

## 11. ACCOUNTANTS' REPORT

*(Prepared for inclusion in this Prospectus)*



■ Chartered Accountants  
Lot 1, 6th Floor  
Menara Pertam, Jalan BBP 2  
Taman Batu Berendam Putra  
Batu Berendam  
75350 Melaka, Malaysia

■ Phone : (06) 336-2399  
Fax : (06) 336-2899  
www.ey.com/my

Date : 17 January 2005

The Board of Directors  
**BP Plastics Holding Bhd.**  
5A, Jalan Wawasan 2,  
Kawasan Perindustrian Sri Gading,  
83300 Batu Pahat, Johor

Dear Sirs,

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 26 January 2005 in connection with the following proposals:

- (a) Public Issue of 8,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per share;
- (b) Offer For Sale of 36,000,000 ordinary shares of RM0.50 each at an offer price of RM1.20 per share;
- (c) Listing of and quotation for the entire issued and fully paid-up share capital of BP Plastics Holding Bhd. (hereinafter referred to as "BPP Holding" or "the Company") comprising 120,000,000 ordinary shares of RM0.50 each on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- (d) Employee Share Option Scheme ("ESOS") of up to 18,000,000 new ordinary shares of RM0.50 each.

This report has been prepared solely for the purposes stated above, in connection with the aforementioned prospectus. This report is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

This report has been prepared on a basis consistent with the accounting policies normally adopted by BPP Holding and its subsidiaries, which are in accordance with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board.

### A. GENERAL INFORMATION

#### 1. Incorporation

The Company was incorporated in Malaysia on 9 March 2004 as a public limited company under the name of BP Plastics Holding Bhd..

#### 2. Principal activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

#### 3. Restructuring and flotation scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the Bursa Securities, the Company undertook the following restructuring scheme:

**11. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

- (i) Acquisition of the entire issued and paid-up share capital of BP Plastics Sdn. Bhd. ("BP Plastics") and BP Packaging Sdn. Bhd. ("BP Packaging") for a total purchase consideration of RM38,279,169 satisfied by the issuance of 76,556,000 new ordinary shares in BPP Holding to be credited as fully paid up at an issue price of approximately RM0.50 per share.

Company	No. of shares acquired	Equity interest acquired %	Purchase consideration RM	No. of new shares in BPP Holding issued
BP Plastics	2,000,000	100	37,829,955	75,658,000
BP Packaging	3	100	449,214	898,000
			<u>38,279,169</u>	<u>76,556,000</u>

The purchase consideration for the acquisitions was arrived at on a willing-buyer and willing-seller basis, based on the adjusted audited net tangible assets ("NTA") as at 31 December 2003 as follow:

	BP Plastics RM	BP Packaging RM	Total RM
NTA based on the audited financial statements	35,476,059	449,214	35,925,273
Add: revaluation surplus	3,204,212	-	3,204,212
Less: deferred taxation	(850,316)	-	(850,316)
	<u>37,829,955</u>	<u>449,214</u>	<u>38,279,169</u>

- (ii) Rights issue of 34,444,000 new ordinary shares of RM0.50 each at par to the shareholders of BPP Holding.
- (iii) Public issue of 8,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM1.20 per share.
- (iv) Offer for sale of 36,000,000 ordinary shares of RM0.50 each at an offer price of RM1.20 per share.
- (v) Employee Share Option Scheme ("ESOS") of up to 18,000,000 new ordinary shares of RM0.50 each in the Company.

**4. Share capital**

The authorised share capital of the Company is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

The present issued and paid-up share capital of the Company is RM56,000,000 comprising 112,000,000 ordinary shares of RM0.50 each.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Details of changes in the issued and paid-up share capital of BPP Holding since incorporation are as follows:

Date of allotment	No. of ordinary shares issued	Par value RM	Consideration	Cumulative total paid-up share capital RM	Cumulative number of shares issued
9 March 2004	1,000,000	0.50	Subscribers' shares	500,000	1,000,000
7 August 2004	76,556,000	0.50	Issued as consideration for the acquisition of BP Plastics and BP Packaging	38,778,000	77,556,000
21 September 2004	34,444,000	0.50	Rights issue	56,000,000	112,000,000

**5. Subsidiaries**

The information on the subsidiaries, all of which are private limited companies are as follows:

**(i) BP PLASTICS**

BP Plastics was incorporated in Malaysia on 18 July 1991. The authorised share capital of BP Plastics as at the date of this report was RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each of which RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each has been issued and fully paid.

The principal activity of BP Plastics is manufacturing of plastic products.

**(ii) BP PACKAGING**

BP Packaging was incorporated in Malaysia on 23 February 2001. The authorised share capital of BP Packaging as at the date of this report was RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM3 comprising 3 ordinary shares of RM1.00 each has been issued and fully paid.

The principal activity of BP Packaging is trading of plastic products.

**B. FINANCIAL STATEMENTS AND AUDITORS**

We were appointed as auditors of BPP Holding since 10 March 2004. The financial statements for the period ended 31 December 2004 were reported on without any qualification.

We were appointed auditors of BP Plastics and BP Packaging since the financial year ended 31 December 2002. The financial statements for the other years covered in this report were audited by another firm of chartered accountants. The said financial statements were reported on without any qualification.

**11. ACCOUNTANTS' REPORT (Cont'd)****C. SUMMARISED INCOME STATEMENTS**

We set out below the proforma consolidated financial results of BPP Holding and its subsidiaries ("the Group") for the past five financial years ended 31 December 2004 based on their audited financial statements. The proforma consolidated results are provided for illustrative purposes only, based on the assumption that the Group had been in existence throughout the years under review.

