

## 7. APPROVAL AND CONDITIONS

### 7.1 Approvals Of Relevant Authorities

The approvals for the Listing were obtained from the SC and SC (on behalf of FIC) on 16 July 2004 and 17 January 2005 and MITI on 29 May 2004 and 5 January 2005. The conditions imposed by all the authorities and the status of compliance are set out as follows:-

#### Approval from the SC and SC (on behalf of FIC) dated 16 July 2004

##### Details Of Conditions Imposed

Details Of Conditions Imposed	Status Of Compliance
(i) The audited net tangible assets ("NTA") of BP Plastics and BP Packaging prior to the completion of the proposed acquisitions of BP Plastics and BP Packaging must not be less than the respective companies' NTA as at 31 December 2003 of RM35,476,059 and RM449,214 respectively. In this regard, the audited NTA must not be more than 4 months from the date of completion of the proposed acquisitions.	Complied. Audited NTA of BP Plastics and BP Packaging as at 30 June 2004 prior to the completion of the proposed Acquisition were RM 36,235,996 and RM472,484 respectively.
(ii) Full disclosure in the listing prospectus of BPP Holding on the financial relationship between Aseambankers and the Group, including justifications provided by Aseambankers to support its view that there is no conflict of interest arising from the financial relationship.	Complied. Refer to section 8.2 of this Prospectus.
(iii) With regard to BPP Holding Group's trade debtors:	
a) BPP Holding should fully disclose in the listing prospectus the debtors' position, the ageing analysis and, for amounts exceeding the credit period, comments by Directors on the recoverability of the amounts;	Complied. Please Refer to section 11 of this Prospectus.
b) Full provision should be made for all overdue trade debtors which are in dispute or under legal action, or for amounts which had been outstanding for more than 6 months; and	Complied. Full provision has been made for the financial period ended 31 December 2004.
c) The Directors of BPP Holding should confirm and submit a declaration that debts exceeding credit period are recoverable and that full provision has been made to the accounts/forecast in accordance with paragraph (b) above.	Complied. The written undertaking was provided to the SC on 5 November 2004.
(iv) With regard to the Group's landed properties:	
a) The company is to obtain the approved building plans for the unapproved structure within 1 year from the date of the SC's approval letter; and	Complied. BPP Holding has obtained the approved building plans on 20 October 2004.
b) To make quarterly announcement to Bursa Securities on the status of the above applications and to update SC when such announcements are made.	Not applicable as the approval on building plans has been obtained prior to listing of BPP Holding Shares on Bursa Securities.

## 7. APPROVAL AND CONDITIONS (Cont'd)

<b>Approval from the SC and SC (on behalf of FIC) dated 16 July 2004 (Cont'd)</b>																	
<b>Details Of Conditions Imposed</b>		<b>Status Of Compliance</b>															
(v)	With regard to the utilisation of the listing proceeds:																
	a) BPP Holding is to disclose the time frame for the utilisation in the listing prospectus. Any extension of time for the completion of the utilisation of the proceeds from that determined earlier is to be approved by a clear resolution by the board of Directors of BPP Holding and fully disclosed to Bursa Securities; and	Complied. Refer to Section 3.7 of this Prospectus. Noted for the extension of time.															
(v)	b) BPP Holding is to disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilised.	Noted and to be complied.															
	Given that the proposed capital expenditure is to be financed indirectly through the proceeds from the issuance of shares, BPP Holding is reminded to comply with the requirements of Chapter 5 and Chapter 8 of the Policies and Guidelines on Issue/Offer of Securities ("Issues Guidelines").	Noted by the Company.															
(vi)	The proposed Directors and Substantial Shareholders who are involved in full-time capacity in BPP Holding Group should not be involved in full-time capacity in their personal businesses.	Complied.															
(vii)	Aseambankers/ BPP Holding is to fully comply with relevant requirements of the Issues Guidelines relating to the implementation of the flotation proposal.	Complied/ To be complied.															
(viii)	The 36,000,000 shares to be allocated to Bumiputera investors be approved by MITI and Aseambankers/ BPP Holding is to provide the SC with the compliance status with the National Development Policy requirement upon completion of the proposed flotation.	To be complied. Aseambankers, on behalf of BPP Holding, has on 29 December 2004 submit an application to SC and FIC to seek approval to place up to a maximum of 14,361,000 Offer Shares with stakeholders to be appointed by the Company for subsequent allocation to Bumiputera investors after the Listing. SC (on behalf of FIC) in its letter dated 17 January 2005 approved the application subject to conditions imposed as set out below.															
(ix)	The SC (on behalf of FIC) has noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in BPP Holding would change arising from the implementation of the flotation proposal, as follows:																
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Before Proposal %</th> <th style="text-align: center;">After Proposal %</th> </tr> </thead> <tbody> <tr> <td>Bumiputera</td> <td style="text-align: center;">-</td> <td style="text-align: center;">30.00</td> </tr> <tr> <td>Non-Bumiputera</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">70.00</td> </tr> <tr> <td>Foreign</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>100.00</b></td> <td style="text-align: center;"><b>100.00</b></td> </tr> </tbody> </table>		Before Proposal %	After Proposal %	Bumiputera	-	30.00	Non-Bumiputera	100.00	70.00	Foreign	-	-	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	
	Before Proposal %	After Proposal %															
Bumiputera	-	30.00															
Non-Bumiputera	100.00	70.00															
Foreign	-	-															
<b>Total</b>	<b>100.00</b>	<b>100.00</b>															

**7. APPROVAL AND CONDITIONS (Cont'd)**

**Approval from the SC and SC (on behalf of FIC) dated 17 January 2005**

<b>Details Of Conditions Imposed</b>	<b>Status Of Compliance</b>
(i) Up to 10,910,000 Offer Shares as compared to 14,361,000 Offer Shares as proposed, be placed in a stakeholder account (i.e Avenue Securities Sdn Bhd), whereby these Offer Shares shall be placed out to Bumiputera investors to be approved by MITI within twelve (12) months from the listing date.	To be complied. Please refer to note * below.
(ii) Aseambankers to provide a written undertaking that the Offer Shares which shall be placed in the stakeholder account shall be later placed out to Bumiputera investors approved by MITI and it will not deal with these shares other than for the purpose of placing them out to the Bumiputera investors.	To be complied.

