPP, Jabatan Perkhidmatan Awam and Jabatan Pengairan dan Saliran have approved and certified our wide range of products as suitable for usage, based on certain standards and criteria.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

(x) Design and engineering capabilities

Our engineering and design capabilities coupled by our use of machineries and technologies from Germany, Italy and the USA have enabled production of high quality products and systems encompassing material-saving composite design, lightweight design, secure jointing design and superior physical properties. Our ability to select the right type of PE resin for our range of products has also allowed us to produce products which are highly chemical and abrasion resistant. We are constantly researching on new technologies to enable us to develop products with higher output and improved quality.

(xi) Logistics - prompt delivery schedules

We believe in prompt delivery of our products to our customers. The current fleet of eleven (11) lorries are targeted to reach its destination within 24 hours in the area of Peninsular Malaysia and 48 hours within Sabah, from the time of receipt of orders. At present, our trading arm, RSSB ensures efficient delivery in East Malaysia.

(xii) Quality of after sales services

We focus on value-added services which provide us with a competitive edge. We do not believe that the process ends at the point of sale and as such, technical support is readily available, for example, installation at no additional cost. We have a dedicated sales and technical team with product knowledge which is responsible for product support.

(xiii) Cost competitiveness

In terms of price of raw materials, all competitors are affected by price fluctuations. As resin is a petrochemical based raw materials, the price of resin generally follows the price trend of crude oil, which recently have been highly volatile.

The increase in plastic resins price will increase the cost of production. However, the mitigating factor is that we believe that we are able to pass on the additional costs to our customers based on our reputation as a quality product supplier and based on our strong customer relationship.

Not all cost increases are easily passed on to consumers as in some cases it will depend on profit margins of different product lines, and the bargaining power of customers. Major customers, depending on the quantum or orders are likely to have a natural advantage over suppliers. Nevertheless, exposure to price reduction can be reduced for producers with strong financial strengths who are able to purchase and hold a higher inventory level to act as a buffer against unfavourable price fluctuations.

6.11 Our Future Plans and Prospects**6.11.1 Future Plans**

We currently offer a wide range of PE, PP, uPVC and ABS water piping and storage related products and services which are designed specifically to cater to our customers' needs. We intend to expand our existing operations and activities through further diversification and market expansion of our products, services and production facilities within the next (3) years.

Through the following activities, we aim to be a one-stop provider of water, sewerage and sanitation products and solutions for the region:-

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

(i) Product Diversification

We will continue to expand our product range. In line with our strategy of varied product range and designs to cater to the customers' needs, we plan to increase the application range of our products by introducing new variants, sizes and fitments for our successful staple of products.

We also plan to place a considerable amount of effort and resources on our subsidiaries, RESB and RTWSB, which are involved in the provision of diagnostic and maintenance services, and sewerage treatment plant consultancy services respectively to broaden its services.

With the Acquisition of New Assets, we are now able to increase the diameters and lengths of our HDPE pipes for the water, wastewater, sewerage and other industrial piping applications. In addition, we now possess the know-how to produce MDPE gas supply pipes which are used to pipe gas supply directly to households.

We have also been granted the license to manufacture Weholite PE pipe, developed by KWH Pipe Ltd., Technology from Finland and which is constructed using a patented structured wall process, making it possible to manufacture diameters up to 3000 mm. This lightweight pipe can be used for various applications in municipal, industrial, road construction, rehabilitation and marine pipeline applications.

(ii) Market Expansion

We plan to further expand our market share in regions such as Asia-Pacific, South Asia, the Middle East and Africa where we believe there is demand for our products and services. By focusing on expanding our market base geographically, we seek to increase our profitability while at the same time reduce our dependency on a single country's economic performance.

We also plan to further penetrate into the East Malaysian market together with the Indonesian market by establishing a manufacturing and marketing division in Kota Kinabalu, Sabah and Kuching, Sarawak in the near future. Currently, both plants are under construction and expected to commence production at the beginning of the financial year ending 29 February 2008.

Other than East Malaysia, we have intention on venturing further into the Indonesian market for PE, PP, uPVC and ABS pipes due to its large population base and need for infrastructure related products and services. Recently, we were awarded an overseas project of approximately USD1.02 million for the supply of HDPE water pipes for the rehabilitation of Banda Aceh in Indonesia after the tsunami disaster in December 2004.

We plan to aggressively increase the accessibility and availability of our products throughout the Peninsular Malaysia by setting up storehouses in strategic states in Peninsular Malaysia. We had set up a storage facilities in the state of Kelantan and thus, be able to tap into the growing infrastructure and construction industry in Kelantan and Terengganu.