**THE PROFORMA GROUP**

	← Financial year ended 31 December →				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,669	33,922	47,718	64,903	122,051
Cost of sales	(17,137)	(22,999)	(32,387)	(45,177)	(92,127)
Gross profit	7,532	10,923	15,331	19,726	29,924
Other income	61	139	155	441	851
General, administrative and selling expenses	(1,855)	(2,899)	(4,314)	(4,864)	(9,386)
Earnings before interest, depreciation and taxation	5,738	8,163	11,172	15,303	21,389
Interest expense	(164)	(554)	(244)	(159)	(265)
Depreciation	(798)	(1,930)	(2,068)	(2,220)	(3,244)
Profit before taxation	4,776	5,679	8,860	12,924	17,880
Taxation	(824)	(961)	(1,060)	(2,258)	(3,168)
Profit after taxation	3,952	4,718	7,800	10,666	14,712
Number of ordinary shares of RM0.50 each assumed to be issued ('000)	112,000	112,000	112,000	112,000	112,000
Gross earnings per share (sen)	4.26	5.07	7.91	11.54	15.96
Net earnings per share (sen)	3.53	4.21	6.96	9.52	13.14

- (1) The proforma consolidated financial results have been prepared based on the audited financial statements after time apportionment for BP Plastics for 15 months financial period ended 31 December 2000 in order to be coterminous with the financial year end of the Group.
- (2) There were no extraordinary or exceptional items in all the financial years under review.

**11. ACCOUNTANTS' REPORT (Cont'd)**

- (3) There were no minority interests in all the financial years under review.
- (4) The gross earnings per share has been calculated based on the profit before taxation divided by the issued and paid up share capital of 112,000,000 ordinary shares assumed to be in issue before the public issue.
- (5) The net earnings per share has been calculated based on the profit after taxation divided by the issued and paid up share capital of 112,000,000 ordinary shares assumed to be in issue before the public issue.
- (6) The taxation has been adjusted to reflect the under/over provision of deferred taxation in the respective financial years.

**THE GROUP**

	<b>Financial period from 9 March 2004 to 31 December 2004 RM'000</b>
Revenue	60,435
Cost of sales	<u>(46,370)</u>
Gross profit	14,065
Other income	351
General, administrative and selling expenses	<u>(4,968)</u>
Earnings before interest, depreciation, and taxation	9,448
Interest expense	(166)
Depreciation	<u>(1,439)</u>
Profit before taxation	7,843
Taxation	<u>(1,874)</u>
Profit after taxation	<u>5,969</u>
Weighted average number of ordinary shares ('000)	<u>50,463</u>
Gross earnings per share (sen)	<u>15.54</u>
Net earnings per share (sen)	<u>11.83</u>

- (1) The Group's first set of financial statements since the date of incorporation was from 9 March 2004 to 31 December 2004.
- (2) There were no exceptional or extraordinary items in the financial period under review.

**11. ACCOUNTANTS' REPORT (Cont'd)**

- (3) The gross earnings per share have been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue during the financial period.
- (4) The net earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue during the financial period.
- (5) There was no material under/over provision of taxation in the financial period under review. The effective tax rate for the period under reviewed was lower than the statutory tax rate mainly due to the claims of reinvestment allowances.

**THE COMPANY**

	<b>Financial period from 9 March 2004 to 31 December 2004 RM'000</b>
Other income	113
Other expenses	(70)
Profit before tax	<u>43</u>
Taxation	(25)
Profit after tax	<u>18</u>
Weighted average number of ordinary shares ('000)	<u>50,463</u>
Gross earnings per share (sen)	<u>0.09</u>
Net earnings per share (sen)	<u>0.04</u>

- (1) The Company's first set of financial statements since the date of incorporation was from 9 March 2004 to 31 December 2004.
- (2) There were no exceptional or extraordinary items in the financial period under review.
- (3) The Company commenced its operation of investment holding and provision of management services to its subsidiaries upon completion of the acquisition of subsidiaries.
- (4) The gross earnings per share have been calculated based on the profit before tax for the period divided by the weighted average number of ordinary shares in issue during the financial period.
- (5) The net earnings per share have been calculated based on the profit after tax for the period divided by the weighted average number of ordinary shares in issue during the financial period.

**11. ACCOUNTANTS' REPORT (Cont'd)****BP PLASTICS**

	15 months period ended 31 December				
	2000 RM'000	←Financial year ended 31 December →			2004 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000		
Revenue	30,837	33,525	47,493	64,773	121,982
Cost of sales	(21,422)	(22,999)	(32,387)	(45,177)	(92,076)
Gross profit	9,415	10,526	15,106	19,596	29,906
Other income	76	139	155	441	735
General, administrative and selling expenses	(2,319)	(2,827)	(4,295)	(4,830)	(9,307)
Earnings before interest, depreciation, and taxation	7,172	7,838	10,966	15,207	21,334
Interest expense	(206)	(554)	(244)	(159)	(265)
Depreciation	(998)	(1,930)	(2,068)	(2,220)	(3,244)
Profit before taxation	5,968	5,354	8,654	12,828	17,825
Taxation	(1,030)	(869)	(1,001)	(2,231)	(3,150)
Profit after taxation	4,938	4,485	7,653	10,597	14,675
Number of ordinary shares in issue ('000)	2,000	2,000	2,000	2,000	2,000
Gross earnings per share (RM)	2.98	2.68	4.33	6.41	8.91
Net earnings per share (RM)	2.47	2.24	3.83	5.30	7.34

- (1) There were no exceptional or extraordinary items in all the financial years/period under review.
- (2) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the respective years/period.
- (3) The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years/period.

**11. ACCOUNTANTS' REPORT (Cont'd)**

- (4) The taxation has been adjusted to reflect the under/over provision of deferred taxation in the respective financial years/periods as follows:

	<b>15 months period ended</b>	<b>Financial year ended</b>	
	<b>2000</b>	<b>2001</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation as stated in audited financial statements	206	732	1,962
Under/(over) provision of deferred tax	824	137	(961)
Adjusted taxation as stated in the Report	<u>1,030</u>	<u>869</u>	<u>1,001</u>

The prior year adjustments were due to the adoption of MASB 25: Income Taxes, which became effective from 1 January 2003. Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for in account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the company has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

- (5) The effective tax rates for the years under reviewed were lower than the statutory tax rate due to the claims of reinvestment allowances.