**Approval from the MITI dated 29 May 2004**

<b>Details Of Conditions Imposed</b>	<b>Status Of Compliance</b>
(i) SC's approval for the Listing scheme and compliance to the guidelines on interest, mergers and take-over.	Complied. SC's approval was granted on 16 July 2004.
(ii) The allocation of 36,000,000 new shares, representing 30% of the enlarged total issued and paid-up share capital of the Company, is to be approved by MITI after obtaining approval from the SC.	To be complied. Aseambankers, on behalf of BPP Holding had on 29 December 2004 submit an application to MITI to seek approval to place up to a maximum of 14,361,000 Offer Shares with stakeholders to be appointed by the Company for subsequent allocation to Bumiputera investors after the Listing. MITI had vide its letter dated 5 January 2005 approved the application subject to conditions as set out below.

**Approval from the MITI dated 5 January 2005**

<b>Details Of Conditions Imposed</b>	<b>Status Of Compliance</b>
(i) In the event that the 36,000,000 shares reserved for Bumiputera investors are not fully allocated, MITI has no objection to place up to 14,361,000 shares to be offered for sale to Bumiputera investors, on temporary basis, with Bumiputera stakeholder's account managed by Avenue Securities Sdn. Bhd. for a period of twelve (12) months for subsequent allocation to Bumiputera investors after the listing of BPP Holding.	To be complied. Please refer to note * below.

**7. APPROVAL AND CONDITIONS (Cont'd)**

*Note:-*

\* Pursuant to the approvals from MITI and the SC (on behalf of FIC) dated 5 January 2005 and 17 January 2005 respectively, the Offerors undertake to enter into a stakeholder agreement to place up to a maximum of 10,910,000 Offer Shares in the event of the following:-

- (a) MITI is unable to fully allocate the entire 36,000,000 Offer Shares to Bumiputera investors; and/or
- (b) the Bumiputera investors who had accepted the Offer Shares fail to subscribe for the Offer Shares allocated to them.

*The number of Offer Shares to be placed with stakeholder will be determined once the shortfall has been determined, i.e., after the closing date for the Public Issue/Offer For Sale on 7 February 2005 or such other date or dates as the Directors of BPP Holding and/or the Offerors together with the Joint Managing Underwriters in their absolute discretion may decide.*

*In the event that MITI is able to fully allocate the entire 36,000,000 Offer Shares to Bumiputera investors and all the Bumiputera investors fully subscribe for the Offer Shares allocated to them, BPP Holding will not enter into the stakeholder agreement.*

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## 7. APPROVAL AND CONDITIONS (Cont'd)

### 7.2 Licences And Permits

As at 3 January 2005 (being the latest practicable date prior to printing of this Prospectus), there are no material equity conditions imposed by other relevant authorities for their respective approvals, licences and permits.

Type	Licence no / Date issued	Issued by	Equity Conditions Imposed	Expiry Date
Manufacturing Licence (Plastic Bags, Plastic Films, Sheets & Tubes)	A009017 / 11 May 1994	MITI	None	None
Printing Press Licence for PLO254	036815 / 20 July 2004	Ministry of Home Affairs	None	14/09/05
Radioactive Licence	LPTA/A/775 / 26 September 2002	Atomic Energy Licensing Board	None	25/09/05
Radiation Supervisor	LPTA(S):P&P/026/533(6) / 6 November 2000	Atomic Energy Licensing Board	None	03/07/05
Radiation Handler	LPTA(S):P&P/026/533(16) / 17 April 2001	Atomic Energy Licensing Board	None	None
Radiation Handler	LPTA(S):P&P/026/533(27) / 11 July 2002	Atomic Energy Licensing Board	None	None
Radiation Handler	LPTA(S):P&P/026/533(32) / 24 September 2002	Atomic Energy Licensing Board	None	None
Calibration of Radiation Alert	No. 33280 (04091467) / 7 September 2004	Malaysian Institute for Nuclear Technology Research	None	06/09/05
Calibration of Radiation Alert	No. 33281 (04010047) / 21 January 2004	Malaysian Institute for Nuclear Technology Research	None	08/01/05*
Licence under the Sales Tax Act – Manufacturer's	A048874 / 31 December 1992	Royal Customs and Excise Malaysia	None	None

Note:

\* BP Plastics had on 8 January 2005 submitted an application to Malaysia Institute for Nuclear Technology Research for renewal of this licence.

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**8. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST**

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**8.1 Related-Party Transactions****8.1.1 Promotion Of Assets**

Save as disclosed below, none of the Directors, Substantial Shareholders and/or key management of the Company has an interest, directly or indirectly, in the promotion of or in any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed off or proposed to be disposed off by or leased or proposed to be leased to the Company and its Subsidiary Companies.

By virtue of a verbal agreement in September 2001 between Hey Sio Tong ("HST") as the landlord and BP Packaging as the tenant, HST had agreed to let and BP Packaging had agreed to accept a monthly tenancy of an apartment bearing the postal address A-05-04, Vista Komanwel, Bukit Jalil, 57000 Kuala Lumpur and measuring approximately 1,422 square feet ("Demised Premises") at the monthly rental of RM1,100.00 only. The tenancy commenced from September 2001 and was mutually terminated by both parties on 29 February 2004. By virtue of a verbal agreement in March 2004, the Demised Premises were then let out on a monthly basis to BP Plastics at the same monthly rental from 1 March 2004 to 31 August 2004. Subsequently, pursuant to a written agreement dated 1 September 2004 between HST and BP Plastics, the verbal agreement was reduced into writing. In the said agreement, the tenancy period commenced from 1 September 2004 and is automatically renewed every month until terminated in accordance with the provisions of the said agreement.

**8.1.2 Transactions Between BPP Holding Group And The Directors, Substantial Shareholders And/Or Its Related Parties**

Save as disclosed below and in section 8.1.1 of this Prospectus, none of the Directors, Substantial Shareholders or persons connected to them (as defined under Section 122A of the Act) are engaged in any existing and potential related-party transactions and conflict of interest in relation to the corporation and its related parties. Related party transactions, which may or may not result in conflicts of interest, are transactions entered into by BPP Holding and its Subsidiary Companies which involve the interest, direct or indirect, of a related party.

- (a) During the financial year ended 31 December 2004, BP Plastics purchased printing materials amounting to approximately RM15,600 (2003 : RM5,950) from Libraprint & Advertising, a company where Mr. Hey Shiow Hoe's brother has an interest.

**8.1.3 Interest In Similar Business**

None of the Directors, Substantial Shareholders or key management are interested, directly or indirectly, in any business carrying on a similar trade as the Company and its Subsidiary Companies.

**8.1.4 Loan (Including Guarantees Of Any Kind) Made By The Group To The Related Parties**

As at 3 January 2005 (being the latest practicable date prior to printing of this Prospectus), there is no outstanding loan (including guarantees of any kind) made by BPP Holding Group to its related parties.