(iii) Product Development

We have commenced R&D into the production of wood composite products (a combination of plastics and wood) by using existing facilities to diversify our product range outside the pipes and tanks manufacturing industry, which may potentially serve as an earnings stabiliser in the future. The three (3) wood composite products that we intend to commercialise by financial year ending 29 February 2008, are as follows:-

- paper coil products;
- rain gutters;
- side railings for lorries; and
- decks for containers and trucks.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

Another area of development that we will actively pursue is the production of PE manholes and tanks by incorporating the Weholite PE pipe technology. Traditionally, manholes were made from reinforced concrete which requires a substantial amount of time, machinery and labour to construct, transport and install. By incorporating Weholite PE pipe technology, we can produce manholes that will allow for savings in time, reduced costs in installation, transportation costs and labour cost and have a longer life span over manholes made from concrete.

The Weholite PE pipe technology can also help us to improve upon the design and fabrication of our existing product range of rainstorm water detention systems to overcome flash floods and sewerage treatment plant systems to overcome the overflowing of waste during downpours.

We anticipate the introduction of the above new products and the improvements to the existing products by capitalising on the Weholite PE pipe technology to be realised during the financial year ending 29 February 2008.

(iv) Expansion of Production Line

We plan to expand our production line with the construction of a new manufacturing plant in Kota Kinabalu, Sabah and Kuching, Sarawak. These new plants will enable us to significantly increase our annual output as well as reduce the logistics and manufacturing costs in the long term due to economies of scale. It will also provide us with an effective springboard into the East Malaysian market as well as the Kalimantan market due to its strategic location. We are targeting to commence operations of our factory in Kota Kinabalu and Kuching by early quarter for the financial year ending 29 February 2008.

By establishing two new plants in Sabah and Sarawak, we also stand to obtain substantial savings in logistics and transportation expenses by having a manufacturing facility close to our target customers as opposed to manufacturing the products in Peninsular Malaysia to be shipped to East Malaysia. The plant in Sarawak will commence production of rotomoulding tanks to capture the market of septic and water tanks whilst the Sabah plant will enable us to be more competitive in terms of pricing and response time.

6.11.2 Prospects

We believe that our prospects are encouraging as we are armed with an experienced management team with the required technology know-how that will enable us to capitalise on our economies of scale and to diversify into other plastic-related products. This reduces production cost and when combined with effective marketing strategies, and the ability to value add, such as the structuring of efficient logistics, these factors will jointly contribute towards our Group's competitive advantage. We intend to capitalise on the following supporting factors for our growth.

(i) Construction, Infrastructure and Property Sector

After two years of decline, the construction sector is expected to turn around and register a positive growth of 1%, led mainly by the improvement in the civil engineering sub-sector. The civil engineering sub-sector would be supported by higher construction in the oil and gas industry as well as public projects with the commencement of new projects under the 9MP with an allocation of RM46.8 billion. Meanwhile the residential and non-residential sub-sectors are expected to expand further supported by the attractive financing packages and brisk business activities. These factors are positive indications of a sustainable demand for our Group's products and services.

Our Group has an edge given that they have a wide product mix and their physical properties are more superior to, for example, the conventional metal sewerage, vitrified cement pipes and metal water tanks. Unlike metal based, polyethylene does not rust, and are abrasion/corrosion/chemical resistant, durable and its light weight makes transportation easier.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP (Continued)

The Government's planned expenditure to develop Sabah and Sarawak's infrastructure and public amenities in the recent Budget 2006/2007 also augurs well for our Group's prospects as one of our Group's market diversification strategy is to increase our market share in East Malaysia. For example, as stated in the 9MP, a study will be undertaken to identify the road networks required to expedite development of Sabah and Sarawak. Rural roads programme will be expanded to connect resettlement areas to rural industrial areas and estates especially in Sabah and Sarawak. With regards to water supply, the government will give priority to increase accessibility to potable water in rural areas, with priority given to states with low supply coverage such as Sabah and Sarawak. In line with this, we are currently setting up two new plants in Sabah and Sarawak as stated in Sections 6.11.1 (ii) and (iv) above.

(ii) Water Supply and Sewerage Sector Outlook

As published in the Malaysia Water Industry Guide 2005, the entire water supply distribution system in Malaysia comprises more than 92,283 km of water pipes of which 43,673 km or 47% are AC pipes. These AC pipes have been extensively laid over the years and most of them are in service for more than 30 years and need to be replaced. This is manifested in the frequent pipe bursts, leaking mains and the distribution systems, and consequently led to revenue losses to the operator as well as poor water quality to the consumers. Currently, PE and uPVC pipes constitute 15% and 12.7 % respectively of the total percentage the types of pipes used in Malaysia. PE and uPVC pipes have been identified and are used by the state governments and private companies as suitable alternatives for the replacements of the old AC pipes.

This augurs well for our Group as our wide range of PE and uPVC water pipes with superior qualities such as durability, resistance to heat and cracking will put it in good stead as an alternative for the replacement of the old AC pipelines. Our Group will also be able to offer value-added services in the areas of maintenance and water pipe diagnostics.