**11. ACCOUNTANTS' REPORT (Cont'd)****BP PACKAGING**

	<b>23.2.2001 to 31.12.2001 RM'000</b>	<b>Financial year ended 31 December</b>		
		<b>2002 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>
Revenue	1,269	968	491	237
Cost of sales	(872)	(743)	(361)	(219)
Gross profit	397	225	130	18
Other income	-	-	-	3
General, administrative and selling expenses	(72)	(20)	(33)	(9)
Profit before taxation	325	205	97	12
Taxation	(92)	(59)	(27)	7
Profit after taxation	233	146	70	19
Number of ordinary shares in issue	3	3	3	3
Gross earning per share (RM)	108,333	68,385	32,269	3,960
Net earning per share (RM)	77,667	48,718	23,269	6,325

- (1) BP Packaging's first set of financial statements since the date of incorporation was from 23 February 2001 to 31 December 2001.
- (2) There were no exceptional or extraordinary items in all the financial years/period under review.
- (3) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the respective years/period.
- (4) The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the respective years/period.
- (5) The effective tax rates for financial period/year 2001 to 2002 under review were higher than the standard rate of tax applicable due principally to certain expenses being disallowed for taxation purposes. The taxation for financial year ended 31 December 2004 was RM2,000, and RM9,000 was in relation to overprovision of taxation in respect of financial year ended 31 December 2003. The effective tax rates for financial year ended 31 December 2003 and 2004 were lower than the standard rate of tax applicable due principally to effect of different tax rate of 20% for small and medium scale company.

**11. ACCOUNTANTS' REPORT (Cont'd)****D. SUMMARISED BALANCE SHEETS**

The summarised balance sheets of BPP Holding and its subsidiaries based on audited financial statements for the relevant financial years/period are as follows:

**THE GROUP AND THE COMPANY**

The audited balance sheets of BPP Holding for the past one (1) financial period are as follows:

	<b>As At 31 December 2004</b>	
	<b>Company</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	-	37,542
Investment in subsidiaries	38,279	-
Negative goodwill	-	(2,243)
	38,279	35,299
<b>CURRENT ASSETS</b>		
Inventories	-	20,023
Trade receivables	-	16,831
Other receivables	3,962	2,632
Cash and bank balances	13,821	17,780
	17,783	57,266
<b>CURRENT LIABILITIES</b>		
Term loans	-	1,827
Trade payables	-	11,814
Other payables	18	2,753
Tax payable	25	1,263
	43	17,657
<b>NET CURRENT ASSETS</b>	17,740	39,609
	56,019	74,908
<b>FINANCED BY :</b>		
Share capital	56,000	56,000
Share premium	1	1
Retained profits	18	5,969
Shareholders' equity	56,019	61,970
Term loans	-	7,826
Deferred taxation	-	5,112
Non-current liabilities	-	12,938
	56,019	74,908
NTA per ordinary share (RM)	0.50	0.57

**11. ACCOUNTANTS' REPORT (Cont'd)****BP PLASTICS**

The audited balance sheets of BP Plastics for the past five (5) financial years/period are as follows:

	As at 31 December				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	20,238	19,970	21,049	36,325	37,542
<b>CURRENT ASSETS</b>					
Inventories	3,077	3,825	7,844	12,909	20,016
Trade receivables	5,572	7,659	8,543	9,214	16,831
Other receivables	293	729	1,708	545	1,524
Cash and bank balances	1,501	493	223	2,044	3,865
	<u>10,443</u>	<u>12,706</u>	<u>18,318</u>	<u>24,712</u>	<u>42,236</u>
<b>CURRENT LIABILITIES</b>					
Short term borrowings	6,041	6,314	3,825	1,317	1,827
Trade payables	2,456	2,824	4,583	8,678	11,814
Other payables	2,695	884	1,346	7,572	5,937
Tax payable	-	52	139	-	1,258
	<u>11,192</u>	<u>10,074</u>	<u>9,893</u>	<u>17,567</u>	<u>20,836</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	<u>(749)</u>	<u>2,632</u>	<u>8,425</u>	<u>7,145</u>	<u>21,400</u>
	<u>19,489</u>	<u>22,602</u>	<u>29,474</u>	<u>43,470</u>	<u>58,942</u>
<b>FINANCED BY :</b>					
Share capital	2,000	2,000	2,000	2,000	2,000
Reserves	11,661	16,146	23,379	33,476	44,005
Shareholders' equity	<u>13,661</u>	<u>18,146</u>	<u>25,379</u>	<u>35,476</u>	<u>46,005</u>
Long term borrowings	4,732	2,911	2,275	4,492	7,826
Deferred taxation	1,096	1,545	1,820	3,502	5,111
Non-current liabilities	<u>5,828</u>	<u>4,456</u>	<u>4,095</u>	<u>7,994</u>	<u>12,937</u>
	<u>19,489</u>	<u>22,602</u>	<u>29,474</u>	<u>43,470</u>	<u>58,942</u>
NTA per ordinary share (RM)	<u>6.83</u>	<u>9.07</u>	<u>12.69</u>	<u>17.74</u>	<u>23.00</u>

**11. ACCOUNTANTS' REPORT (Cont'd)****BP PACKAGING**

The audited balance sheets of BP Packaging for the past four (4) financial years/period are as follows:

	<b>As at 31 December</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CURRENT ASSETS</b>				
Inventories	-	-	-	7
Trade receivables	399	210	158	-
Due from fellow subsidiary	-	-	-	350
Tax recoverable	-	-	7	20
Cash and bank balances	50	176	318	93
	<u>449</u>	<u>386</u>	<u>483</u>	<u>470</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	85	-	31	-
Other payables	39	4	3	2
Tax payable	92	3	-	-
	<u>216</u>	<u>7</u>	<u>34</u>	<u>2</u>
<b>NET CURRENT ASSETS</b>	<u>233</u>	<u>379</u>	<u>449</u>	<u>468</u>
<b>FINANCED BY :</b>				
Share capital	*	*	*	*
Reserves	233	379	449	468
Shareholders' equity	<u>233</u>	<u>379</u>	<u>449</u>	<u>468</u>
NTA per ordinary share (RM)	<u>77,750</u>	<u>126,469</u>	<u>149,738</u>	<u>156,063</u>

