

Notes on the quarterly report – 28 February 2007

PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”)

A1. Basis of preparation

The interim financial statements of Resintech Berhad (“RB”) are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 28 February 2006 and the Prospectus dated 30 November 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2006.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 28 February 2006, save for the changes in accounting policies arising from the adoption of the new/revised Financial Reporting Standards (“FRS”) as disclosed in paragraph A2 below.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 28 February 2006 except for the adoption of the following new/revised FRS effective for financial statements commencing 1 March 2006:

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

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

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and have not been adopted by the Group and the Company:-

FRS 117	Leases
FRS 124	Related Party Disclosures

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for the financial period beginning on or after 1 October 2007. This standard is not relevant to the Group’s operations.

Notes on the quarterly report – 28 February 2007

A2. Changes in Accounting Policies (Cont'd)

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, the financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

A3. Qualification of Annual Financial Statements

There were no audit qualifications on the financial statements of the Company for the year ended 28 February 2006.

A4. Seasonal and cyclical factors

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

A5. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A6. Material changes in estimates

There was no material changes in estimates of amounts reported in the current quarter under review.

A7. Issuances and repayment of debt and equity securities

There was no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

A8. Dividend Paid

No dividend was paid since the end of the previous financial period.

Notes on the quarterly report – 28 February 2007

A9. Segment information

Business Segment

The Group's financial information analysed by business activities as at 28 February 2007 was as follows:

	Current Quarter Ended 28 February 2007		Current Year To-Date Ended 28 February 2007	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Manufacturing and trading	18,512	2,106	81,549	7,539
Others	393	45	1,819	168
	<u>18,905</u>	<u>2,151</u>	<u>83,368</u>	<u>7,707</u>

Geographical Segment

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers.

The Group's financial information analysed by geographical segment as at 31 March 2006 was as follows:

	Current Quarter Ended 28 February 2007		Current Year To-Date Ended 28 February 2007	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Malaysia	18,661	2,145	75,962	7,022
Outside Malaysia	244	6	7,406	685
	<u>18,905</u>	<u>2,151</u>	<u>83,368</u>	<u>7,707</u>

A10. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

There was no valuation of the property, plant and equipment during the current quarter under review.

A11. Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 28 February 2007 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

Notes on the quarterly report – 28 February 2007

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A13. Changes in contingent liabilities

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A14. Cash and cash equivalents

	At 28.02.2007 RM' 000
Cash and bank balances	12,418
Bank overdrafts	<u>(5,913)</u>
	<u><u>6,505</u></u>

Notes on the quarterly report – 28 February 2007

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue of RM83.37 million for the period year 28 February 2007. In line with the revenue recorded, the Group recorded a profit before taxation of RM7.71 million and profit after taxation of RM6.93 million.

B2. Variation of results against preceding quarter

The Group achieved revenue of RM18.91 million for the current quarter under review as compared to RM20.81 million in the previous quarter, registering a decrease of approximately 9.1%.

Profit before taxation of the Group for the current quarter under review increased marginally from RM2.14 million in the previous quarter to RM2.15 million for the current quarter. Profit after taxation of the Group also increased marginally from RM1.95 million in the previous quarter to RM1.99 million for the current quarter.

B3. Current year prospects

Barring any unforeseen circumstances, the Board expects the Group to continue to achieve satisfactory performance.

B4. Variance of actual and forecast profit

In conjunction with the listing requirements of the Company on Second Board of Bursa Malaysia Securities Berhad, the Company forecasted a consolidated profit after taxation (“PAT”) of RM7.32 million for the financial year ended 28 February 2007. The variance between the forecasted consolidated PAT and the actual consolidated PAT of RM6.93 million or 5.3% mainly due to shortfall in actual revenue of RM83.37 million as compared to forecasted revenue of RM95.85 million. The lower revenue was mainly due to actual lower contract revenue of approximately RM1.69 million as a result of certain projects being delayed. The actual lower revenue from manufacturing and trading of existing operations by approximately RM8.76 million was also a reason to the lower revenue achieved. This was due to certain forecasted order which has yet to materialize. However, the impact of these were partly offset by actual higher other income RM0.16 million and lower actual selling and distribution expenses by RM0.95 million, and finance costs by RM0.59 million.