Rehabilitation and upgrading works of sewerage treatment plants will also be continued under the 9MP. One of the major projects implemented to provide efficient, reliable and environmentally safe sewerage services is the NSP. The NSP is made up of 13 projects that cover the Klang Valley and the major urban centres in the west coast of Peninsular Malaysia. The project components are made up of 10 sewerage treatment plants, 3 centralised sludge treatment facilities and a sewer network with a total length of 117 km. The construction of Phase 1 of the NSP, which comprised five projects in Kuala Lumpur and Selangor, began in 2004. The construction of several STPs was completed such as the plants in Bayan Baru, Kuala Teregganu, Port Dickson as well as Padang Mat Sirat and Pantai Tengah in Langkawi.

The above-mentioned ongoing projects present another opportunity for our Group to offer our products and services. Our Group offers diagnostics of sewerage pipes performed through the strategic use of mobile CCTV units, which are sent down into the existing sewerage pipes to probe for defects, malfunctions and wear and tear. This is the service which we intend to build upon due to the savings in long term maintenance costs it provides to our clients, and also the upcoming mandatory requirements by JPP which states that all sewerage pipes must undergo regular diagnostics.

(iii) Focus on Private Sector

Our Group envisages that one of the major prospects for growth is the private sector segment. The existing and potential demand for the Group's products is inter-related between sewerage and water supply systems and within the construction and property industries. Specifically, any development housing projects would require sewerage treatment tank and water sources connectivity such as underground sewer and water piping systems. In addition, our subsidiary, RTWSB, is also able to provide a number of consultancy and maintenance services for a number of applications ranging from sewerage and wastewater treatment plants, sewerage catchments, rainstorm retention systems and rain harvesting systems.

6.0 BUSINESS OVERVIEW AND FUTURE PROSPECT OF THE RB GROUP *(Continued)*

Its consultancy services encompass the design, supply, construction, implementation and maintenance of a particular application, allowing RTWSB to serve as a one-stop solutions provider for the sewerage and wastewater treatment industry.

(iv) Development of the Telecommunications Infrastructure

Protective piping such as uPVC are normally used to cover fiber optics and copper cables. The potential for market growth and potential demand exist for protective piping such as uPVC for protective piping to cover fiber optics and copper cables. This represents another opportunity for our Group to offer our wide range of cable pipes in the telecommunication infrastructure industry.

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7.0 INFORMATION ON THE RB GROUP

7.1 Information on RB

7.1.1 History and Principal Activities

Our Company was incorporated in Malaysia as a private limited company under the Act on 24 April 1995 under the name of Resintech Sdn Bhd. Subsequently on 24 November 2004, our Company was converted into a public limited company and assumed the current name. Our principal activity is as an investment holding company. The details of our subsidiary companies are as follows:-

Company	Date and place of incorporation	Effective equity interest (%)	Issued and paid-up share capital RM	Principal activities
RPSB	24.11.1983 Malaysia	100.0	5,000,000	Designing, manufacturing, trading and marketing of a diversified range of PE, PP, uPVC and ABS pipes, tanks and fittings
RKSB	01.06.2006 Malaysia	100.0	100,000	Designing, manufacturing, trading and marketing of a diversified range of PE, PP and ABS pipes and fittings
<i>Subsidiary companies of RPSB</i>				
RESB	20.04.1987 Malaysia	100.0	100,003	CCTV inspection services for water and sewerage pipelines, and fabrication of steel structures
RSSB	16.02.1988 Malaysia	100.0	1,500,000	Trading and marketing of a diversified range of PE, uPVC and ABS pipes, tanks and fittings
VMSSB	15.05.1997 Malaysia	100.0	500,000	Fabrication of plastic moulds and roto-moulding moulds
ELSB	17.03.1997 Malaysia	100.0	2,000,000	Property holding
RPMSB	10.06.1994 Malaysia	100.0	50,000	<ul style="list-style-type: none"> • Marketing of sewerage and waste water treatment plants; and • Trading of children's playground equipment
<i>Subsidiary company of RESB</i>				
RTWSB	11.09.1995 Malaysia	60.0	100,000	<ul style="list-style-type: none"> • Designing and contracting for sewerage treatment plants; and • Provision of consultancy services including survey, design and project management

7.0 INFORMATION ON THE RB GROUP (Continued)**7.1.2 Changes in Share Capital**

Our present authorised share capital is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each. Our issued and paid-up share capital as at today is RM42,060,000 comprising 84,120,000 ordinary shares of RM0.50 each.

The changes in our issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Total issued and paid-up share capital RM
24.04.1995	2	1.00	Subscribers' shares	2
31.10.2004	-	0.50	Share split	2
8.09.2005	84,119,996	0.50	Issued pursuant to the Acquisition of RPSB	42,060,000

7.2 Listing Scheme**7.2.1 Acquisition of RPSB**

In conjunction with, and as an integral part of the Listing, we entered into a share sale and purchase agreement on 1 August 2005 in respect of the acquisition of 5,000,000 ordinary shares of RM1.00 each representing the entire equity interest in RPSB for a purchase consideration of RM42,060,437 which was wholly satisfied by the issuance of 84,119,996 new RB Shares, at an issue price of approximately RM0.50 per RB Share.