\* This represents RM3.00

**11. ACCOUNTANTS' REPORT (Cont'd)****E. DIVIDENDS**

Details of dividends declared by a subsidiary, BP Plastics, in respect of the financial years under review are as follows :

<b>Dividend</b>	<b>Year Ended</b>	<b>Issued and Paid-up Share Capital RM'000</b>	<b>Dividend rate %</b>	<b>Dividend RM'000</b>
Final tax exempt	31.12.2001	2,000	12.5	250
Interim tax exempt	31.12.2002	2,000	8.5	170
Interim tax exempt	31.12.2003	2,000	25.0	500
Interim tax exempt	31.12.2004	2,000	325.0	6,500

Except for the above, no dividend has been paid or declared by the other subsidiary during all the financial period/year under review.

**11. ACCOUNTANTS' REPORT (Cont'd)****F. STATEMENT OF ASSETS AND LIABILITIES**

The following statement of assets and liabilities of the Group has been prepared based on the audited financial statements of Company and its subsidiaries as at 31 December 2004.

	Note	Company RM'000	Group RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	-	37,542
Investment in subsidiaries	3	38,279	-
Negative goodwill		-	(2,243)
		<u>38,279</u>	<u>35,299</u>
<b>CURRENT ASSETS</b>			
Inventories	4	-	20,023
Trade receivables	5	-	16,831
Other receivables	6	3,962	2,632
Cash and bank balances	7	13,821	17,780
		<u>17,783</u>	<u>57,266</u>
<b>CURRENT LIABILITIES</b>			
Term loans	8	-	1,827
Trade payables	9	-	11,814
Other payables		18	2,753
Tax payable		25	1,263
		<u>43</u>	<u>17,657</u>
<b>NET CURRENT ASSETS</b>		<u>17,740</u>	<u>39,609</u>
		<u>56,019</u>	<u>74,908</u>
<b>FINANCED BY :</b>			
Share capital	10	56,000	56,000
Share premium		1	1
Retained profits		18	5,969
Shareholders' equity		<u>56,019</u>	<u>61,970</u>
Term loans	8	-	7,826
Deferred taxation	11	-	5,112
Non-current liabilities		-	12,938
		<u>56,019</u>	<u>74,908</u>
NTA per ordinary share (RM)		<u>0.50</u>	<u>0.57</u>

**11. ACCOUNTANTS' REPORT (Cont'd)**



**G. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the applicable Approved Accounting Standards in Malaysia.

**(b) Revenue Recognition**

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

Revenue relating to sales of goods is recognised net of discounts upon the transfer of risks and rewards.

**(c) Basis of Consolidation**

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

**(d) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is not amortised.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair value of the non-monetary assets acquired, is recognised in the income statement over the weighted useful life of those assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent that the negative goodwill relates to expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

**(e) Investment in Subsidiaries**

Investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h).

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(f) Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by the forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date used are as follows:

	RM
United States Dollar	3.80
Singapore Dollar	2.31
Japanese Yen	0.03

**(g) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h).

Freehold agriculture land, long term leasehold land and factory buildings are stated at valuation less impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis.



**11. ACCOUNTANTS' REPORT (Cont'd)**

Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Freehold agricultural land and capital work-in-progress are not depreciated. Long term leasehold land are depreciated over the period of the respective leases which range from 51 to 60 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates :

Factory buildings	2%
Plant and machinery	6.67% to 10%
Tools and equipment	10%
Motor vehicles	20%
Office equipment, furniture and fittings	10%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

**(h) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

**(j) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

**11. ACCOUNTANTS' REPORT (Cont'd)**

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

**(k) Employee Benefits****(i) Short term benefits**

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

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contribution to the Employee Provident Fund ("EPF"). Such contribution are recognised as an expense in the income statement as incurred.

**(l) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(m) Financial Instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Trade Receivables**

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

**11. ACCOUNTANTS' REPORT (Cont'd)**



**(ii) Trade payables**

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

**(iii) Interest-Bearing Borrowings**

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

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

**(iv) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transactions are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to equity transaction which would otherwise have been avoided.

**(v) Derivative Financial Instruments**

The Group uses derivative financial instruments, such as forward foreign exchange contracts, to hedge its exposure to foreign exchange arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements on inception.

**Forward foreign exchange contracts**

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

**11. ACCOUNTANTS' REPORT (Cont'd)****2. PROPERTY, PLANT AND EQUIPMENT****Group**

	<b>* Land and buildings RM'000</b>	<b>Plant and machinery, tools and equipment RM'000</b>	<b>**Other assets RM'000</b>	<b>Capital work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>	11,453	35,688	2,715	224	50,080
<b>Accumulated depreciation</b>	(788)	(10,258)	(1,492)	-	(12,538)
<b>Net book value</b>	10,665	25,430	1,223	224	37,542

\* The details of land and buildings are as follows:

	<b>Freehold agriculture land RM'000</b>	<b>Long term leasehold land RM'000</b>	<b>Factory buildings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>	340	2,817	8,296	11,453
<b>Accumulated depreciation</b>	-	(229)	(559)	(788)
<b>Net book value</b>	340	2,588	7,737	10,665

\*\* Other assets consist of office equipment, furniture and fittings and motor vehicles.

- (a) All the assets of the Group have been charged to banks for banking facilities granted to the Group as described in Note 8.
- (b) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM1,502,000.

**3. INVESTMENT IN SUBSIDIARIES**

	<b>Company RM'000</b>
Unquoted shares, at cost	38,279

The details of the subsidiaries are disclosed in Section A5 of the report.