**8. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST (Cont'd)****8.2 Declaration By The Advisers**

Save as disclosed below, Ascambankers acting in the capacity of Adviser, Joint Managing Underwriter and one of the Underwriters is of the opinion that it will not give rise to any circumstances which would constitute a material conflict of interest for the Public Issue and Offer For Sale.

Malayan Banking Berhad (the parent company of Aseambankers) and its 100%-owned subsidiary, Maybank International (L) Ltd ("Malayan Banking Group"), have extended the following credit facilities to the BPP Holding Group:-

Type of Facilities	Principal Amount Approved (RM)	Amount Outstanding as at 3 January 2005 (RM)
<b>Malayan Banking Berhad</b>		
Overdraft	1,000,000	89,034
Trade Facilities	10,000,000	
• Letter of Credit		NIL
• Trust Receipt		NIL
• Bank Acceptance		NIL
• Onshore Foreign Currency Loan ("OFCL")		NIL
• Bank Guarantee		600,000
Foreign Exchange Contract ("FEC")	7,000,000	1,136,954 <sup>(1)</sup>
<b>Total</b>	<b>11,700,000<sup>(2)</sup></b>	<b>1,825,988</b>
<b>Maybank International (L) Ltd</b>		
Term Loan	USD1,000,000	USD423,100
<b>Total</b>	<b>USD1,000,000</b>	<b>USD423,100</b>

Note:

(1) BPP Holding Group has entered into forward foreign exchange contracts with Malayan Banking Group to sell USD, Singapore Dollar and Japanese Yen used to hedge anticipated sales with maturity date within one year at total notional amount of RM6,734,151 and RM2,758,045 and RM1,877,344 respectively.

(2) Inclusive of 10% of FEC.

The credit facilities extended to BPP Holding Group by Malayan Banking Group would not give rise to a conflict of interest situation for Aseambankers to act as the Adviser, Joint Managing Underwriter and one of the Underwriters in relation to the Listing exercise of BPP Holding due to the following reasons:

- The facilities were granted to BP Plastics in December 2000 before the appointment of Aseambankers in 2003 and the company has been using the facilities for its operations for more than 3 years; and
- The proceeds from the Rights Issue and Public Issue will not be utilised to repay any of the amount outstanding and owing to Malayan Banking Group. Therefore, neither Malayan Banking Group nor Aseambankers, directly or indirectly will benefit from the Listing exercise.

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**8. RELATED PARTY TRANSACTION/CONFLICT OF INTEREST (Cont'd)**

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Messrs. Lee Choon Wan & Co has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the Listing in relation to the Public Issue and Offer For Sale.

Messrs. Ernst & Young, have given their confirmation that there is no conflict of interest in their capacity as Auditors and Reporting Accountants in relation to the Public Issue and Offer For Sale.

Infocredit D&B (Malaysia) Sdn Bhd has given its confirmation that is no conflict of interest in its capacity as the Independent Market Researchers to BPP Holding in relation to the Public Issue and Offer For Sale.

Colliers Jordan Lee & Jaafar (JH) Sdn Bhd has given its confirmation that there is no conflict of interest in its capacity as the Professional and Independent Valuers in relation to the Revaluation of Landed Properties.

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**9. LANDED PROPERTIES OF BPP HOLDING GROUP**

The details of the landed properties of the BPP Holding Group as at the date of this Prospectus are set out below:

Registered / Beneficial Owner	Title, Lot No. & Address	Approx. Age of Building	Tenure/Date of Expiry of Lease	Description/ Existing Use	Land/ Built-up Area	Net Book Value as at 31/12/2004	Market Value as appraised by the valuers	Date of Issuance of Certificate of Fitness	Encumbrances	Restriction in Interest	Date of Valuation
BP Plastics	HS(D) 32035 PTD 30911 PLO 222 Mukim of Simpang Kanan District of Batu Pahat State of Johor Darul Ta'zim	10 months	Leasehold 60 years / 20.09.2054	A parcel of Industrial land improved upon with a Single-Storey Detached Factory (Warehouse) together with a TNB sub-station and other ancillary buildings	0.4047 hectares (1.0 Acres) / 2,006.68 sqm (21,600.00 sq ft)	RM'000 1,678	RM'000 1,710	19.11.2003	Currently charged to Maybank International (L) Ltd vide Pres No 53688/2000, Vol No 4809, Fol No 81 dated 28/8/2000 and Malayan Banking Bhd vide the following: 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	Cannot be sold, charged, leased or transferred in any manner whatsoever (including by way of any agreement to dispose/sell the land) without the consent of the State Authority	26 January 2004
BP Plastics	HS(D) 32034 PTD 31030 PLO 254 Mukim of Simpang Kanan District of Batu Pahat State of Johor Darul Ta'zim	Single-Storey Detached Factory (Extruding A) - 10 years Single-Storey Detached Factory (Cutting) - 8 years Double-Storey Office Building - 8 years	Leasehold 60 years / 20.09.2054	A parcel of Industrial land improved upon with Single-Storey Detached Factory (Extruding A), Single-Storey Detached Factory (Cutting) and Double-Storey Office Building	0.4047 hectares (1.0 Acres) / 2,426.61 sqm (26,120.00 sq ft)	1,912	1,910	08.06.1994 28.08.1996	Currently charged to Southern Bank Bhd vide the following:- i) Pres No 13409/1995, Vol 3227, Fol No 47 dated 14/3/1995 ii) Pres No 15494/1996, Vol No 3546, Fol No 22 dated 14/3/1996 iii) Pres No 66364/1997, Vol No 4075, Fol No 26 dated 5/9/1997	Cannot be sold, charged, leased or transferred in any manner whatsoever (including by way of any agreement to dispose/sell the land) without the consent of the State Authority	26 January 2004