The purchase consideration for the Acquisition of RPSB was arrived at based on the adjusted audited consolidated NTA of the RPSB Group as at 29 February 2004 after taking into account the revaluation surplus and impairment loss on freehold land and leasehold land and buildings of the RPSB Group, loss on disposal of subsidiary and profits made by RPSB Group up to the date of completion of the Acquisition of RPSB.

The Acquisition of RPSB was completed on 8 September 2005 and had resulted in a negative goodwill of approximately RM4.9 million which was recognised as other operating income during the FYE 28 February 2006.

Pursuant to the Acquisition of RPSB, we have issued our new Shares to the vendors in the following manner:-

Name of vendor	No. of ordinary shares held in RPSB	Interest in RPSB %	No. of our Shares issued as consideration
Y.B. Dato' Dr. Teh Kim Poo	2,575,779	51.52	43,334,905
Datin Gan Jew	462,044	9.24	7,773,425
Teh Leng Kang	197,005	3.94	3,314,413
TESB	1,182,665	23.65	19,897,156
Dato' Abu Sujak bin Mahmud	194,169	3.88	3,266,699
SSSB	194,169	3.88	3,266,699
BSPSB	194,169	3.88	3,266,699

7.0 INFORMATION ON THE RB GROUP (Continued)

7.2.2 Acquisition of New Assets

RPSB had on 31 March 2006 entered into sale and purchase agreement with FPSB for the acquisition of the following:-

- (i) a piece of industrial land held together with a double storey office block cum factory building, a double storey canteen block cum store, a guard house and a motorcycle shed erected thereon (“Property”) for a cash consideration of RM4,500,000; and
- (ii) certain identified assets and stocks located at the Property for a cash consideration of RM321,000 and RM2,099,599.33 respectively.

The Acquisition of New Assets in Sections 7.2.2 (i) and 7.2.2 (ii) above were completed on 29 June 2006 and 10 July 2006 respectively.

The acquisition of the Property for RM4,500,000 in Section 7.2.2 (i) above was arrived at based on a willing buyer willing seller offer taking into consideration the market value of the Property on 10 March 2006 of RM5,650,000. The said valuation does not require the approval of the SC. The acquisition of certain identified assets and stock located at the Property for RM321,000 and RM2,099,599.33 respectively in Section 7.2.2(ii) above was arrived at based on our management’s own estimate and stock take respectively.

The Acquisition of New Assets above was financed from our internally generated funds and bank borrowings.

Pursuant to the Acquisition of New Assets, we had acquired the entire issued and paid-up share capital of RKSB comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2.00 which was wholly satisfied in cash. RKSB would manage the assets and business arising from the Acquisition of New Assets. The acquisition of RKSB was completed on 21 June 2006.

7.2.3 Public Issue

In conjunction with the Listing, we will implement a Public Issue of 13,880,000 new Shares at an issue price of RM0.70 per share payable in full on application comprising:-

- (i) 6,000,000 new Shares to be made available for application by the Malaysian public at RM0.70 per share, to be allocated via ballot, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions, to the extent possible;
- (ii) 2,783,000 new Shares will be made available for application by our eligible directors, employees and business associates at RM0.70 per share;
- (iii) 500,000 new Shares have been reserved for application to Bumiputera investors approved by MITI at RM0.70 per share; and
- (iv) 4,597,000 new Shares will be placed out to identified investors by way of private placement at RM0.70 per share.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM42,060,000 to RM49,000,000 comprising 98,000,000 Shares.

The Public Issue Shares to be issued shall rank *pari passu* in all respects with our existing Shares including voting rights and the rights to all dividends that may be declared in the future.

7.0 INFORMATION ON THE RB GROUP *(Continued)*

7.2.4 Offer for Sale

In conjunction with the Public Issue, the Offerors will implement an offer for sale of 5,100,000 Offer Shares whereby 5,100,000 Offer Shares will be made available for application to identified investors by way of private placement at RM0.70 per share.

7.2.5 Listing

We have obtained approval-in principle from Bursa Securities on 10 May 2005 for the admission to the Official List of Bursa Securities and the listing and quotation for our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities.

7.2.6 ESOS

Bursa Securities has, vide its letter dated on 10 May 2005, approved-in-principle the listing of and quotation for our new Shares to be issued pursuant to the exercise of Options under our ESOS on the Second Board of Bursa Securities. On 16 October 2006, our existing shareholders have adopted the ESOS for the benefits of our eligible directors and eligible employees. The ESOS allows for the granting of options to subscribe up to 15% of our issued and fully paid-up share capital at any time during the duration of the ESOS. As at the Latest Practicable Date, we have not offered nor granted any Options under the ESOS. The ESOS is expected to be effective during the first quarter of the financial year ending 29 February 2008.

The ESOS shall be in force for a duration of five (5) years during which Options shall be offered to our Directors and eligible employees in accordance with the ESOS By-Laws. Our ESOS By-Laws are set out in Section 17 of this Prospectus.