**11. ACCOUNTANTS' REPORT (Cont'd)****4. INVENTORIES**

	<b>Group RM'000</b>
At cost :	
Raw materials	15,582
Work-in-progress	838
Finished goods	3,420
	<u>19,840</u>
At net realisable value	
Raw materials	121
Finished goods	62
	<u>20,023</u>

**5. TRADE RECEIVABLES**

	<b>Group RM'000</b>
Trade receivables	17,072
Less : Provision for doubtful debts	(241)
	<u>16,831</u>

Trade receivables ageing analysis as at 31 December 2004 is as follows:

	<b>0 - 30 days</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>91 - 120 days</b>	<b>&gt; 120 days</b>	<b>Total</b>
Trade receivables (RM'000)	<u>8,825</u>	<u>3,878</u>	<u>2,944</u>	<u>1,062</u>	<u>363</u>	<u>17,072</u>

All credit and recovery risks associated with trade receivables have been provided for in the financial statements. The Group's normal credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

**11. ACCOUNTANTS' REPORT (Cont'd)****6. OTHER RECEIVABLES**

	<b>Company RM'000</b>	<b>Group RM'000</b>
Due from a subsidiary	2,854	-
Deposits	-	415
Prepayments	1,108	1,190
Custom duty drawback	-	1,027
	<u>3,962</u>	<u>2,632</u>

The amount due from a subsidiary are unsecured, interest free and has no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

**7. CASH AND BANK BALANCES**

	<b>Company RM'000</b>	<b>Group RM'000</b>
Cash on hand and at banks	100	979
Repository deposits with a licensed bank	3,811	6,891
Fixed deposit with a licensed bank	9,910	9,910
	<u>13,821</u>	<u>17,780</u>

The weighted average effective interest rate and the average maturities of deposits as at 31 December 2004 were as follows :

	<b>Weighted average interest rate (%)</b>	<b>Average maturity day (day)</b>
Repository deposits with a licensed bank	2.3	3-7
Fixed deposit with a licensed bank	<u>3.0</u>	<u>365</u>

**11. ACCOUNTANTS' REPORT (Cont'd)****8. TERM LOANS**

	<b>Group RM'000</b>
Short term	1,827
Long term	<u>7,826</u>
	<u>9,653</u>
Maturity of borrowings:	
Within 1 year	1,827
More than 1 year and less than 2 years	1,871
More than 2 years and less than 5 years	4,602
5 years or more	<u>1,353</u>
	<u>9,653</u>

The weighted average effective interest rates at the balance sheet date for term loans was 3.05%.

The above borrowings are secured by way of debentures incorporating fixed and floating charge over all assets of the Company as referred to in Note 2.

**9. TRADE PAYABLES**

The normal trade credit terms granted to the Company ranges from 30 to 60 days.

**10. SHARE CAPITAL**

	<b>Number of Ordinary Shares of RM0.50 Each '000</b>	<b>Amount RM'000</b>
Authorised	<u>200,000</u>	<u>100,000</u>
Issued and fully paid	<u>112,000</u>	<u>56,000</u>

**11. DEFERRED TAXATION**

The deferred taxation provided in the financial statements was due to accelerated capital allowances amounting to approximately RM4,278,000 while deferred taxation arising from revaluation of property, plant and equipment amounting to approximately RM834,000.

**12. COMMITMENT**

	<b>Group RM'000</b>
Capital expenditure:	
Approved and contracted for property, plant and equipment	<u>3,873</u>

**11. ACCOUNTANTS' REPORT (Cont'd)****13. FINANCIAL INSTRUMENTS****(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

**(b) Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long-term interest-bearing assets as at 31 December 2004. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

**(c) Foreign Exchange Risk**

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar and Japanese Yen. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	RM'000
<b>Trade Receivables</b>	
United States Dollar	3,371
Singapore Dollar	2,238
Japanese Yen	1,268
	<u>6,877</u>
<b>Trade Payables</b>	
United States Dollar	<u>10,860</u>
<b>Term Loans</b>	
United States Dollar	<u>9,653</u>



**11. ACCOUNTANTS' REPORT (Cont'd)**

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

	<b>Maturity</b>	<b>Notional Amount RM'000</b>
Forwards used to hedge anticipated		
-United States Dollar	Within 1 year	6,059
-Singapore Dollar	Within 1 year	2,662
-Japanese Yen	Within 1 year	1,728
		<u>10,449</u>

The net unrecognised losses as at 31 December 2004 on forward contracts used to hedge anticipated sales which are expected to occur during year 2005 amounted to RM101,000 are deferred until the related sales occur, at which time they will be included in the measurement of the sales.

**(d) Liquidity Risk**

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness

**(e) Credit Risk**

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

**(f) Fair Values**

The carrying amounts of financial assets and liabilities as reported in the balance sheet and respective notes to the financial statements approximate fair values.

**11. ACCOUNTANTS' REPORT (Cont'd)****H. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

Based on the latest audited financial statements of the subsidiaries as at 31 December 2004, the proforma consolidated cash flow statement for the year ended 31 December 2004 are as follows:

	<b>1.1.2004</b> to <b>31.12.2004</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	17,880
Adjustments for:	
Depreciation	3,244
Provision for doubtful debts	235
Interest income	(241)
Interest expense	265
Operating profit before working capital changes	<u>21,383</u>
Increase in inventories	(7,114)
Increase in receivables	(9,827)
Decrease in payables	<u>(1,685)</u>
Cash generated from operations	2,757
Tax paid	(1,128)
Tax refund	5
Interest paid	<u>(265)</u>
Net cash generated from operating activities	<u>1,369</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	241
Purchase of property, plant and equipment	<u>(1,257)</u>
Net cash used in investing activities	<u>(1,016)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceed from issuance of shares	17,722
Drawdown of term loans	5,677
Repayment of term loans	(1,466)
Dividends paid	<u>(6,500)</u>
Net cash generated from financing activities	<u>15,433</u>
<b>NET INCREASE IN CASH AND BANK BALANCES</b>	<b>15,786</b>
<b>CASH AND BANK BALANCES AT BEGINNING OF YEAR</b>	<b>1,994</b>
<b>CASH AND BANK BALANCES AT END OF YEAR (NOTE G7)</b>	<b><u>17,780</u></b>