Notes on the quarterly report – 28 February 2007

B5. Income tax expense

	Current Quarter 28 Feb 2007 RM' 000	Current year To date 28 Feb 2007 RM' 000
Current tax expense	208	839
Deferred tax expense	(43)	(61)
	<u>165</u>	<u>778</u>

Tax expense for the current quarter ended 28 February 2007 is derived based on management's best estimate of the tax rate for the financial period. The deferred tax liabilities arose from accelerated capital allowances over depreciation of qualifying property, plant and equipment. The effective tax rate for the period presented above is lower than the statutory tax rate principally due to the tax savings arising from the reinvestment allowances available.

B6. Unquoted investments and/or properties

The Group has not disposed off any investments in any unquoted investments and/or properties during the financial quarter under review.

B7. Status of corporate proposal announced

Save as disclosed below, there are no other corporate proposals announced but not completed as at the date of this report.

(a) Status of Utilisation of IPO proceeds

The proceeds from the Public Issue of RM9,716,000 has been received by the Company as at 29 December 2006. The proceeds have been utilised as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Variance RM'000
Repayment of bank borrowings	6,994	6,428	566*
Working capital	1,122	123	-
Listing expenses	1,600	1,490	110**
Total	<u>9,716</u>	<u>8,041</u>	

* One of the intended repayment of overdraft of RM613,000 has yet to be done.

** The excess of the estimated listing expense, if any, will be utilised for working capital.

Notes on the quarterly report – 28 February 2007

B8. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Short-Term (Secured) RM'000	Long-Term (Secured) RM'000
Bank overdrafts	5,913	-
Hire purchase	96	212
Trust receipts and bankers' acceptances	23,294	-
Term loans	3,899	10,843
Total	<u>33,202</u>	<u>11,055</u>

B9. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

B10. Material litigation

Save as disclosed below, neither our Group or our subsidiary companies is engaged in any litigation either as plaintiff or defendant pending since the previous financial period which might materially affect the position or business of the Company or any of its subsidiaries:-

On 25 August 2003, our subsidiary, Resintech Plastics (M) Sdn Bhd ("RPSB"), filed a claim for RM840,996.26 together with interest against Trend Traders Sdn Bhd ("First Defendant") and its guarantors, namely Ir. Mohamed Salleh bin Yunos, Ir. Othman bin Abdul Rahim ("Third Defendant") and Ir. Zaidi bin Idris (collectively "the Defendants") for goods sold and delivered. The defendants filed their defence on 21 October 2003. The application for summary judgement was heard on 24 February 2004 and the claim was dismissed with costs as the Senior Assistant Registrar ruled that there was triable issue(s). RPSB has on 2 March 2004 filed its appeal to the judge in chambers. The judge had then on 13 April 2007 allowed RPSB appeal by setting aside the Order given by the Senior Assistant Registrar on 24 February 2004 and also allowed RPSB to enter summary judgement against all the defendants with cost.

B11. Dividends

No dividend was paid since the end of the previous financial period.

Notes on the quarterly report – 28 February 2007

B12. Basic earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follow:-

	Individual Current Year Quarter 28 Feb 2007	Cumulative Current Year to Date 28 Feb 2007
Profit attributable to holders of the parent for the period (RM'000)	<u>1,984</u>	<u>6,915</u>
Number of ordinary shares of RM0.50 each in issue	<u>98,000</u>	<u>98,000</u>
Basic earnings per share based on the number of shares in issue (sen)	<u>2.02</u>	<u>7.06</u>

Diluted earnings per share is not disclosed herein as the options under the ESOS have not been granted as at 28 February 2007.

B13. Authorisation for issue

The second quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 25 April 2007.

By order of the Board
RESINTECH BERHAD
Mah Li Chen
Company Secretary (MAICSA 7022751)

Kuala Lumpur