7.3 Details of Subsidiary Companies

(i) RPSB

(a) History and Business

RPSB was incorporated in Malaysia as a private limited company under the Act on 24 November 1983 under the name of Bahtera Meriam Sdn Bhd and assumed its current name on 14 March 1992. RPSB commenced its operations in 1992.

The principal activities of RPSB are designing, manufacturing, trading and marketing of a diversified range of PE, PP, uPVC and ABS pipes, tanks and fittings.

(b) Share Capital

The authorised share capital of RPSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RPSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of RPSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
24.11.1983	2	Subscribers' shares	2
10.06.1991	350,000	Cash	350,002
27.11.1992	700,004	Non-cash	1,050,006
03.01.1995	1,488,000	Non-cash	2,538,006
27.02.2004	2,461,994	Cash	5,000,000

7.0 INFORMATION ON THE RB GROUP (Continued)**(c) Substantial Shareholders**

RPSB is our wholly-owned subsidiary.

(d) Subsidiary and Associate Company

The subsidiary companies of RPSB are shown in Section 7.1.1 above. RPSB does not have any associate company.

(ii) RKSB**(a) History and Business**

RKSB was incorporated in Malaysia as a private limited company under the Act on 1 June 2006 under the name of Resintech-Kapar Sdn Bhd and commenced its operations in 2006.

(b) Share Capital

The authorised share capital of RKSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RKSB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of RKSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
01.06.2006	2	Subscribers' shares	2
05.07.2006	99,998	Cash	100,000

(c) Substantial Shareholders

RKSB is our wholly-owned subsidiary.

(d) Subsidiary and Associate Company

RKSB does not have any subsidiary or associate company.

(iii) RESB**(a) History and Business**

RESB was incorporated in Malaysia as a private limited company under the Act on 20 April 1987. RESB commenced its operations in 1987.

The principal activities of RESB are CCTV inspection services for water and sewerage pipelines, and fabrication of steel structures.

(b) Share Capital

The authorised share capital of RESB is RM300,000 comprising 300,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RESB is RM100,003 comprising 100,003 ordinary shares of RM1.00 each.

7.0 INFORMATION ON THE RB GROUP (Continued)

The changes in the issued and paid-up share capital of RESB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
20.04.1987	3	Subscribers' shares	3
15.06.1987	100,000	Cash	100,003

(c) Substantial Shareholders

RESB is a wholly-owned subsidiary of RPSB.

(d) Subsidiary and Associate Company

The subsidiary company of RESB is RTWSB. RESB does not have any associate company.

(iv) RTWSB**(a) History and Business**

RTWSB was incorporated in Malaysia as a private limited company under the Act on 11 September 1995 under the name of Kurniawasa Sdn Bhd and assumed its current name on 3 October 2000. RTWSB commenced its operations in 2001.

The principal activities of RTWSB are designing and contracting for sewerage and wastewater treatment plants, provision of consultancy services including survey, design and project management.

(b) Share Capital

The authorised share capital of RTWSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RTWSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of RTWSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
11.09.1995	2	Subscribers' shares	2
23.04.2003	99,998	Cash	100,000

(c) Substantial Shareholders

RTWSB is a 60% subsidiary of RESB and the remaining 40% is owned by Ir. Cho Hock Tin.

(d) Subsidiary and Associate Company

RTWSB does not have any subsidiary or associate company.

7.0 INFORMATION ON THE RB GROUP (Continued)**(v) RSSB****(a) History and Business**

RSSB was incorporated in Malaysia as a private limited company under the Act on 16 February 1988 under the name of Resintech Agritrade (M) Sdn Bhd and assumed its current name on 5 May 1995. RSSB commenced its operations in 1988.

The principal activities of RSSB are trading and marketing of a diversified range of PE, uPVC and ABS pipes, tanks and fittings.

(b) Share Capital

The authorised share capital of RSSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RSSB is RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of RSSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
16.02.1988	4	Subscribers' shares	4
15.06.1988	30,000	Cash	30,004
14.07.2000	1,469,996	Cash	1,500,000

(c) Substantial Shareholders

RSSB is a wholly-owned subsidiary of RPSB.

(d) Subsidiary and Associate Company

RSSB does not have any subsidiary or associate company.

(vi) VMSSB**(a) History and Business**

VMSSB was incorporated in Malaysia as a private limited company under the Act on 15 May 1997. VMSSB commenced its operations in 1997.

The principal activities of VMSSB are fabrication of plastic moulds and roto-moulding moulds.

(b) Share Capital

The authorised share capital of VMSSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of VMSSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

7.0 INFORMATION ON THE RB GROUP (Continued)

The changes in the issued and paid-up share capital of VMSSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
15.05.1997	2	Subscribers' shares	2
03.12.1998	499,998	Cash	500,000

(c) Substantial Shareholders

VMSSB is a wholly-owned subsidiary of RPSB.

(d) Subsidiary and Associate Company

VMSSB does not have any subsidiary or associate company.

(vii) ELSB**(a) History and Business**

ELSB was incorporated in Malaysia as a private limited company under the Act on 17 March 1997. ELSB commenced its operations on September 1999.