**11. ACCOUNTANTS' REPORT (Cont'd)****I. PROFORMA NET TANGIBLE ASSETS COVER**

Based on the statement of assets and liabilities of the Group as at 31 December 2004, the NTA per ordinary share after incorporating the adjustments for public issue and ESOS will be as follows:

**(i) Net Tangible Assets**

	<b>RM'000</b>
NTA of the Group as at 31 December 2004	64,213
Proceeds from public issue	9,600
	<u>73,813</u>
Less : Share issue expenses	(1,800)
Proforma NTA after public issue and before full exercise of ESOS Options	<u>72,013</u>
Proceeds from full exercise of ESOS Options	21,600
Proforma NTA after public issue and full exercise of ESOS Options	<u>93,613</u>

**(ii) Share Capital**

	<b>Number of ordinary shares of RM0.50 each '000</b>
At 31 December 2004	112,000
Add : Public issue	8,000
Enlarged issued and paid-up share capital after public issue and before full exercise of ESOS Options	<u>120,000</u>
Add : Shares issued from full exercise of ESOS Options	18,000
	<u>138,000</u>
Proforma NTA per ordinary share of RM0.50 each before public issue	<u>RM 0.57</u>
Proforma NTA per ordinary share of RM0.50 each after public issue and before full exercise of ESOS Options	<u>RM 0.60</u>
Proforma NTA per ordinary share of RM0.50 each after public issue and full exercise of ESOS Options	<u>RM 0.68</u>

---

**11. ACCOUNTANTS' REPORT (Cont'd)**

---



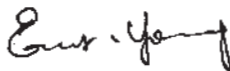
**J. EVENTS SUBSEQUENT TO BALANCE SHEET DATE 31 DECEMBER 2004**


We are not aware of any subsequent event which would require any amounts stated to be adjusted or any further disclosure that is required to be made in this report.

**K. AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2004.

Yours faithfully

  
**ERNST & YOUNG**  
No. AF 0039  
Chartered Accountants

  
**LEE AH TOO**  
No. 2187/09/05(J)  
Partner

12. VALUERS' LETTER

(Prepared for inclusion in this Prospectus)

17 January 2005

The Board of Directors  
**BP Plastics Holding Bhd**  
 5A, Jalan Wawasan 2  
 Kawasan Perindustrian Sri Gading  
 83300 Batu Pahat  
 Johor Darul Ta'zim

**COLLIERS**  
 JORDAN LEE & JAAFAR

**COLLIERS JORDAN LEE  
 & JAAFAR (JH) SDN. BHD.**  
 (136779-K)

Suite 326, 3rd Floor,  
 PanGlobal Plaza,  
 Jalan Wong Ah Fook,  
 80000 Johor Bahru,  
 Johor Darul Takzim,  
 MALAYSIA.  
 Tel No. 607 - 223 2299  
 Fax No. 607 - 224 5899  
 E-mail : johor@colliers.com.my  
 Website : www.colliers.com.my

Dear Sirs,

**RE :** VALUATION OF PROPERTIES HELD UNDER :-  
 1) TITLE NOS HS(D) 32035, PTD 30911 (PLO 222), HS(D) 32034, PTD 31030 (PLO 254), HS(D) 32031, PTD 31039 (PLO 255), HS(D) 32033, PTD 31031 (PLO 258) & HS(D) 38296, PTD 35099 (PLO 268), ALL IN THE MUKIM OF SIMPANG KANAN; AND  
 2) TITLE NO GM 1359, LOT NO 2408, IN THE MUKIM OF LINAU  
 ALL IN THE DISTRICT OF BATU PAHAT, JOHOR DARUL TA'ZIM.

This letter has been prepared for inclusion in the Prospectus of BP Plastics Holding Bhd to be dated 26 January 2005 in relation to the following:-

Public issue of 8,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per new ordinary share payable in full on application comprising:-

- 2,000,000 new ordinary shares of RM0.50 each available for application by eligible employees and independent non-executive directors of BP Plastics Holding Bhd and its subsidiaries;
- 6,000,000 new ordinary shares of RM0.50 each available for application by Malaysian public; and

Offer for sale of 36,000,000 ordinary shares of RM0.50 each reserved for Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.20 per ordinary share payable in full on application pursuant to the listing of BP Plastics Holding Bhd on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad); and

Offer of employee share option scheme options in BP Plastics Holding Bhd to its non-executive directors.

We have been instructed by BP Plastics Sdn Bhd to value the properties as set out below and we have assessed the Market Value of the following properties based on the Comparison, Cost and Income Approach.

The basis of Valuation is the **Market Value**. 'Market Value' is the estimated amount for which an asset should exchange on the date of Valuation between a willing buyer and willing seller in an arm's length transaction after property marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Subject Property are valued individually and no allowances have been made for taxation and for expenses which may arise on acquisition or realization.

We have applied several methods of Valuation to determine the Market Value of the Subject Property. The methods of valuation are as follows :

International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •  
 Project & Property Managers • Plant & Machinery Valuers • Auctioneers

Managing Director **JORDAN LEE**, KMN, Fism, Frics, Aapps, Inv, Msiex, Scv Chairman **JAAFAR ISMAIL**, Fism, Frics Directors **CHIN KIM CHOY**, Mism, Dip Est, Mgm (U, K)

**THOO SING CHOON**, Fsva, Inv, Aca/Ab, Fpsc, Areaav **P. TANGGA PERAGASAM**, Mism, Frics, **CHIN LAI SITT**, Fia (M), Frics, Inv, LLB (Hons) **THNG KIM KOK**, Mism, Frics.