9. LANDED PROPERTIES OF BPP HOLDING GROUP (Cont'd)

Registered / Beneficial Owner	Title, Lot No. & Address	Approx. Age of Building	Tenure/Date of Expiry of Lease	Description/ Existing Use	Land/ Built-up Area	Net Book Value as at 31/12/2004	Market Value as appraised by the valuers	Date of Issuance of Certificate of Fitness	Encumbrances	Restriction in Interest	Date of Valuation
BP Plastics	HS(D) 32031 PTD 31039 PLO 255 Mukim of Simpang Kanan District of Batu Pahat State of Johor Darul Ta'zim	7 years	Leasehold 60 years / 20.09.2054	A parcel of Industrial land improved upon with Single-Storey Detached Factory an-annex with Double-Storey Offices (Office/ Printing/Canteen/ Delivery) and Single-Storey Detached Factory (Maintenance/ Store)	0.4047 hectares (1.0 Acres) / 1,393.55 sqm (15,000.00 sq ft)	RM'000 1,726	1,610 RM'000	29.04.1997	NIL	Cannot be sold, charged, leased or transferred in any manner whatsoever (including by way of any agreement to dispose/sell the land) without the consent of the State Authority	26 January 2004
BP Plastics	HS(D) 32033 PTD 31031 PLO 258 Mukim of Simpang Kanan District of Batu Pahat State of Johor Darul Ta'zim	1 year	Leasehold 60 years / 20.09.2054	A parcel of Industrial land improved upon with Single-Storey Detached Factory (Extruding B)	0.4047 hectares (1.0 Acres) / 2,146.04 sqm (23,100.00 sq ft)	2,075	2,100	28.05.2003	Currently charged to Maybank International (L) Ltd vide Pres No 53688/2000, Vol No 4809, Fol No 81 dated 28/8/2000 and Malayan Banking Bhd vide the following : 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	Cannot be sold, charged, leased or transferred in any manner whatsoever (including by way of any agreement to dispose/sell the land) without the consent of the State Authority	26 January 2004

9. LANDED PROPERTIES OF BPP HOLDING GROUP (Cont'd)

Registered/ Beneficial Owner	Title, Lot No. & Address	Approx. Age of Building	Tenure/Date of Expiry of Lease	Description/ Existing Use	Land/ Built- up Area	Net Book Value as at 31/12/2004	Market Value as appraised by the valuers	Date of Issuance of Certificate of Fitness	Encumbrances	Restriction in Interest	Date of Valuation
BP Plastics	HS(D) 38296 PTD 35099 PLO 268 Mukim of Simpang Kanan District of Batu Pahat State of Johor Darul Ta'zim	3 years	Leasehold 60 years / 05.10.2057	A parcel of Industrial land improved upon Single-Storey Detached Factory (Cast Line)	0.6070 hectares (1.5 Acres) / 3,678.92 sqm (39,600.00 sq ft)	RM1'000 2,933	RMF'000 2,980	07.11.2001	Currently charged to Maybank International (L) Ltd vide Pres No 53688/2000, Vol No 4809, Fol No 81 dated 28/8/2000 and  Malayan Banking Bhd vide the following : 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	Cannot be sold, charged, leased or transferred in any manner whatsoever (including by way of any agreement to dispose/sell the land) without the consent of the State Authority	26 January 2004
BP Plastics	GM 1359 Lot No. 2408 Mukim of Limau District of Batu Pahat State of Johor Darul Ta'zim	-	Freehold	A parcel of Agricultural land	1.3228 hectares (3.2687 Acres)	340	340	-	Currently charged to Sime Bank Berhad vide Pres No 7270/1997, Vol No 417, Fol No 39 dated 18/12/1997	NIL	26 January 2004
	Located fronting of Yong Peng- Parit Sulong main road, in the locality of Parit Yaani, Batu Pahat, Johor										

The information pertaining to the revaluation surplus of the properties are available under section 5.3.2.

**10. FINANCIAL INFORMATION****10.1 Profit And Dividend Records**

The following table, which has been extracted from the Accountants' Report in section 11 of this Prospectus sets out a summary of the audited financial results of BPP Holding Group for the past five (5) FYE 31 December 2004 on the assumption the Group structure has been in existence throughout the financial years/period under review. This audited financial results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in section 11 of this Prospectus.

	←———— Audited —————→				
	←———— 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)
EBITDA	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)
PBT	4,776	5,679	8,860	12,924	17,880
Taxation	(824)	(961)	(1,060)	(2,258)	(3,168)
PAT	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 EPS (sen)	4.26	5.07	7.91	11.54	15.96
Net EPS (sen)	3.53	4.21	6.96	9.52	13.14

**10. FINANCIAL INFORMATION (Cont'd)***Notes:*

- (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.*
- (3) *There were no MI in all the financial years under review.*
- (4) *The gross EPS has been calculated based on the PBT 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 EPS has been calculated based on the PAT 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.*

Please refer to the Accountants' Report as annexed in section 11 of this Prospectus for further details on the proforma Group's performance.

**10.2 Overview Of Turnover And Profits****FYE 31 December 2000**

During the period, BPP Holding Group changed its financial year end to 31 December. As such, BP Plastics experienced two peak seasons of sales and recorded a 43% increase in revenue as compared to the prior year on an annualised basis. However, increase in resin price had eroded the gross profit margin before depreciation from 33% to 31%. BP Plastics ventured into the production of stretch film in December 2000 in addition to its blown products. Depreciation expenses increased from approximately RM705,000 to RM798,000 due to the capital expenditure undertaken during the year especially for the production of stretch film. As a result, BP Plastics recorded the profit before taxation margin of 19% as opposed to 20% in previous year.

**FYE 31 December 2001**

Revenue recorded for the financial year ended 31 December 2001 increased by 37% as compared to annualised revenue in previous year, with a corresponding increase in gross profit margin before depreciation from 30.5% to 32.2%. The growth in revenue was mainly due to several new customers secured from Australia and Thailand through the recommendation by existing customers and suppliers. Export sales increased from approximately RM5.5 million to RM12.7 million during the financial year. With increase in depreciation and interest expense from approximately RM798,000 to RM1,930,000 and RM164,000 to RM554,000 respectively, profit before taxation margin decreased from 19% to 17%.

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**10. FINANCIAL INFORMATION (Cont'd)****FYE 31 December 2002**

Revenue increased to RM47.7 million for the financial year ended 31 December 2002 due to a shift in the focus from blown products to stretch film. With the extensive effort by sales and marketing team in sourcing for new and potential customers as well as maintaining good relationship with existing customers, BP Plastics secured new businesses in Japan and Singapore. Export sales grew from approximately RM12.7 million to RM25.6 million for the year under review. With the venture into stretch film production, BP Plastics achieved economies of scale in production and enjoyed better pricing offered by suppliers of raw materials. However, the effect was netted off with the increase in the price of resin from RM1.90 per kg to RM2.20 during the year 2002. Thus, BP Plastics recorded a marginal increase in gross profit margin before depreciation from 31% to 32%. Profit before taxation margin for the year increased to 18% as compared to 17% in preceding year was mainly contributed by lower interest expense and the rather constant amount of depreciation charged.

**FYE 31 December 2003**

Higher revenue was recorded for the financial year ended 31 December 2003 amounting to approximately RM64.9 million, an increase of 36%. The sales of cast stretch film continued to grow with a growth rate of 47% for the year due to higher confidence on quality of the products by the customers especially from Japan that resulted more orders were received during the year. However, gross profit margin before depreciation decreased from 32% to 30% due to increase in resin price. BPP Holding Group recorded its highest pretax profit of approximately RM12.9 million, representing an increase of 45.87% over the preceding year. This was contributed by the growth in revenue with lower interest expense and relatively low depreciation charge, as most of the capital expenditure was undertaken in December 2003.