The principal activity of ELSB is property holding.

(b) Share Capital

The authorised share capital of ELSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of ELSB is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of ELSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
17.03.1997	3	Subscribers' shares	3
17.03.1997	25,000	Cash	25,003
17.03.1999	1,974,997	Non - Cash	2,000,000

(c) Substantial Shareholders

ELSB is a wholly-owned subsidiary of RPSB.

(d) Subsidiary and Associate Company

ELSB does not have any subsidiary or associate company.

7.0 INFORMATION ON THE RB GROUP (Continued)**(viii) RPMSB****(a) History and Business**

RPMSB was incorporated in Malaysia as a private limited company under the Act on 10 June 1994 under the name of Giant Fleet Sdn Bhd and assumed its current name on 15 October 1999. RPMSB has commenced its operations in 2005.

(b) Share Capital

The authorised share capital of RPMSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of RPMSB is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of RPMSB since incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up capital share capital RM
10.06.1994	2	Subscribers' shares	2
21.04.1995	49,998	Cash	50,000

(c) Substantial Shareholders

RPMSB is a wholly-owned subsidiary of RPSB.

(d) Subsidiary and Associate Company

RPMSB does not have any subsidiary or associate company.

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7.0 INFORMATION ON THE RB GROUP (Continued)**7.4 Land and Buildings****7.4.1 Summary of land and buildings**

The details of land and buildings owned by us are as follows:-

Registered and/or beneficial owner/ Location	Description/ Existing Use	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Approximate age of building / Tenure	Encumbrances/ Restriction in interest	Date of Certificate of Fitness for Occupation	Market value RM'000	Revaluation surplus/ (deficit) # RM'000	Net book value as at 31 August 2006 RM'000
RPSB Lot 5, Jalan Waja 14 Kawasan Perindustrian Telok Panglima Garang 42500 Telok Panglima Garang Selangor Darul Ehsan	Single-storey detached factory, a 3- storey office block and single storey hall with additional 2 floors	237,185	177,139	7 years / To be issued with a 99-year leasehold qualified title (Notes 1 and 4)	The land is currently assigned to EBB / The land shall not be transferred, charged or leased without the consent of the State Authority	12.05.1999	15,875	6,752	15,490
RPSB No. 21, Jalan Taming 7 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Intermediate 1½ storey terrace light industrial factory	2,160	2,970	9 years / Freehold	None / None	14.10.1990	330	50	324
Held under H.S.(D) 13399 PT 9092, Mukim of Kajang, District of Ulu Langat. Selangor Darul Ehsan	Vacant commercial land	1,600	-	- / 99 years Expiry 26.08.2087	None / The land shall not be transferred, charged or leased without the consent of the State Authority	N/A	110	67	108

7.0 INFORMATION ON THE RB GROUP (Continued)**7.4.1 Summary of land and buildings (Continued)**

Registered and/or beneficial owner/ Location	Description/ Existing Use	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Approximate age of building/ Tenure	Encumbrances/ Restriction in interest	Date of Certificate of Fitness for Occupation	Market value RM'000	Revaluation surplus/ (deficit) # RM'000	Net book value as at 31 August 2006 RM'000
RPSB Lot PT 14229 Pandamaran Jaya Industrial Mukim Klang Selangor Darul Ehsan	Vacant industrial land	9,075	-	- / To be issued with 60-year leasehold qualified title	None / The land shall not be transferred, charged or leased without the consent of the State Authority	N/A	280	102	275
RPSB Lot 1851, Jalan Camp Port Klang Selangor Darul Ehsan Held under H.S. (M) 20705, Lot 1851 Mukim & District of Klang. Selangor Darul Ehsan	Vacant industrial land	215,056	-	- / 99 years Expiry 07.04.2090	The land is currently charged to OCBC / The land shall not be transferred, charged or leased without the consent of the State Authority	N/A	2,700	1,669	2,665
RPSB Lot 107 Block 14 Batu 24, Kuching/Serian Road Sentah/Segu Land District Kuching Division Sarawak Held under TRN 01-LCLS- 013-014-00107 Sentah Segu Land District Section 014, Lot 00107 Kuching, Sarawak	Development land, approved for construction of a 1½ storey light industrial building (Note 2)	150,898	-	- / 60 years Expiry 06.01.2012	None / None	N/A	295	4	238