**Headquarters :** Kuala Lumpur Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur Tel: 03-2955811 (12 lines) Fax No: 03-2555843

**Other Offices :** Selangor 31, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan. Tel: 03-33420860 (3 lines) Fax: 03-33417888  
 N. Sembilan : 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: 06-7638890 & 7638990 Fax: 06-7637936  
 Perak : Room 3, 2nd Floor, Labcooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan. Tel: 05-2414826 (3 lines) Fax No: 05-2556363  
 Pahang : 17, Jalan Gambuf 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-5555589 Fax No: 09-5142146  
 Melaka : 689 & 689A, Taman Melaka Raya, 75000 Melaka. Tel: 06-2835522 (3 lines) Fax No: 06-2637625  
 Penang : Lot 2.01, 2nd Floor, Southern Bank Building, Lebuhr. Pantai, 10300 Pulau Penang. Tel: 04-2637749 & 2637750 Fax No: 04-2637644  
 Kuching : Lot 216 (2/F), Jalan Haji Taha, 93400 Kuching, Sarawak. Tel: 082-419290 & 419222 Fax No: 082-429315

李  
 子  
 健  
 总  
 化  
 估  
 计  
 师



高  
 利  
 國  
 際  
 地  
 產  
 顧  
 問



Other Colliers Offices : Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spain, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

12. VALUERS' LETTER (Cont'd)

**COLLIERS**  
JORDAN LEE & JAAFAR

a) **Comparison Method**

Under the Comparative Approach, an estimate of value of the property is derived from comparing the values of other similar properties that were sold recently and those that are currently offered for sale in the vicinity.

A study of the respective characteristics, merits and demerits of each comparable property is made. This entails analyzing the available sales data and diligent adjustments thereof are then made to reflect the differences to arrive at an acceptable degree of comparability and the value of the Property.

b) **Cost Method**

In this Method, the value of land is added to the replacement cost of the building and other site improvements.

The depreciated replacement cost of the building is derived from estimation of reproduction cost of the building of same kind and design as when new based on current market prices for materials, labour and present construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.

c) **Income Approach**

In the Income Approach, the annual rental income presently received or expected to command over period of time relating to the lease of the Property is estimated and deducting therefrom the expenses or outgoings incidental to ownership of the Property to obtain the Net Annual Rental Value. This Net Annual Income is then capitalized by an appropriate Capitalisation Rate or Years Purchase figure to adjust the income into the present capital value of the Property. The relevant Capitalisation Rate is chosen based on the Investment Rate of Return to be expected from the type of Property concerned taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of Property.

The inspections of the properties, which cover both external and internal inspections of the buildings and the lands were carried out on 26 January 2004. The date of valuation was taken as 26 January 2004.

The Valuation Reports dated 26 January 2004 have been prepared based on the "Guidelines on Asset Valuation issued by the Securities Commission" and Malaysia Valuation Standards prescribed by the Board of Valuers, Appraisals and Estate Agents. We have relied upon the information provided to us by the client such as approved building layout plans to arriving at the Market Value of the properties.

We certify that in our opinion the total market value for the existing use of the above-mentioned properties using the valuation methods stated amounts to **RM10,650,000/- (RINGGIT MALAYSIA : TEN MILLION SIX HUNDRED AND FIFTY THOUSAND ONLY)**.

Yours faithfully,  
COLLIERS,  
JORDAN LEE & JAAFAR (JH) SDN BHD (Co. No. 136779-K)



ABDUL KHALID BIN ABDUL RAHMAN  
MIS(M), MIEA, APEPS  
Registered Valuer (V-493)  
Director

## 12. VALUERS' LETTER (Cont'd)

**COLLIERS**  
JORDAN LEE & JAAFAR

REGISTERED PROPRIETOR	PARTICULARS	VALUATION REPORTS	MARKET VALUE (RM)	METHOD OF VALUATION
BP Plastics Sdn Bhd	<p>Ref. No. V04/JH/SC/ B02001011-1015/MS</p> <p>Title No HS(D) 32035, PTD 30911 (PLO 222), Title No HS(D) 32034, PTD 31030 (PLO 254), Title No HS(D) 32031, PTD 31039 (PLO 255), Title No HS(D) 32033, PTD 31031 (PLO 258) &amp; Title No HS(D) 38296, PTD 35099 (PLO 268) Mukim of Simpang Kanan District of Batu Pahat Johor Darul Ta'zim</p> <p><u>Tenure</u> -</p> <p>a) Leasehold 60 years expiring on 20/9/2054 leaving an un-expired terms of approx. 50 years for PTD 30911, PTD 31030, PTD 31039 &amp; PTD 31031</p> <p>b) Leasehold 60 years expiring on 5/10/2057 leaving an un-expired terms of approx. 53 years for PTD 35099</p> <p><u>Encumbrances</u> -</p> <p>a) PTD 30911, PTD 31031 &amp; PTD 35099</p> <p>Currently charged to Maybank International (L) Ltd vide Pres No 53688/2000, Vol No 4809, Fol No 81 dated 28/8/2000; and</p> <p>Malayan Banking Bhd vide the followings: i) Pres No 53689/2000, Vol No 4809, Fol No 82 dated 28/8/2000 ii) Pres No 53690/2000 Vol No 4809, Fol No 83 dated 28/8/2000 iii) Pres No 25651/2002 dated 24/4/2002</p> <p>b) PTD 31039 - NIL</p>	<p>The Subject Property identified as :-</p> <p>i) No 10, Jalan Wawasan 2 (HS(D) 32035, PTD 30911, PLO 222); ii) No 5A, Jalan Wawasan 2 (HS(D) 32034, PTD 31030, PLO 254); iii) No 5, Jalan Wawasan 2 (HS(D) 32031, PTD 31039, PLO 255); iv) No 5B, Jalan Wawasan 2 (HS(D) 32033, PTD 31031, PLO 258); and v) No 8, Jalan Wawasan 4 (HS(D) 38296, PTD 35099, PLO 268) all located in Sri Gading Industrial Area, Batu Pahat, Johor Darul Ta'zim.</p> <p>The Site is generally rectangular in shape with a provisional land area of approx. 2.2258 hectares (5.5000 acres).</p> <p>The Site is generally flat in terrain and lies at the same level with the frontage service road and the neighbouring lots.</p> <p>The boundaries are demarcated by low plastered brick wall / chain-link fencing. The main entrance to the office administration is located on PTD 31030 and is secured with metal sliding gates and manned by a guardhouse.</p> <p>The Gross Floor Area of the buildings is as follow :-</p> <p><u>PTD 30911 (PLO 222)</u> Single-Storey Detached Factory (Warehouse) - approx. 2,006.68 sqm (21,600.00 sq ft). The age of the building is approx. 3 months.</p> <p><u>PTD 31030 (PLO 254)</u></p> <p>a) Single-Storey Detached Factory (Extruding A) - approx. 891.86 sqm (9,600.00 sqft). The age of the building is approx. 10 years.</p> <p>b) Single-Storey Detached Factory (Cutting) - approx. 877.0 sqm (9,440.0 sq ft). The age of the building is approx. 8 years.</p> <p>c) Double-Storey Office Building - approx. 657.75 sqm (7,080.00 sq ft). The age of the building is approx. 8 years.</p>	10,310,000/-	<p>1) Combination of Comparison and Cost Method</p> <p>2) Income Approach</p>