**FYE 31 December 2004**

Revenue for the financial year ended 31 December 2004 amounted to RM122 million as compared to RM64.9 million recorded for the previous financial year, representing an increase of approximately 88.3%. This was mainly attributable to the increase in sales of stretch film resulting from the increase in production capacity of the new cast machine operated since the fourth quarter of 2003. The sales of stretch film increased by 135.3% as compared to the same period in the preceding year. This was due to strategic shift of the Group focus to stretch film products. As a result, BPP Holding Group recorded profit before taxation of RM17.9 million representing a growth of approximately 38% over the preceding year.

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## 10. FINANCIAL INFORMATION (Cont'd)

## 10.3 Segmental Analysis Of Proforma Group Turnover And PBT By Companies And Products

The following table shows a segmental analysis of the individual companies within the Group by their respective contribution to the Group's turnover and profit before taxation for the past five (5) FYE 31 December 2004. It has been prepared on the assumption that the Group has been in existence throughout the period under review and is meant for illustrative purposes only.

	← Financial year ended 31 December →				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Analysis of Turnover By Companies within the Group</i>					
BPP Holding	-	-	-	-	-
BP Plastics	24,669	33,525	47,493	64,773	121,982
BP Packaging	-	1,269	968	491	237
	24,669	34,794	48,461	65,264	122,219
Less: Proforma consolidation Adjustments	-	(872)	(743)	(361)	(168)
Proforma Consolidated Turnover	24,669	33,922	47,718	64,903	122,051

	← Financial year ended 31 December →				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Analysis of PBT By Companies within the Group</i>					
BPP Holding	-	-	-	-	43
BP Plastics	4,776	5,354	8,655	12,827	17,825
BP Packaging	-	325	205	97	12
Proforma Consolidated PBT	4,776	5,679	8,860	12,924	17,880

	← Financial year ended 31 December →				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Analysis of Turnover By Products</i>					
Blown products	24,563	22,058	23,020	28,615	36,672
Stretch film	106	11,864	24,698	36,288	85,379
Proforma Consolidated Turnover	24,669	33,922	47,718	64,903	122,051

	← Financial year ended 31 December →				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Analysis of Turnover By Geographical Location</i>					
Local sales	19,159	21,256	22,140	28,184	54,450
Export sales	5,510	12,666	25,578	36,719	67,601
Proforma Consolidated Turnover	24,669	33,922	47,718	64,903	122,051

**10. FINANCIAL INFORMATION (Cont'd)**

Please refer to the Accountants' Report as annexed in section 11 of this Prospectus for further details on the proforma Group's performance.

**10.4 Directors' Declaration On Financial Performance**

As at 3 January 2005, (being the latest practicable date prior to the printing of this Prospectus), the financial conditions and operations of the Company and its Subsidiary Companies are not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the BPP Holding Group;
- (b) material commitment for capital expenditure;
- (c) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the BPP Holding Group;
- (d) substantial increase in revenue due to factors attributable to prices or volume of goods sold or the introduction of new products save as disclosed in section 10.2 of this Prospectus; and
- (e) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

**10.5 Working Capital, Borrowings, Material Capital Commitments, Contingent Liabilities And Material Litigations****(a) Working Capital**

The Directors of BPP Holding are of the opinion that, after taking into account the funds generated from its existing operations, the banking facilities available and the net proceeds of the Rights Issue and Public Issue, the Group will have sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

**(b) Borrowings**

Save as disclosed below, as at 3 January 2005 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings and overdrafts facilities of the Group amounted to approximately RM9.653 million, all of which are interest bearing. The purpose of the borrowings is mainly to finance the Group's purchase of plant, equipment and working capital.

Details of the Group's outstanding bank borrowings and overdrafts facilities are as follows:-

	(RM'000)
<b><u>Short term</u></b>	
Interest bearing	2,018
<b><u>Long term</u></b>	
Interest bearing	7,635
Total outstanding borrowings	9,653



**10. FINANCIAL INFORMATION (Cont'd)**

There have been no such instances of default on payments, either interest and/ or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

**(c) Material Capital Commitments**

Save as disclosed below, as at 3 January 2005, (being the latest practicable date prior to the printing of this Prospectus), the Directors of BPP Holding are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the BPP Holding Group.

- (a) Sale and Purchase Agreement dated 25 November 2004 between Kontena Nasional Berhad (Company No. 11065-T) ("Kontena") and BP Plastics wherein Kontena agreed to sell and BP Plastics agreed to purchase all that piece of leasehold land held under HS (D) 28431 P.T.D No. 29032, Mukim Simpang Kanan, District of Batu Pahat, State of Johor Darul Takzim bearing the postal address Lot 244, Kawasan Perindustrian Sri Gading, 83000 Batu Pahat, Johor and measuring approximately 10 acres ("Said Land") for the purchase price of RM3,702,600. Upon the execution of the agreement, RM370,260 ("Deposit") has been paid to Kontena's solicitors who shall hold the same as stakeholders and are authorised to release the Deposit only upon receipt of the consent in writing of the State Authority as referred to below.

The Said Land is subject to a restriction in interest that is "Tanah yang dikurniakan ini tidak boleh dijual, dipajak, dicagar, digadai atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/menjual tanah ini tanpa kebenaran Penguasa Negeri". As such, the sale and purchase of the Said Land is subject to and conditional upon Kontena obtaining, at its own costs and expense, the consent in writing of the State Authority to transfer the Said Land to BP Plastics ("Condition Precedent").

In the event that the Condition Precedent shall not have been fulfilled by Kontena on or before the expiry of Six (6) months from the date of the Agreement ("the Termination Date"), BP Plastics shall grant to Kontena a further term of three (3) months from the Termination Date ("the Extended Termination Date") or such further term to be mutually agreed by the parties, to fulfill the Condition Precedent. In the event the Condition Precedent is not fulfilled within the Extended Termination Date, BP Plastics shall have the option to terminate this agreement and thereafter, Kontena's solicitors shall cause to be refunded to BP Plastics all monies released to them pursuant to the sale and purchase on or before the expiry of Fourteen (14) days from the date of the termination notice and upon such refund Kontena shall be at liberty to sell or otherwise deal with the Said Land in such manner and to such persons as Kontena shall deem fit.

In the event BP Plastics shall fail to complete the sale and purchase of the Said Land in accordance with the provisions of the agreement, the Vendor shall be entitled to either the remedy of specific performance or to terminate the agreement whereupon a sum equivalent to the Deposit shall be forfeited as agreed liquidated damages and all sums paid to Kontena towards account of the purchase price (less the Deposit) shall be refunded to BP Plastics.

**10. FINANCIAL INFORMATION (Cont'd)**

In the event Kontena shall fail to complete the sale and purchase of the Said Land in accordance with the provisions of the agreement, BP Plastics shall be entitled to either the remedy of specific performance or to terminate the agreement whereupon a sum equivalent to the Deposit shall be forfeited as agreed liquidated damages and all sums paid to Kontena towards account of the purchase price (including the Deposit) shall be refunded to BP Plastics.

- (b) Purchase Order dated 27 November 2004 between MAKLAUS srl and BP Plastics for a contract price of EUR105,000 whereby MAKLAUS srl agreed to supply 4 units of stretch film automatic rewinder for manual use to BP Plastics. Payment would be made upon delivery of the equipment.

**(d) Contingent Liabilities**

As at 3 January 2005, (being the latest practicable date prior to the printing of this Prospectus), the Directors of BPP Holding are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the BPP Holding Group.

**(e) Material Litigations**

As at 3 January 2005, (being the latest practicable date prior to the printing of this Prospectus), the Company and its Subsidiary Companies are not engaged in any legal action, proceeding, arbitration or prosecution for any criminal offence, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its Subsidiary Companies and the Directors do not know of any proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of BPP Holding or its Subsidiary Companies.

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**10. FINANCIAL INFORMATION (Cont'd)****10.6 Consolidated Profit Forecast**

The Directors of the BPP Holding estimate that in the absence of unforeseen circumstances, the consolidated profit forecast for FYE 31 December 2005 will be as follows:-

<b>FYE 31 December</b>	<b>Forecast 2005 RM'000</b>
Revenue	<u>165,052</u>
PBT	20,635
Taxation	<u>(3,929)</u>
PAT	<u>16,706</u>
Weighted average number of ordinary shares in issue ('000) <sup>1</sup>	118,667
Enlarged number of ordinary shares in issue ('000)	120,000
<b>Based on weighted average number of ordinary shares in issue</b>	
Gross EPS (sen)	17.39
Net EPS (sen)	14.08
Gross PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	6.90
Net PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	8.52
<b>Based on enlarged number of ordinary shares assumed in issue<sup>2</sup></b>	
Gross EPS (sen)	17.20
Net EPS (sen)	13.92
Gross PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	6.98
Net PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	8.62

*Note:*

1. *Assuming completion of the Public Issue by February 2005 and no exercise of ESOS Options.*
2. *For illustrative purpose only.*

The principal bases and assumptions upon which the consolidated profit forecast have been prepared are set out in the report as prepared by the Reporting Accountants which is set out in section 10.7 of this Prospectus.

The consolidated profit forecast of BPP Holding Group for FYE 31 December 2005 had been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of BPP Holding and its Subsidiary Companies.

**10. FINANCIAL INFORMATION (Cont'd)**

**10.7 Reporting Accountants' Letter On The Consolidated Profit Forecast**

*(Prepared for inclusion in this Prospectus)*



■ Chartered Accountants  
Lot 1, 6th Floor  
Menara Pertam, Jalan 8BP 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

**BP PLASTICS HOLDING BHD.  
CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2005**

We have reviewed the consolidated profit forecast of BP Plastics Holding Bhd. (hereinafter referred to as "BPP Holding" or "the Company") and its subsidiaries ("the Group") for the year ending 31 December 2005 as set out in Section 10 of the Prospectus, in accordance with the professional standard in Malaysia applicable to the review of forecasts, AI 810. The forecast has been prepared 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 BPP Holding comprising 120,000,000 ordinary shares of RM0.50 each on the Main Board of Bursa Malaysia Securities Berhad; and
- (d) Employee Share Option Scheme ("ESOS") of up to 18,000,000 new ordinary shares of RM0.50 each.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the directors as set out in the accompanying statement (which we have stamped for the purpose of identification) and is presented on a basis consistent with the accounting policies adopted and disclosed by the companies within the Group in the audited financial statements for the year ended 31 December 2004. The directors of BPP Holding are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variations could be material.

**10. FINANCIAL INFORMATION (Cont'd)**




BP Plastics Holding Bhd.  
Page 2


Subject to the matters stated in the preceding paragraphs:

- (a) nothing has come to our attention which causes us to believe that the assumptions made by the directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the forecast of consolidated profit after taxation; and
- (b) in our opinion, the forecast of consolidated profit after taxation, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the companies within the Group in the audited financial statements for the year ended 31 December 2004.

The accompanying forecast and this letter have been prepared for purposes stated above, in connection with the aforementioned proposal. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

  
**ERNST & YOUNG**  
AF 0039  
Chartered Accountants

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

**10. FINANCIAL INFORMATION (Cont'd)**

APPENDIX

**BP PLASTICS HOLDING BHD.**  
**AND ITS SUBSIDIARIES ("THE GROUP")**  
**CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS**

The Directors forecast that, in the absence of unforeseen circumstances, the consolidated profit after taxation for the year ending 31 December 2005 will be as follows:

	<b>RM'000</b>
Revenue	165,052
Consolidated profit before taxation	20,635
Taxation	(3,929)
Consolidated profit after taxation	16,706
Weighted average number of ordinary shares in issue ('000) <sup>1</sup>	118,667
Enlarged number of ordinary shares assumed in issue ('000)	120,000
<b>Based on weighted average number of ordinary shares in issue</b>	
Gross earning per share ("EPS") (sen)	17.39
Net EPS (sen)	14.08
Gross price-earning ("PE") Multiple based on Issue/Offer Price of RM1.20 per share (times)	6.90
Net PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	8.52
<b>Based on enlarged number of ordinary shares assumed in issue<sup>2</sup></b>	
Gross EPS (sen)	17.20
Net EPS (sen)	13.92
Gross PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	6.98
Net PE Multiple based on Issue/Offer Price of RM1.20 per share (times)	8.62

*Notes:*<sup>1</sup> Assuming completion of the Public Issue by February 2005 and no exercise of ESOS Options<sup>2</sup> For illustrative purposes only

**10. FINANCIAL INFORMATION (Cont'd)**

APPENDIX (Cont'd)

The principal assumptions upon which the above consolidated profit forecast have been made are as follows:

1. There will be no significant changes in the present principal activities and the structure of the Group.
2. The prevailing Malaysian and world economic conditions will not adversely affect the activities or performance of the Group as currently planned. There will be no further significant changes affecting the Malaysian economy which will adversely affect the Group.
3. There will be no significant changes in the present legislations and government regulations, which will adversely affect the activities of the Group or the market in which it operates.
4. There will be no significant fluctuations in inflation and interest rates.
5. Foreign currency exchange rates will not fluctuate significantly from the prevailing exchange rates of RM3.80 : USD1.00 and RM2.20 : SGD1.00.
6. There will be no significant changes in the selling price of finished goods and purchase price of raw materials that will adversely affect the profitability of the Group.
7. There will be no material increase in wages, costs of production and other related costs which will adversely affect the performance of the Group.
8. There will be no major industrial disputes or disruptions in the production operations or other abnormal factors, both domestic and overseas, which will adversely affect the activities and performance of the Group.
9. There will be no event or combination of events, including but not limited to terrorist attacks or the outbreak of any diseases, that will lead to a recession and impact the Group from achieving its forecasted results and have an adverse effect on the value or quality of the Group's assets.
10. There will be sufficient skilled and unskilled labour to meet the operation requirements anticipated to be carried out by the Group.
11. Existing financing facilities will remain available and the level of interest rates will not change materially from those prevailing. The Group will also be able to obtain additional financing facilities at interest rates that approximate to those currently available to the Group.
12. Capital expenditure will take place as planned with no material changes in the costs or prices.
13. There will be no significant changes in the present income tax rate of 28%. It is also assumed that the Group will continue to enjoy the existing tax incentives during the period covered by the forecast.
14. There will be no significant changes in management structure and accounting policies normally adopted by the companies within the Group.
15. The proceeds from the public issue of RM7.8 million, net of share issue expenses will be received by February 2005.



**10. FINANCIAL INFORMATION (Cont'd)**

**10.8 Directors' Analysis And Commentary On The Consolidated Profit Forecast For the Year Ending 31 December 2005**

The Directors of BPP Holding have reviewed and analysed the reasonableness of the bases and assumptions used in arriving at the consolidated profit forecast for the year ending 31 December 2005 which have been prepared on the bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statement.

The Directors of BPP Holding are of the opinion that the consolidated profit forecast is reasonable and fair in the light of future prospects of the industry, future plans and strategies to be adopted by BPP Holding and after taking into consideration of the forecast of gearing, liquidity and working capital requirements of the Group, bearing unforeseen circumstances.

**Consolidated profit forecast for the year ending 31 December 2005**

The revenue is forecasted to grow from RM122.1 million in financial year 2004 to RM165.1 million in financial year 2005 or an increase of 35%. The increase of revenue is mainly due to the additional forecasted sales of stretch film both domestically and export market as well as taken into the consideration of the acquisition of two (2) units of blown film extruding machine in October 2004.

The export sales are forecasted to increase from RM67.6 million in financial year 2004 to RM91.2 million in financial year 2005. The local sales revenue is expected to grow from RM54.5 million in financial year 2004 to RM73.9 million in financial year 2005.

In view of the growth of the revenues as mentioned above and barring any unforeseen adverse circumstances, the Company is confident that the profit after tax will increase from RM14.7 million in financial year 2004 to RM16.7 million in financial year 2005.

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**10. FINANCIAL INFORMATION (Cont'd)****10.9 Dividend Forecast**

It is the policy of the Directors to recommend dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for future growth of the Group.

Based on the profit forecast for the FYE 31 December 2005 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose gross dividend of 5.00 sen per share for the FYE 31 December 2005, based on the enlarged issued and paid-up share capital of 120,000,000 ordinary shares of RM0.50 each.

The intended appropriation of the forecast consolidated PAT for the FYE 31 December 2005 would be as follows:-

	<b>Forecast 2005 RM'000</b>
<b>FYE 31 December</b>	
Consolidated PAT, after MI	16,706
Proposed dividend of 5 sen per ordinary share	(6,000)
Profit Retained for the financial year	<u>10,706</u>
Gross dividend per share (sen)	5.00
Net dividend per share (sen)	5.00
Gross dividend yield based on the Issue Price of RM1.20 per ordinary share (%)	4.17
Net dividend yield based on the Issue Price of RM1.20 per ordinary share (%)	4.17
Net dividend cover based on forecast net dividend per ordinary share (times)	2.78

The declaration, amount and payment of dividends are subject to the approval by the shareholders of BPP Holding on recommendation by the Board. BPP Holding currently expects to pay dividends on an annual basis but has not established (and does not expect to establish) any fixed percentage of earnings allocated for the payment of dividends. Any variation from the forecast dividend would depend on BPP Holding's operation results, financial conditions, cash requirements and other factors deemed relevant by the Board.

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**10. FINANCIAL INFORMATION (Cont'd)****10.10 Sensitivity Analysis**

The principal bases and assumptions upon which the sensitivity analysis on the Group's PBT have been made are as follows:

The selected variables items will vary for 5% and 10% upward and downward.

Except for the selected variable items, the same forecast assumptions set out in section 10 of this Prospectus shall apply.

**10.10.1 Variation In Turnover**

	-----FYE 31 December 2005----->			
	Turnover		PBT	
	RM'000	%	RM'000	%
As per forecasted	165,052		20,635	
Up 5%	173,303	5.0	28,886	40.0
Up 10%	181,554	10.0	37,137	80.0
Down 5%	156,799	-5.0	12,382	-40.0
Down 10%	148,544	-10.0	4,127	-80.0

As shown in the table, when turnover is revised upward by 5% and 10%, PBT is expected to increase by 40% and 80% respectively. On the other hand, when turnover is revised downward by 5% and 10%, PBT is expected to decrease by 40% and 80% respectively.

**10.10.2 Variation In Cost Of Sales**

	-----FYE 31 December 2005----->				
	Turnover	Cost Of Sales		PBT	
	RM'000	RM'000	%	RM'000	%
As per forecasted	165,052	136,722		20,635	
Up 5%	165,052	143,558	5.0	14,832	-28.1
Up 10%	165,052	150,394	10.0	9,037	-56.2
Down 5%	165,052	129,886	-5.0	26,432	28.1
Down 10%	165,052	123,050	-10.0	32,231	56.2

As shown in the table, a 5% increase in the cost of sales is expected to result in a 28.1% decrease in PBT. A 10% increase in cost of sales is expected to reduce the PBT by 56.2%. On the contrary, if the cost of sales is revised downward by 5% and 10%, PBT is expected to increase by 28.1% and 56.2% respectively.

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**10. FINANCIAL INFORMATION (Cont'd)**

**10.11 Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets**

*(Prepared for inclusion in this Prospectus)*



■ Chartered Accountants  
Lot 1, 6th Floor  
Menara Pertama, 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,

**BP PLASTICS HOLDING BHD.  
PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2004**

We report on the proforma consolidated balance sheets of BP Plastics Holding Bhd. ("the Company") and its subsidiaries ("the Group"), as set out in Section 10 of the Prospectus, which have been prepared for illustrative purposes only, to provide information about how the consolidated balance sheet of the Company as at 31 December 2004 that has been presented might have been affected by the following proposals had the proposals been completed on that date:

- (a) Public Issue of 8,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per share ("Public Issue");
- (b) Offer For Sale of 36,000,000 ordinary shares of RM0.50 each at an offer price of RM1.20 per share ("Offer For Sale"); and
- (c) Employee Share Option Scheme ("ESOS") of up to 18,000,000 new ordinary shares of RM0.50 each in the Company.

It is the responsibility solely of the directors of the Company to prepare the proforma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated balance sheets with the responsible officers of the Group. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of the subsidiaries that included the audited consolidated balance sheets as at 31 December 2004, on which we reported to the members of the Company as of the date of our report.

**10. FINANCIAL INFORMATION (Cont'd)**



BP Plastics Holding Bhd.  
Page 2


In our opinion:

- (a) the proforma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the Public Issue, Offer For Sale and ESOS:
  - (i) such bases are consistent with the accounting policies adopted by the companies within the Group; and
  - (ii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets pursuant to the Guidelines.

The accompanying proforma consolidated balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the above proposals. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

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

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

**10. FINANCIAL INFORMATION (Cont'd)**

APPENDIX

**BP PLASTICS HOLDING BHD.**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2004**

The proforma consolidated balance sheets of **BP PLASTICS HOLDING BHD.** ("BPP HOLDING") as at 31 December 2004 as set out below are provided for illustrative purposes only.

Audited consolidated balance sheet of BPP Holding as at 31 December 2004 RM'000	Adjustment I RM'000	Proforma I RM'000	Adjustment II RM'000	Proforma II RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	37,542	37,542		37,542
Negative goodwill	(2,243)	(2,243)		(2,243)
	<u>35,299</u>	<u>35,299</u>		<u>35,299</u>
<b>CURRENT ASSETS</b>				
Inventories	20,023	20,023		20,023
Trade receivables	16,831	16,831		16,831
Other receivables	2,632	2,632		2,632
Cash and bank balances	17,780	7,800	21,600	47,180
	<u>57,266</u>	<u>7,800</u>	<u>21,600</u>	<u>86,666</u>
<b>CURRENT LIABILITIES</b>				
Short term borrowings	1,827	1,827		1,827
Trade payables	11,814	11,814		11,814
Other payables	2,753	2,753		2,753
Tax payable	1,263	1,263		1,263
	<u>17,657</u>	<u>17,657</u>		<u>17,657</u>
<b>NET CURRENT ASSETS</b>	<u>39,609</u>	<u>7,800</u>	<u>21,600</u>	<u>69,009</u>
	<u>74,908</u>	<u>7,800</u>	<u>21,600</u>	<u>104,308</u>
<b>FINANCED BY :</b>				
Share capital	56,000	4,000	9,000	69,000
Retained profits	5,969			5,969
Share premium	1	3,800	12,600	16,401
Shareholders' equity	<u>61,970</u>	<u>7,800</u>	<u>21,600</u>	<u>91,370</u>
Term loans	7,826			7,826
Deferred taxation	5,112			5,112
Non-current liabilities	<u>12,938</u>			<u>12,938</u>
	<u>74,908</u>	<u>7,800</u>	<u>21,600</u>	<u>104,308</u>
Net tangible assets per share (RM)	<u>0.57</u>			<u>0.68</u>
		<u>0.60</u>		<u>0.68</u>



**10. FINANCIAL INFORMATION (Cont'd)**

APPENDIX (Cont'd)

**BP PLASTICS HOLDING BHD.****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

1. The proforma consolidated balance sheets of **BP PLASTICS HOLDING BHD.** ("BPP Holding") and the following subsidiaries ("the Group") as at 31 December 2004 have been prepared for illustrative purposes based on accounting policies and bases adopted in the preparation of the audited financial statements of the Group.

- |      |                        |                  |
|------|------------------------|------------------|
| (i)  | BP Plastics Sdn. Bhd.  | ("BP Plastics")  |
| (ii) | BP Packaging Sdn. Bhd. | ("BP Packaging") |

2. The Public Issue, Offer For Sale and ESOS are assumed to have been effected on 31 December 2004 in the following manner:

- (i) Proforma I incorporates the Public Issue of 8,000,000 new ordinary shares of RM0.50 each by the Company at an issue price of RM1.20 per share.
- (ii) The Offer For Sale does not have any effect on the proforma consolidated balance sheets.
- (iii) The total gross proceeds of RM26.822 million from the Rights Issue and Public Issue will be utilised as follows: -

	<b>RM'000</b>
Purchase of land and construction of factory or purchase of land and factory	7,500
Purchases of plant and machinery	15,520
Working capital	2,002
Estimated share issue expenses	1,800
	<u>26,822</u>

Estimated share issue expenses of RM1,800,000 will be written off against the share premium account.

- (iv) Proforma II incorporates Proforma I and full exercise of the ESOS Options of up to 18,000,000 new ordinary shares of RM0.50 each by the Company at RM1.20 per share.
- (v) All inter-company balances have been eliminated in arriving at the proforma consolidated balance sheets.
- (vi) The proforma consolidated balance sheets are arrived at using the acquisition method of accounting.



**10. FINANCIAL INFORMATION (Cont'd)**

APPENDIX (Cont'd)

**3. SHARE CAPITAL**

The movement of the issued and paid-up share capital of BPP Holding after taking into account the Public Issue, Offer For Sale and ESOS are as follows:

	<b>RM'000</b>
As at 31 December 2004	56,000
Public Issue	4,000
Per Proforma Consolidated Balance Sheet (I)	<u>60,000</u>
Full exercise of ESOS Options	9,000
Per Proforma Consolidated Balance Sheet (II)	<u>69,000</u>

**4. SHARE PREMIUM**

The movement of the share premium of BPP Holding after taking into account the Public Issue, Offer For Sale and ESOS are as follows:

	<b>RM'000</b>
As at 31 December 2004	1
Share premium arising from the Public Issue	5,600
Estimated share issue expenses	<u>(1,800)</u>
Per Proforma Consolidated Balance Sheet (I)	3,801
Share premium arising from full exercise of ESOS Options	12,600
Per Proforma Consolidated Balance Sheet (II)	<u>16,401</u>