7.0 INFORMATION ON THE RB GROUP (Continued)**7.4.1 Summary of land and buildings (Continued)**

Registered and/or beneficial owner/ Location	Description/ Existing Use	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Approximate age of building/ Tenure	Encumbrances/ Restriction in interest	Date of Certificate of Fitness for Occupation	Market value RM'000	Revaluation surplus/ (deficit) # RM'000	Net book value as at 31 August 2006 RM'000
RSSB Lot 24 & 25 Export Oriented Industrial Zone Phase 2 Kota Kinabalu Industrial Park, Sabah	2 adjoining pieces of industrial land	175, 547	-	- / To be issued with a 99-year leasehold qualified title	The land is currently assigned to EBB / None	N/A	2,105	(2)	2,105
ELSB Lot 3, Jalan Waja 15 Kaw Perindustrian Telok Panglima Garang 42500 Telok Panglima Garang Selangor Darul Ehsan	4 single-storey warehouses	240,508	117,600	7 years/ To be issued with a 99-year leasehold qualified title (Notes 3 and 4)	The land is currently assigned to OCBC Bank (Malaysia) Berhad / The land shall not be transferred, charged or leased without the consent of the State Authority	27.09.2005	11,725	4,331	11,371
RPSB Batu 5¼, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan Held under Geran No. 52361, Lot No. 6461, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	Double storey factory building cum office block, a double storey canteen block cum store, a guard house and a motorcycle shed erected thereon	219,978	40,000	14 years / Freehold	The land is currently charged to EBB / None	12.11.1994	N/A	N/A	4,677

7.0 INFORMATION ON THE RB GROUP (Continued)

Notes:-

- ¹ The property was acquired via sale and purchase agreement (“SPA”) dated 12 April 1996 between Selangor Development Corporation and RPSB.
- ² The provisional approval for RPSB’s application for extension of validity period on the conversion of category of land use from cultivation of padi to industrial use and construction of 1¹/₂ storey light industrial building had been granted vide a letter dated 28 October 2005 by Jabatan Tanah dan Survei Bahagian Kuching, Sarawak (“JTS”). A formal approval has yet to be issued by JTS as at the date hereof. The Group is currently constructing a manufacturing plant on the said land and is expected to commence production at the beginning of financial year ending 29 February 2008. As at the Latest Practicable Date, RPSB has yet to make any application to the authorities to renew the lease period which will expire on 6 January 2012. We intend to make application for renewal of the lease in due course.
- ³ The property was acquired via SPA dated 30 May 1996 between Tonek Holdings Sdn Bhd and ELSB.
- ⁴ Issuance of separate individual titles for Lot 3 and 5, Jalan Waja 14 and 15, Kawasan Perindustrian Telok Panglima Garang, Selangor Darul Ehsan by the relevant authorities are still pending.
- # Based on Valuation Report dated 4 January 2005, 15 October 2004, 16 October 2004 and 30 September 2004 prepared by KGV-Lambert Smith Hampton (M) Sdn Bhd. The dates of valuation are 4 January 2005, 15 October 2004, 16 October 2004 and 15 September 2004 (“Valuation Dates”). The revaluation surplus/(deficit) was obtained by comparing the net book value of the land and buildings as at 29 February 2004 against the market value of the respective land and building on the Valuation Dates. The revaluation surplus totalling RM12,975,780 has been incorporated in our financial statements for the FYE 28 February 2006.

7.4.2 Information on Landed Properties Leased/Rented by Our Group

Tenant/ Address	Description / Existing Use	Date of Certificate of Fitness for Occupation	Tenancy and Expiry Period	Encumbrances/ Restriction in interest
RSSB A161, Batu 1 ¾, Jalan Tengah Nipah, P.O. Box 61238, 91121 Lahad Datu, Sabah	Open storage facilities	Note 1	Three (3) year tenancy from 1 June 2004 to 31 May 2007 with an option to renew for a further period of three (3) years. The monthly rental is RM2,500	None / None
RPSB Lot 1487, Mukim Padang Enggang 16100 Kota Bharu Kelantan	Temporary open shade under construction	Note 2	Three (3) year tenancy from 1 March 2006 to 28 February 2009 with an option to renew for a further period of three (3) years. The monthly rental is RM2,000	None / None

Notes:-

- ¹ No approval is required from the local authorities for the building structure.
- ² The building plan was approved by Majlis Perbandaran Kota Bharu, Kelantan on 29 May 2006. An application for certificate of fitness shall be made upon completion of the construction.

7.4.3 Material Breaches of any Law, Rules and Building Regulations

To the best of our Directors’ knowledge, there are no material breaches of any law, rules and building regulations including land-use conditions or permissible land use which may result in a potential adverse material impact to our Group in relation to the properties owned and/ or leased or rented by our Group.

7.0 INFORMATION ON THE RB GROUP (Continued)**7.4.4 Transaction relating to the Acquisition of Properties during the Two (2) Years Preceding the Date of this Prospectus**

Save as disclosed below, there were no transactions relating to the acquisition of properties during the two (2) years preceding the date of this Prospectus:-

- (i) Property sale and purchase agreement dated 31 March 2006 between FPSB and RPSB whereby FPSB has agreed to sell and RPSB has agreed to purchase a piece of industrial land held under Geran No. 52361, Lot No. 6461, Mukim of Kapar, District of Klang, State of Selangor measuring in area approximately 219,978 sq. ft. together with a double storey office block cum factory building, a double storey canteen block cum store, a guard house and a motorcycle shed ("Property") erected thereon for a total purchase consideration of RM4,500,000.

Further details of the current details of the Property are set out below:-

Built-up Area (sq. ft.)	Approximate age of building / Tenure	Encumbrances/ Restriction in interest	Date of Certificate of Fitness for Occupation
40,000	14 years / Freehold	Charged by RPSB in favour of EBB vide presentation no. 56177/2006 as security for credit facilities granted by EBB to RPSB. / No restriction in interest	12 November 1994

There is no breach of any express or implied condition of title in respect of the Property or any laws, regulations, by-laws or requirements of any relevant authority affecting the Property. The total purchase consideration of RM4,500,000 has been fully paid by RPSB. The acquisition of the Property was completed on 29 June 2006.

7.5 Employees**7.5.1 Number of employees**

As at the Latest Practicable Date, we have a work force of 272 employees, which are set out as follows:-

	Number of Employees	Range of Years of Service
Management and Professional	22	1 – 18
Technical and Supervisory		
- Local	24	1 – 23
- Foreign	-	-
Clerical and Administrative	43	1 – 9
General Workers		
- Local	38	1 – 14
- Foreign	-	-
Production Workers		
- Local	16	1 – 10
- Foreign	129	1 - 10
Total	272	

7.0 INFORMATION ON THE RB GROUP (Continued)

As at the Latest Practicable Date, there are 129 foreign workers who are currently employed by us. Our Directors confirm that the foreign workers have valid working permits and are not in breach of immigration laws. We do not employ any contractual / temporary employees.

7.5.2 Labour Union and Strike Action

None of our employees belongs to any labour union. All employees enjoy a cordial relationship with the management and there has been no instance of strike action.

7.5.3 Employee Training

We also invest in the training of our management staff to ensure effective management of the business to ensure continuing business growth and success. As such, we have put in place various training programmes for our employees. The training programme serves to develop in-house personnel as part of our management succession plan.

The following are some the training programmes that were undertaken from 2004 to 2006:-

- (i) Operational Training**
 - Products briefing
 - Technical briefing
 - Industrial and personal safety
 - Goods arrangement training
 - Measuring and quality training
 - Training on new plant and machinery
 - Understanding of accounts function and balance sheet
 - Housekeeping- Store
 - Orientation
 - Goods Arrangement – Store
 - General Production Safety
 - Rain Water Harvester & Detention System
 - Product Briefing – Store, Sales and Marketing
 - Product Specification & Inspection

- (ii) Quality Assurance Training**
 - Quality Assurance
 - Internal Quality Audit Workshop
 - ISO Programmes
 - Internal quality audit
 - ISO Awareness

- (iii) Management Training**
 - Leadership management
 - The Employment Act 1955

7.0 INFORMATION ON THE RB GROUP (Continued)**7.6 Major Suppliers**

The major raw materials used by our manufacturing process are various types and grades of resins which are sourced both locally and abroad.

Resins constitute approximately 80% of our cost of sales for FYE 28 February 2006. Polyethylene Malaysia Sdn Bhd and Titan Petchem (M) Sdn Bhd are our two (2) largest resins suppliers which accounted for approximately 81% of our purchases for FYE 28 February 2006. We enjoy good business relationship with these two suppliers. Other than these two (2) suppliers, we also purchase resins from two (2) other suppliers namely Malaysian International Trading Corporation Sdn Bhd and Dongbu Hannong Chemical Co., Ltd. We have a large supplier base thus ensuring that our supply stream will not be easily disrupted. We currently benefit from and are able to strategically leverage on our strong relationship with our range of suppliers to further enhance our position in the market place. With the implementation of AFTA, suppliers from within ASEAN are able to offer us raw materials at a more competitive price hence enabling us to pass on the cost savings to our domestic and foreign customers. Whilst Polyethylene Malaysia Sdn Bhd is presently our largest supplier of resins, we are not solely dependent on it for the supply of resins as we are able to easily move to other suppliers of resins both locally and abroad.

The table below lists our top four (4) suppliers for the past three (3) FYE 28 February 2006 and six (6) month financial period ended 31 August 2006.

Suppliers	Local/ Import	Length of Relationship	Contribution to the Group's purchases RM'000 / % of total purchases			
			FYE 2004	FYE 2005	FYE 2006	Six (6) month financial period ended 31 August 2006
Polyethylene Malaysia Sdn Bhd	Local	9 years	10,367 / 50.38%	10,150 / 30.81%	23,969 / 60.37%	18,881 / 60.76 %
Dongbu Hannong Chemical Co., Ltd., South Korea	Import	6 years	1,202 / 5.84%	4,680 / 14.2%	3,063 / 7.71%	4,805 / 15.46 %
Titan Petchem (M) Sdn Bhd	Local	9 years	5,054 / 24.56%	4,223 / 12.82%	8,192 / 20.63%	2,109 / 6.79 %
Malaysian International Trading Corporation Sdn Bhd	Local	6 years	1,205 / 5.85%	5,370 / 16.3%	1,670 / 4.21%	908 / 2.92 %

7.7 Major Customers

We have a wide clientele base located locally and do not have a single customer that contributes to more than 10% of our turnover. Hence, we are not dependent on any one major customer.