## 12. VALUERS' LETTER (Cont'd)

**COLLIERS**  
JORDAN LEE \* JAAFAR

REGISTERED PROPRIETOR	PARTICULARS	VALUATION REPORTS	MARKET VALUE (RM)	METHOD OF VALUATION
	<p>c) PTD 31030</p> <p>Currently charged to Southern Bank Bhd vide the followings :</p> <p>i) Pres No 13409/1995, Vol No 3227, Fol No 47 dated 14/3/1995</p> <p>ii) Pres No 15494/1996 Vol No 3546, Fol No 22 dated 14/3/1996</p> <p>iii) Pres No 66364/1997, Vol No 4075, Fol No 26 dated 5/9/1997</p> <p><u>Category of Land Use</u> – Industry</p> <p><u>Type of Property</u> –</p> <p><u>PTD 30911 (PLO 222)</u> A parcel of Industrial Land improved upon with a Single-Storey Detached Factory (Warehouse) together with a TNB sub-station and other ancillary buildings.</p> <p><u>PTD 31030 (PLO 254)</u> A parcel of Industrial Land improved upon with a Single-Storey Detached Factory (Cutting) an annex with a Double-Storey Office Block, a Single-Storey Detached Factory (Extruding A) and other ancillary buildings.</p> <p><u>PTD 31039 (PLO 255)</u> A parcel of Industrial Land improved upon with three units of Single-Storey Detached Factory Building identified as (i) Printing/Office/Canteen; (ii) Maintenance/Store Building; (iii) Recycle Building</p> <p><u>PTD 31031 (PLO 258)</u> A parcel of Industrial Land improved upon with a Single-Storey Detached Factory (Extruding B) – approx. 70 ft height.</p> <p><u>PTD 35099 (PLO 268)</u> A parcel of Industrial Land improved upon with a Single-Storey Detached Factory (Cast Line)</p>	<p><u>PTD 31039 (PLO 255)</u></p> <p>a) Single-Storey Detached Factory an-annex with Double-Storey Office (Office/Printing/Canteen/Delivery) – approx. 836.13 sqm (9,000.00 sq ft). The age of the building is approx. 7 years.</p> <p>b) Single-Storey Detached Factory (Maintenance/Store) – approx. 557.42 sqm (6,000.00 sq ft). The age of the building is approx. 7 years.</p> <p><u>PTD 31031 (PLO 258)</u> Single-Storey Detached Factory (Extruding B) – approx. 2,146.04 sqm (23,100.00 sq ft). The age of the building is approx. 1 year.</p> <p><u>PTD 35099 (PLO 268)</u> Single-Storey Detached Factory (Cast Line) – approx. 3,678.92 sqm (39,600.00 sq ft). The age of the building is approx. 3 years.</p> <p><u>Note :</u></p> <p><i>At the time of inspection, we noted that there is an extension (covered area) between buildings on PTD 31030 (PLO 254) and PTD 31039 (PLO 255) which is coincidentally belong to the same owner (BP Plastics Sdn Bhd).</i></p> <p><i>Our enquiries at the Majlis Perbandaran Batu Pahat revealed that the extension area has been built without obtained any approval from the relevant authority.</i></p> <p><i>For the purpose of this valuation, no value is accorded to the extension area.</i></p>		



## 12. VALUERS' LETTER (Cont'd)

**COLLIERS**  
JORDAN LEE \* JAAFAR

REGISTERED PROPRIETOR	PARTICULARS	VALUATION REPORTS	MARKET VALUE (RM)	METHOD OF VALUATION
BP Plastics Sdn Bhd	<p>Ref. No. V04/JH/SC/ B07001016/MS</p> <p>Lot No 2408 Title No GM 1359 Mukim of Linau District of Batu Pahat Johor Darul Ta'zim</p> <p><u>Tenure</u> – Freehold</p> <p><u>Encumbrances</u> – Currently charged to Sime Bank Berhad vide Pres No 7270/1997, Vol No 417, Fol No 39 dated 18/12/1997</p> <p><u>Category of Land Use</u> – Agriculture</p> <p><u>Type of Property</u> – A parcel of Agricultural Land</p>	<p>The Subject Property located fronting the milepost 75.0 of Yong Peng-Parit Sulong main road, in the locality of Parit Yaani, approximately 10.0 km southwest of Pekan Yong Peng, Batu Pahat, Johor Darul Ta'zim.</p> <p>The Site is generally rectangular in shape with tilled land area of 1.3228 hectares (3.2687 acres).</p> <p>The Site is generally flat in terrain and lies at the same level with the said trunk road and the neighbouring lots.</p> <p>Presently the land is planted with oil palm estimated about 6 to 8 years old. Field condition is in a fair state of upkeep and maintenance.</p>	340,000/-	Comparison Method

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK