

annual report  
2006



BP PLASTICS HOLDING BHD (644902-V)

Annual Report 2006

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Kawasan Perindustrian Sri Gading  
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Johor Darul Takzim  
Malaysia

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南源塑膠控股有限公司  
BP PLASTICS HOLDING BHD  
(644902-V)



MS ISO 9001 : 2000  
REG. NO. AR 1865



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## corporate data



<b>Lim Chun Yow</b>	<i>Chairman and Managing Director</i>
<b>Tan See Khim</b>	<i>Executive Director</i>
<b>Hey Shiow Hoe</b>	<i>Executive Director</i>
<b>Boo Chin Liong</b>	<i>Independent Non-Executive Director</i>
<b>Koh Chin Koon</b>	<i>Independent Non-Executive Director</i>

## Board of Directors

### Company Secretary

Teo Soon Mei (MAICSA 7018590)

### Share Registrar

Securities Services (Holdings)  
Sdn Bhd (36869-T)  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2084 9000  
Fax : 03-2094 9940

### Registered Office

5A Jalan Wawasan 2  
Kawasan Perindustrian Sri Gading  
83300 Batu Pahat  
Johor Darul Takzim  
Tel : 07-455 7633  
Fax : 07-455 7699  
Email : [enquiry@bpplastics.com.my](mailto:enquiry@bpplastics.com.my)

### Head/Management Office

5A Jalan Wawasan 2  
Kawasan Perindustrian Sri Gading  
83300 Batu Pahat  
Johor Darul Takzim  
Tel : 07-455 7633  
Fax : 07-455 7699  
Email : [enquiry@bpplastics.com.my](mailto:enquiry@bpplastics.com.my)  
Website : [www.bpplastics.com.my](http://www.bpplastics.com.my)

### Auditors

Ernst & Young (AF 0039)  
Chartered Accountants  
Lot 1, 6th Floor  
Menara Pertam, Jalan BBP 2  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka.  
Tel : 06-336 2399  
Fax : 06-336 2899

### Stock Exchange Listing BPPLAS (5100)

Main Board of the  
Bursa Malaysia Securities Berhad  
(Listed on 23rd February, 2005)

### Principal Bankers

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
Overseas-Chinese Banking  
Corporation Limited  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

### Audit Committee

- Boo Chin Liong (Chairman)  
*Independent Non-Executive Director*
- Lim Chun Yow (Member)  
*Chairman and Managing Director*
- Koh Chin Koon (Member)  
*Independent Non-Executive Director*

### Nomination Committee

- Boo Chin Liong (Chairman)  
*Independent Non-Executive Director*
- Koh Chin Koon (Member)  
*Independent Non-Executive Director*

### Remuneration Committee

- Koh Chin Koon (Chairman)  
*Independent Non-Executive Director*
- Boo Chin Liong (Member)  
*Independent Non-Executive Director*
- Lim Chun Yow (Member)  
*Chairman and Managing Director*

### Employees' Share Option Scheme ("ESOS") Committee

- Lim Chun Yow (Chairman)  
*Chairman and Managing Director*
- Tan See Khim (Member)  
*Executive Director*
- Hey Shiow Hoe (Member)  
*Executive Director*
- Kelly Tan Eng Seng (Member)  
*Human Resource Manager*

# notice of annual general meeting

**NOTICE BE AND IS HEREBY GIVEN** that the Third Annual General Meeting of the Company will be held at Emerald Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor on Monday, 21 May, 2007 at 2.00 p.m. to consider the following purposes:-

## AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December, 2006 together with the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the payment of a First and Final Tax Exempt Dividend of 10% (5 sen per share) in respect of the financial year ended 31 December, 2006. **Resolution 2**
3. To approve the payment of Directors' fee for the financial year ended 31 December, 2006. **Resolution 3**
4. To re-elect the following retiring Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with the Article 92 of the Company's Articles of Association:-
  - (i) Mr. Boo Chin Liong **Resolution 4**
  - (ii) Mr. Koh Chin Koon **Resolution 5**
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December, 2007 and to authorize the Directors to fix the Auditors' remuneration. **Resolution 6**
6. As special business:-  
To consider and if thought fit, to pass with or without modifications, the following resolution:-  
**Ordinary Resolution**  
**Authority To Issue Share Pursuant To Section 132D of the Companies Act, 1965**  
"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorized, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting of the Company and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued." **Resolution 7**
7. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 1965.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of the shareholders of the Company at the Third Annual General Meeting, a first and final tax exempt dividend of 10% (5 sen per share) in respect of the financial year ended 31 December, 2006 will be paid on 3 July, 2007 to members appearing in the Register at the close of business on 15 June, 2007.

## notice of annual general meeting (cont'd)

A depositor shall qualify for entitlement only in respect of:-

- a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 15 June, 2007 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**TEO SOON MEI** (MAICSA 7018590)  
Company Secretary

Melaka  
Dated: 26 April, 2007

### EXPLANATORY NOTES ON SPECIAL BUSINESS

The Ordinary Resolution proposed under item 6 above, if passed, will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors may consider to be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

### NOTES:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of him. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint more than (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified true copy of that power or authority shall be deposited at the Registered Office of the Company at 5A Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor not less than 48 hours before the time for holding the meeting or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.

# statement accompanying the notice of annual general meeting

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad



Details of the retiring Directors namely, Mr. Boo Chin Liong and Mr. Koh Chin Koon are set out in pages 9 to 10 of the Annual Report of the Company for the financial year ended 31 December, 2006.

## DIRECTORS STANDING FOR RE-ELECTION

Mr. Boo Chin Liong and Mr. Koh Chin Koon, the Directors who are retiring and standing for re-election in accordance to Article 92 of the Company's Articles of Association at the Third Annual General Meeting of the Company to be held at Emerald Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor on Monday, 21 May, 2007 at 2.00 p.m.

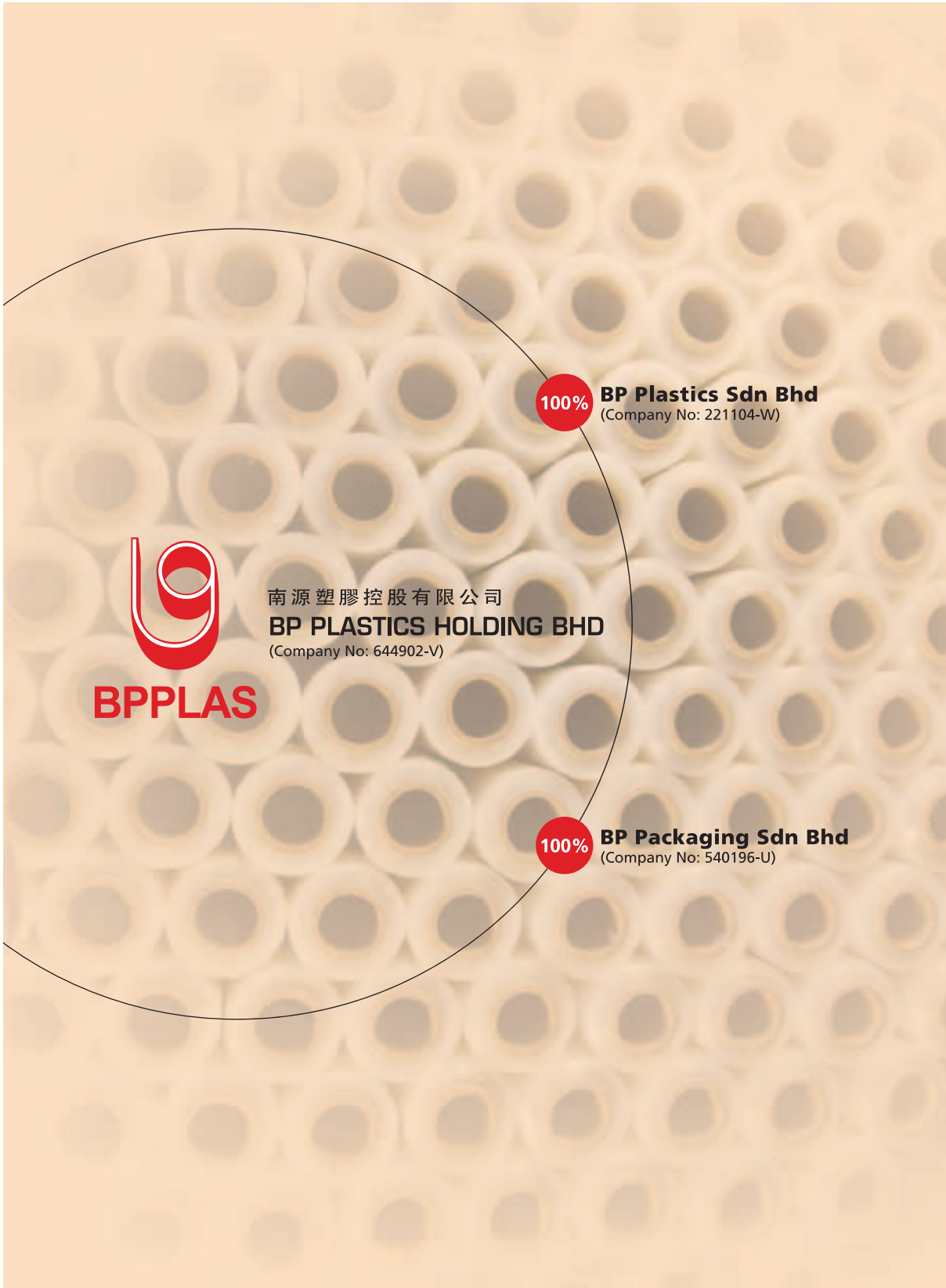
A total of four (4) Board of Directors' Meeting were held during the financial year ended 31 December, 2006 and all the Board of Directors' meeting held at 5A Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor except the Board of Directors' Meeting held on 4 May, 2006, which was held at Diamond Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor. The date and time of the Board of Directors' Meeting were as follows:-

Date of the Board Meeting	Time
20 February, 2006	1200
4 May, 2006	1100
21 August, 2006	1130
23 November, 2006	1200

Attendance record of directors for the board meetings held during the financial year ended 31 December, 2006 is as follows:-

Name of Director	Date of Appointment	No. of Meetings Attended
Mr. Boo Chin Liong	3 September, 2004	4
Mr. Koh Chin Koon	3 September, 2004	4

## corporate structure





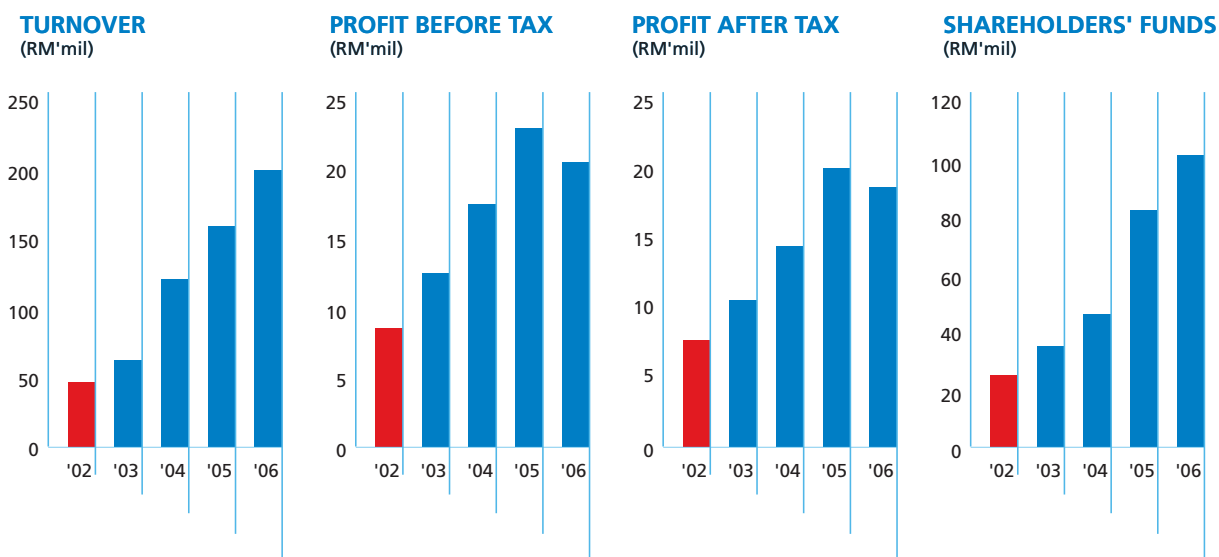
## 5 years financial highlights

	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
TURNOVER	47,718	64,903	122,051	160,457	200,154
EBITDA	11,172	15,303	21,389	27,488	26,582
PROFIT BEFORE TAX	8,860	12,924	17,880	23,384	20,962
PROFIT AFTER TAX	7,800	10,666	14,712	20,468	19,045
SHAREHOLDERS' FUNDS	25,758	35,925	46,473	83,873	102,857
ROE	30.28%	34.58%	35.71%	31.41%	20.40%
NON CURRENT ASSET	21,049	36,325	37,543	64,158	67,598
ROA	37.06%	29.36%	39.19%	31.90%	28.17%
EPS *	6.50	8.89	12.26	17.06	15.86
Net Div (sen)	na	na	na	7	5#
NTA PS (RM)	na	na	0.57	0.72	0.86

\* based on 120 Million shares for 2002 to 2005, for 2006 120.08 Million shares

# 2006 dividend is subject to approval from forthcoming AGM

Note : The financial figures for 2002 to 2004 are prepared based on proforma consolidated basis on the assumption that the current structure of the Group has been in existence since the financial year ended 31 December, 2002



## board of directors

### Name

Lim Chun Yow

### Age

44

### Nationality

Malaysian

### Position in the Company

Chairman and Managing Director

### Qualification

Holds a degree in Bachelor of Science in Business Administration from The Ohio State University, United State of America in 1985.

### Working Experience

He was appointed as the Chairman and Managing Director of the Company on 23rd November, 2005 and 3rd September, 2004 respectively. He started his career with a plastic manufacturing company as a Marketing Executive in 1986 and has extensive experience in the sales and marketing of polybags. In 1990, he resigned from the company and set up a business with two co-founders of BP Plastics Sdn Bhd. He also sits on the board for several private limited companies.

### Other Directorship of Public Companies

None

### Details of Any Board Committee to which He Belongs

He is a member of the Remuneration and Audit Committees and the Chairman of ESOS Committee of the Company.

### Number of Board Meetings Attended in the Financial Year

4/4

### Name

Tan See Khim

### Age

43

### Nationality

Malaysian

### Position in the Company

Executive Director

### Qualification

Holds a Certificate in Senior Middle Three from Chung Hwa High School in Muar in 1982.

### Working Experience

He was appointed as an Executive Director of the Company on 3rd September, 2004. He is a co-founder of BP Plastics Sdn Bhd. He was involved in the sales, trading, marketing, distribution, resource planning and training in consumer products in between 1983 and 1990, prior to the establishment of BP Plastics Sdn Bhd in 1991. His experience and knowledge in sales have been very instrumental towards the growth of the Company. He also sits on the board for several private limited companies.

### Other Directorship of Public Companies

None

### Details of Any Board Committee to which He Belongs

He is a member of the ESOS Committee of the Company.

### Number of Board Meetings Attended in the Financial Year

4/4

## board of directors (cont'd)

### Name

Hey Shiow Hoe

### Age

44

### Nationality

Malaysian

### Position in the Company

Executive Director

### Qualification

Holds a degree in Bachelor of Science in Industrial and Systems Engineering from The Ohio State University, United State of America in 1986.

### Working Experience

He was appointed as an Executive Director of the Company on 3rd September, 2004. He is a co-founder of BP Plastics Sdn Bhd. He started his career in a plastic manufacturing company upon his graduation in 1986. He was responsible for the strategic planning and total management of the manufacturing operations, infrastructure upgrading and development, technical improvement and support to the production team ever since the business set up of BP Plastics Sdn Bhd. He has also been appointed as the Management Representative in maintaining the ISO 9001:2000 Quality Management System of BP Plastics Sdn Bhd. He also sits on the board for several private limited companies.

### Other Directorship of Public Companies

None

### Details of Any Board Committee to which He Belongs

He is a member of the ESOS Committee of the Company.

### Number of Board Meetings Attended in the Financial Year

4/4

### Name

Boo Chin Liong

### Age

46

### Nationality

Malaysian

### Position in the Company

Independent Non-Executive Director

### Qualification

Holds a Bachelor of Law (Honours) degree from the University of Malaya in 1985 and was called to Bar in 1986.

### Working Experience

He was appointed as an Independent Non-Executive Director of the Company on 3rd September, 2004. He is an advocate and solicitor and has been in active legal practice since 1986. He is a founding partner of Messrs. C. L. Boo & Associates. He also sits on the board for several private limited companies.

### Other Directorship of Public Companies

He sits on the board of Ramatex Berhad and Poh Huat Resources Holdings Bhd, companies all listed on Bursa Malaysia Securities Berhad.

### Details of Any Board Committee to which He Belongs

He is the Chairman of the Audit Committee and the Nomination Committee of the Company. He also is the member of the Remuneration Committee.

### Number of Board Meetings Attended in the Financial Year

4/4

## board of directors (cont'd)

### Name

Koh Chin Koon

### Age

37

### Nationality

Malaysian

### Position in the Company

Independent Non-Executive Director

### Qualification

Holds a Bachelor Degree of Accounting (Hon) from University of Malaya in 1995 and joined Malaysia Institute of Accountants (MIA) and Malaysia Institute of Taxation (MIT) in 1999 and 2000 respectively.

### Working Experience

He was appointed as an Independent Non-Executive Director of the Company on 3rd September, 2004. He was employed by Arthur Andersen & Co (Malacca Branch) as a Tax Assistant after he completed his Bachelor Degree and promoted as Tax Experience Senior during the employment. He left Arthur Andersen & Co and joined Chin & Co as a Tax Manager in 2000. After obtained a wide range of experience from his last employment involved in advising clients including private companies, public listed companies and government organizations, he set up Koh & Siow Management Services in 2001. He is also an approved tax agent under section 153(3)(b) pursuant to Income Tax Act, 1967 by Ministry of Finance since 2001. He also sits on the board for several private limited companies.

### Other Directorship of Public Companies

He is an Independent Non-Executive Director of Impressive Edge Group Berhad, a company listed on the Bursa Malaysia Securities Berhad for Mesdaq Market. He is also the Independent Non-Executive Director of SKP Resources Bhd.

### Details of Any Board Committee to which He Belongs

He is a member of the Audit and Nomination Committees and the Chairman of Remuneration Committee of the Company.

### Number of Board Meetings Attended in the Financial Year

4/4

## additional information on the board of directors

### **Family Relationship with the Director and Substantial Shareholders.**

Mr. Tan See Khim and Mr. Lim Chun Yow are brother-in-law of Hey Shiow Hoe. They are the directors and substantial shareholders of the Company.

Save as disclosed above, none of the Directors of the Company has any relationship with any directors or substantial shareholders of the Company.

### **OTHER INFORMATION**

#### **Share Buy-Back**

The group did not enter into any share buy-back transactions during the financial year.

#### **Options, Warrants or Convertible Securities**

The Group did not issue any warrants or convertible securities during the financial year.

The Group's Employees' Share Option Scheme ("ESOS") is governed by the ESOS By-Laws which was approved by the shareholders of the Company at the Extraordinary General Meeting held on 10 January, 2005.

During the financial year ended 31 December, 2006, a total of 80,500 options of RM1.20 per share have been exercised by the eligible employee of the Group.

#### **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**

During the financial year, the Group did not sponsor any ADR or GDR programmes.

#### **Sanctions And/Or Penalties**

There were no sanctions and/or penalties imposed on the Group and its subsidiaries, Directors, or management by any regulatory bodies.

#### **Non-Audit Fees**

The non-audit fees of RM17,800 paid to the external auditors by the Group for the current financial year ended 31 December, 2006.

#### **Profit Guarantee**

During the year, the Company did not provide any profit guarantees.

#### **Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

#### **Revaluation Policy on Landed Properties**

The Company has adopted a regular revaluation policy on landed properties. Revaluation is made at least once in every five years based on a valuation by an independent valuer on an open market value basis. The last revaluation was done in the financial year ended 31 December, 2004.

## additional information on the board of directors (cont'd)

### OTHER INFORMATION (cont'd)

#### Recurrent Related Party Transaction of a Revenue Nature

There were no material recurrent related party transaction of a revenue nature during the year other than those disclosed in the financial statements.

#### Conviction for Offences

None of the Directors has been convicted for any offences within the past ten (10) years other than traffic offences, if any.

#### Conflict of Interests

Save as disclosed below, none of directors and substantial shareholders of the Company are engaged in any existing and potential related party transactions and conflict of interest in relation to the corporation and its related parties. The related party transactions, which may or may not result in conflicts of interest, are transactions entered into by the Company and its subsidiaries which involve the interest, direct or indirect, of a related party:-

- a) During the financial year ended 31 December, 2006, BP Plastics Sdn Bhd, the subsidiary of the Company purchased printing materials amounting to approximately RM10,175 from Libraprint & Advertising, a company in which Mr. Hey Shiow Hoe's brother has an interest.
- b) Pursuant to a written agreement dated 1 September, 2004 between BP Plastics Sdn Bhd and Madam Hey Sio Tong ("HST"), the spouse of Mr. Tan See Khim, BP Plastics Sdn Bhd had paid a monthly rental of RM1,100.00 to HST for the purposes of renting an apartment bearing the postal address A-05-04, Vista Komanwel, Bukit Jalil, 57000 Kuala Lumpur and measuring approximately 1,422 square feet.

#### Variation in Results

There were no variances of 10% or more between the audited results and the unaudited results of the Group for the financial year ended 31 December, 2006.

#### Shareholdings in the Company

The direct and indirect interests in shares in the Company for those who were directors at the end of the financial year according to the Register of Directors' shareholdings are set out in the Directors' Report, page 35 of the Annual Report.

## corporate profile



BP Plastics Holding Bhd, an investment holding company was incorporated in Malaysia under the Companies Act, 1965 on 9 March, 2004.

The principal activities of its subsidiaries are as follows:-

<b>Company</b>	<b>Date and Country of Incorporation</b>	<b>Equity Interest (%)</b>	<b>Principal Activities</b>
BP Plastics Sdn Bhd (Company No: 221104-W)	18 July, 1991/ Malaysia	100	Manufacturing
BP Packaging Sdn Bhd (Company No: 540196-U)	23 February, 2001/ Malaysia	100	Trading

## chairman's statement

### Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the 2006 Annual Report and Audited Statements of BP Plastics Holding Bhd (BPPLAS) and its Group of Companies for the financial year ended 31 December, 2006.

BPPLAS's recent strategic capacity expansion with a series of the latest world best cutting edge technological equipments not only enhanced the group's yearly capacity to 60,000 tones but also increased the group capability and opportunity to export higher grade plastic film worldwide. BPPLAS shall leverage on her superior modern technological equipments to explore with the variety of new generation plastic resins to offer a wide range of reliable and sophisticated high quality plastic packaging solutions to attract and expand her market share to enhance her vision - To be The Plastics Packaging Specialist of choice in the Asian Region.

BPPLAS is a specialty polyethylene (PE) films manufacturer specializing in manufacturing multilayer cast stretch film and blown plastic film and bag for multiple industrial applications. Stretch film is widely used to wrap around palletized goods for securing load to enhance safety and protection at warehouses and during transportation. On the other hand, blown plastic film and bag are either technical or general film such as lamination film and shrink film which is meticulous made according to customers' needs and specifications to enhance packaging integrity and/or shelf life.

### Financial Performance

For the financial year ending 2006, BPPLAS achieved a revenue turnover of RM200.1 millions as compared to RM160.46 millions in FYE 2005. The 24.7% revenue increased was mainly due to the additional production quantity from the recent capacity expansion as well as marginally higher selling prices both in the multilayer cast stretch film as well as the blown plastic film division. For FYE 2006, BPPLAS achieved lower Profit Before Tax of RM20.96 millions as compared to RM23.38 millions in FYE 2005. The lower profit before tax was mainly due to the average higher raw material price consumed during the year thereby resulting in higher prime cost coupled with increases in selling and distribution expenses. Despite the lower second half profit for FY2006 due to unprecedented high crude oil prices which triggered higher cost pushed effect for the higher resin cost, the group was able to achieve almost compatible Profit After Tax of RM19.04 millions for FYE 2006 as compared to RM20.47 million in FYE 2005 as RM0.99 million of prior year additional Export Credit incentive was enjoyed by the Group.

The lower profit was also a direct result of the Group's decision to enhance its marketability and reinforcing its market image creditability by absorbing part of the higher resin prices.



## chairman's statement (cont'd)

### Dividends

In appreciation of the shareholders support, the Board is pleased to propose a first and final tax exempt dividend of RM0.05 per share totaling at RM6,004,250, or 10% per share for the financial year 2006 (RM0.07 per share, RM8.4 millions or 14% for FY2005), subject to approval of the shareholders in the forthcoming Annual General Meeting.

### Corporate Governance

During the year, BPPLAS has completed its Enterprise Risk Assessment with major key risks identified. BPPLAS has worked closely with the appointed internal auditor, Deloitte KasimChan to prioritize and scrutinize the key internal weakness areas. The appropriate management actions are documented and timelines are planned for execution. Policy and procedures will be implemented for continuous improvement. The management shall be constantly taking proactive management action plans to review and upgrade the policy and procedure of the current business practices to ensure that BPPLAS adheres to the highest standard level of corporate governance, transparency and professionalism to carry out business practices to create value for the long-term benefit and interest of our shareholders.

### Outlook and Prospects

Polyethylene (PE) global consumption is estimated at 65 million tones for the year 2006 and the growth rate is projected at 4.3% until 2011. From the total PE consumption, PE Films account for more than 50% at 35 million tones for 2006. PE Films Asian consumption excluding Japan is estimated at 10.5 millions tonnes and the growth rate is estimated at 6.4% in Asia until 2011, according to reports by Applied Market Research, LLC. Major PE Films production sectors are Retailing, Agricultural, Shrink and Stretch, Refuse, Industrial Packaging and others. From the research company findings, stretch film and distribution packaging, food packaging and protective packaging are the major growth packaging materials for the next few years. The key drivers are due to the presence and participation of the global retail industry investment across Asia, changing life style; continue advanced resin application development and new innovation of modern co-extrusion technology to produce ever and better multipurpose thinner and better packaging film to improve packaging integrity and shelf life.

BPPLAS's ability to understand the changing macro business environment has enabled the group to position its business effectively at the right market trend having put in place the necessary infrastructure and the capability with the state-of-the-art equipment from Europe and America to produce Stretch and Shrink film for shipping and transportation usage, lamination, protective and sealant film for the food industry.

For the financial year ending 2006, BPPLAS total sales quantity improved by 22% and the product mixture ratio of Cast Stretch Film and Blown Plastic Bag is maintained at 70 : 30. Overall 60% of the group products are exported to 20 countries around Asia Pacific region. The major export destinations are Japan, Singapore and Australia.

From the Malaysia Plastic Manufacturer Association report, Malaysia Plastics is a fragmented industry with the total of 1500 processors and growing at 9% to RM15.3 billion for 2006. Exports growth was at 17% to RM7.85 billion, representing 51% of total sales revenue for 2006 and total resin consumption was 1.8 million MT for 2006.

The report notes that packaging is the largest market segment and film extrusion accounts for a total of the 30% production. In addition, Malaysia Plastics Manufacturing Association also forecast that the industry will be growing at 10% for the year 2007 but concerns that the high prices of plastic resin will affect the profit margin of its members.

However, despite the high crude oil prices, the high plastic resin price is envisaged to stabilize and expected to decline on or about middle of 2008 due to the scheduled start up of many mega production facilities around the Middle Eastern countries. On the other hand, another big challenge for the plastic industry is to produce sustainable packaging such as 7 "R's" initiated by Wal-Mart score card for more than 60,000 global suppliers in 70 countries to reduce its total packaging solution by 5% by 2013 thereby forcing suppliers to use lighter, thinner and better sustainable packaging solution to achieve cost saving and also to reduce gas emission to protect the environment.

## chairman's statement (cont'd)

### Outlook and Prospects (cont'd)

The initiatives rationally would have a direct influence on other retailers to follow for effective cost structure packaging but the actions will benefit dynamic PE Films processors like BPPLAS who has the capability and competency of people, system and facility to produce, innovate, down gauge, reduce, and recycle the scrap material's to produce sustainable packaging.

To sustain long term share value creation within the increasing challenging globalised environment, besides building the capacity and new technology, BPPLAS also focuses on other important organization building blocks such as human capital development, upgrading Informational technology, conducting team building activities and total quality performance to achieve total operational excellence within the manufacturing facilities.

Overall, BPPLAS has budgeted approximately RM20 million for the next 2 years to improve the material storage and handling system, computer information networking facilities and new production facilities to produce the high quality blown technical films to strengthen our efficiency, productivity to further improve the group's position and vision - To be The Plastics Packaging Specialist of choice in Asian Region.

In spite of the pressure of high crude oil prices and deepening global growth imbalances which could moderate the global demand for the manufacturing goods for the 1st half 2007, however, Bank Negara Malaysia is optimistic that Malaysia can achieve higher real GDP growth rate to 6% for the year 2007 due to the improving domestic investment, expected stronger FDI, kicked in effect of the 9th Malaysia Plan and a relatively strong growth of manufacturing sectors at 6.5% for 2007.

To reduce the possible effect of the improving strength of the Ringgit and to improve margins, BPPLAS shall continue to strengthen the internal processes, work closely with all the major subcontractors to improve the cost structure to stay lean and mean. With all the positive measures taken to enhance the competitiveness and margins, barring any unforeseen circumstances, the board of directors of BPPLAS is confident to achieve better improved corporate performance for 2nd half of 2007 and hopes to maintain the profits for the financial year 2007 despite an anticipated probable weak performance of first half of 2007.

### Shareholders Value

BPPLAS is fully committed to deliver superior shareholder value. The group's unbroken and consistent profit track record and the board of directors strong commitment for the corporate governance shall underpin the performance and deliver superior long term shareholders value. From the proposed First and final dividend, the group proposes distributing 31.6% of Profit After Tax to reward the continuous support of the shareholders. The group shall allocate approximately 20 to 40% of its net profit to reward the shareholders subject to the group's free cash flow and capital expenditure requirements.

### Acknowledgements

I wish to express my sincere appreciation to the Board of Directors, Management and staff of BPPLAS for their untiring commitment, dedication and loyalty in contributing to the group's continued success. I wish to extend my sincere appreciation to all customers, suppliers and shareholders for their continued support and confidence in BPPLAS.

The Board and Management would like to thank the relevant authorities, advisors, business associates, investment analysts and fund managers for their valuable advice, guidance and support.

### LIM CHUN YOW

Chairman/Managing Director

# corporate governance statement

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors ("Board") of BP Plastics Holding Bhd (BPPLAS) is committed to ensure that corporate governance is practiced throughout BPPLAS and its subsidiary companies ("the Group") in directing and managing the Group's businesses and affairs as a fundamental part of discharging its responsibility and to enhance the business prosperity to support the continuous growth of the Group as long-term commitment to its shareholders and investors.

Set out below is a statement of how the Group has applied the Principles, and the extent of its compliance with Best Practices of the Malaysia Code of Corporate Governance ("the Code") pursuant to paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("the Listing Requirements").

## A. BOARD OF DIRECTORS

### 1. Board Composition and Board Balance

The Board is composed, as at the date of this Statement, of five (5) Directors, two (2) of whom are Non-Executives. The two (2) Non-Executive Directors are independent. One-third of the Board comprises Independent Non-Executive Directors, thereby bringing independent objective and judgement to facilitate a balanced leadership in the Group as well as to safeguard the interest of the minority shareholders and other stakeholders in ensuring that the highest standard of conduct and integrity are maintained. Whilst Mr. Lim Chun Yow, Mr. Tan See Khim and Mr. Hey Shioh Hoe represents the interests of the largest shareholders of the Company, the investment of remaining shareholders were fairly reflected in the Boards representation. The mix would represent appropriately the respective size of investment by shareholders.

Mr. Lim Chun Yow who is the Chairman and Managing Director, and the two (2) Executive Directors namely Mr. Tan See Khim and Mr. Hey Shioh Hoe who have more than 15 years of expertise and experience in the plastic packaging business, particularly the bags, sacks and film section. The two (2) Independent Non-Executive Directors through their varied experiences and qualifications provide effective contribution and support to the functions of the Board. The profiles of each member of the Board are set out on pages 8 to 10 of this Annual Report.

### 2. Board Responsibilities

The Board is responsible for the overall corporate governance of the Group. The Board retains full and effective control of management in the Company and its overall responsibilities, as stated in the Company's board manual, for more strategic directions, planning and execution of the Company objectives. It is the responsibility of the Board, in all decisions, to conscientiously weigh the interests of shareholders and to consider the effects of decisions in the interests of all shareholders. In leading the Company and Group, the Board also has the duty to act in the best interest of the Company and the Group at all times.

Mr. Lim Chun Yow, who is the Chairman/Managing Director of the Company, leads the Board assisted by two (2) Executive Directors of the Company. However, the roles of the Chairman and Managing Director are separated and each has a clear accepted division of responsibilities. There is also a clear demarcation of responsibilities between the roles of the Managing Director and the Executive Director to ensure a balance in both authority and power. The Chairman is primarily responsible for matters pertaining to the Board and the overall conduct and performance of the Company. The Managing Director, together with the Executive Directors of the Company, oversees the running of the Group and the implementation of the Board's decisions, business strategies, and policies.

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### A. BOARD OF DIRECTORS (cont'd)

#### 2. Board Responsibilities (cont'd)

Due to the relatively small size of the Group, the size and composition of the Board is optimum and well balanced, and caters effectively to the scope of the Group's operation. The Board does not intend to appoint an Independent Chairman to the Board. It has appointed Mr. Boo Chin Liong as a senior Independent Non-Executive Director to facilitate communications of any stakeholders concerns where it would not be dealt with by the Managing Director or the Executive Directors.

The Board has also delegated certain responsibilities to other Board Committees which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (see Report on Audit Committee set out on pages 25 to 28), the Remuneration Committee, the Nomination Committee, and the Employees' Share Option Scheme ("ESOS") Committee.

#### 3. Attendance of Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of each financial year so as to enable Directors to plan ahead and fit the year's Board meetings into their own schedule. Board meetings are scheduled at quarterly intervals with additional meetings held when necessary. Board meetings are governed by a structured formal agenda. The Meeting's agenda include reviews on various aspects of the Group's operation, financial performance, and other significant matters. Special Board meetings are convened on an ad-hoc basis to deliberate on urgent matters that require the Board's immediate decision. In 2006, the Board held four regular meetings:-

The details of the Directors' attendance at these Board Meetings in 2006 were as follows:-

Board of Director	Total no. of meetings held during the director's tenure in office	No. of Meetings Attended
Lim Chun Yow	4	4
Tan See Khim	4	4
Hey Shiow Hoe	4	4
Boo Chin Liong	4	4
Koh Chin Koon	4	4

#### 4. Supply of Information and Access to Advice

All Board members are provided with relevant information of the Company and the Group to enable them to carry out their duties effectively as Directors. A full set of Board papers for each agenda including financial reports and notices are promptly communicated prior to the Board Meetings to allow for sufficient understanding of the proceedings. The Board also notes the decisions and salient issues deliberated by Board Committees through minutes of these committees.

Senior Management staff may be invited to attend any Board meetings to provide views and explanations on certain agenda being tabled to the Board, and to furnish clarification on issues that may be raised by the Directors. The Directors have direct access to Senior Management and has complete and unimpeded access information relating to the Group in the discharge of their duties. The Directors also have the liberty to engage independent professional advice if necessary at the Company's expense. Every Board member has ready and unrestricted access to the advice and the services of the Company Secretary in ensuring the effective functioning of the Board. The Directors are also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### A. BOARD OF DIRECTORS (cont'd)

#### 5. Appointment to the Board

The Nomination Committee was formed on 4 May, 2005. Nomination Committee recommends the appointments of new directors to the Board. However, the Board makes all decisions on appointments after considering those recommendations. Nomination Committee would also ensure that the Board has an appropriate balance of expertise and ability. Another objective of this Committee is to assess the effectiveness of the Board as a whole and the contribution of each individual director on an on-going basis.

Other responsibilities of this Committee are clearly defined in the terms of reference of the Nomination Committee. The Nomination Committee comprises mainly of Independent Non-Executive Directors and its composition is as follows:-

Members	Designation	Responsibility
Mr. Boo Chin Liong	Independent Non-Executive Director	Chairman
Mr. Koh Chin Koon	Independent Non-Executive Director	Member

The Board through the Second Nomination Committee annually assesses the effectiveness of the current board as a whole, the effectiveness of the Committees of the Board, and the contributions of each individual director. The Directors have direct access to the advice and the services of the Company Secretary who ensures that all the appointments are properly made and all the necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligation arising from the Listing Requirements of the Bursa Malaysia Securities Berhad and other regulatory requirements.

#### 6. Directors' Training

There is a familiarization programme in place for new Directors, including visits to the Group's business and meetings with senior management where appropriate to facilitate their understanding of the Group's businesses and operations.

All Directors have complete the Mandatory Accreditation Programme ("MAP") pursuant to the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board acknowledged that the directors of the Company were through varied experience and qualifications provide effective contribution and support to the functions of the Board for the year ended 2006. The Board has empowered the directors of the Company to determine their own training requirements as they consider necessary or deem fit expedient to enhance their knowledge in new rules and regulations as well as understanding of the Group's business and operations and to keep abreast with current developments in the market place. During the year, all the board members have attended seminars and briefings to keep abreast with current market developments. The Board will evaluate and determine the training needs of its Directors on an ongoing basis to assist them to discharge their responsibilities.

The following are training programmes, seminars and briefing attended by Directors of the Company in 2006:-

1. Strategic Enterprise-wide Risk Management
2. Excellence in manufacturing conference 2006
3. Finance for Non-Financial Managers
4. Creative an Effective Compensation & Benefits Strategy
5. Winning with team building
6. National Entrepreneurs Convention
7. National Tax Conference 2006
8. Balanced Scorecard as a strategic Instrument

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### A. BOARD OF DIRECTORS (cont'd)

#### 7. Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are required to retire from office once every three (3) years.

Directors who are appointed during the financial year are subjected to a re-election following their appointment in accordance with the Company's Articles of Association by shareholders at the Annual General Meeting ("AGM").

Detail of Directors seeking re-election at the forth coming AGM are disclosed in the Statement Accompanying the Notice of AGM as set out on page 5 of this Annual Report.

### B. BOARD COMMITTEES

The Board has delegated certain responsibilities to Board Committees, which operate within clearly defined terms of reference. These committees are:-

#### a) The Audit Committee

The Audit Committee consist of three (3) directors, two (2) of whom including the Chairman are Independent Non-Executive Directors.

The Audit Committee assists and supports the Board's responsibility to oversee the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls, and independence of the Group's external and internal auditors.

The Audit Committee met four (4) times during the financial year, the Audit Committee Report is presented on pages 25 to 28 of this Annual Report.

#### b) The Nomination Committee

In compliance with the Code, the Board established the Nomination Committee on 4 May, 2005. The Nomination Committee consists of two (2) Independent Non-Executive Directors.

The Nomination Committee will recommend the appointments of new directors to the Board, review annually the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board, identify areas for improvement, and review the succession plan for senior management in the Group.

The Nomination Committee met once during the financial year where all members were present. The Nomination Committee met to approve the principles and processes of assessing Board effectiveness and performance evaluation of senior management.

#### c) The Remuneration Committee

In compliance with the Code, the Board established the Remuneration Committee on 4 May, 2005. The Remuneration Committee comprises majority of Independent Non-Executive Directors.

The Remuneration Committee of the Company is in the process of setting up policy framework and making recommendations to the Board on the remuneration and other terms of employment for the Executive Directors. The terms of reference of the Remuneration Committee are clearly defined to its member.

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### B. BOARD COMMITTEES (cont'd)

#### c) The Remuneration Committee (cont'd)

The Remuneration Committee has met once during the financial year ended 31 December, 2006. During the meeting, the results of the Directors' evaluation conducted and rating by the Nomination Committee were presented to the Remuneration Committee. The Remuneration Committee strives to reward the Directors based on accountability, fairness, and competitiveness, as prescribed in the Code. Thus, there is a formal and transparent procedure for rewarding and fixing the remuneration packages of Directors.

#### d) The Employees' Share Options Scheme ("ESOS") Committee

The ESOS Committee was formed on 22 September, 2004 to administer the Group's Employees' Share Options Scheme ("Scheme"). The ESOS Committee will ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company.

The members of the ESOS Committee as at the date of this Statement are as follows:-

No.	Members	Designation	Responsibility
1.	Lim Chun Yow	Managing Director/Chairman	Chairman
2.	Hey Shiow Hoe	Executive Director	Member
3.	Tan See Khim	Executive Director	Member
4.	Kelly Tan Eng Seng	Human Resource Manager	Member

The ESOS Committee has not met during the financial year as no allocation and allotment of new shares in the share capital of the Company to the eligible employees of the Group during the year under review.

### C. DIRECTORS' REMUNERATION

The Remuneration Committee was set up on 4 May, 2005. The members of the Remuneration Committee are as follows:-

No.	Members	Designation	Responsibility
1.	Koh Chin Koon	Independent Non-Executive Director	Chairman
2.	Boo Chin Liong	Independent Non-Executive Director	Member
3.	Lim Chun Yow	Chairman/Managing Director	Member

The component parts of remuneration of the directors of the Company are structured so as link rewards to corporate and individual performance in the case of executive directors. In the case of non-executive directors, the levels of remuneration are reflected by the experience and level of responsibilities. The Executive Directors will abstain from participating in the discussion with respect to their own remuneration. The determination of remuneration of Non-Executive Directors is a matter for the Board as a whole. The individual concerned has abstained from discussion and decision of his own remuneration.

The remuneration of Non-Executive Directors comprises fees and participation in the Employees Share Option Scheme ("ESOS") while the remuneration package of Executive Directors comprises basic salary, fees, bonus, and participation in the ESOS.

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### C. DIRECTORS' REMUNERATION (cont'd)

The Remuneration Committee of the Company has via its Second Remuneration Committee Meeting which was held on 15 November, 2006 review annually the performance of all Executive Directors and the Chairman/Managing Director of the Company and recommends to the Board specific adjustments in remuneration that includes the reward payments which commensurate with their contributions during the year. The breakdown of the remuneration of the Directors of the Company for the financial year ended 31 December, 2006 is as follows:-

<b>Total Remuneration</b>	<b>Executive Directors (RM'000)</b>	<b>Non-Executive Directors (RM'000)</b>	<b>Total (RM'000)</b>
Fees	150	48	198
Salary and Bonus	1,365	-	1,365
Allowances	-	4	4
Employees Provident Fund	259	-	259
	1,774	52	1,826

Number of Directors whose remuneration falls within the following bands:-

	<b>Number of Directors</b>		<b>Total</b>
	<b>Executive Directors</b>	<b>Non-Executive Directors</b>	
RM50,000 and below	-	2	2
RM50,001 to RM150,000	-	-	-
RM150,001 to RM250,000	-	-	-
RM250,001 to RM350,000	-	-	-
RM350,001 to RM450,000	-	-	-
RM450,001 to RM550,000	1	-	1
RM550,001 to RM650,000	1	-	1
RM650,001 to RM750,000	1	-	1
	3	2	5

### D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives is the provision of clear, relevant, timely, comprehensive and readily assessable information to all stakeholders.



## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS (cont'd)

#### 1. Dialogue between the Company and Investors

The Group values its dialogues with investors. The annual report of the Company is a key channel of communication with shareholders and investors. The shareholders and investors of the Company are kept informed of the Groups' performance, and major developments of the Group through annual report and announcements via BURSA LINK. Apart from this, financial results and other corporate information materials in the Annual Reports and Circulars to shareholders are available to enable shareholders and investors to have an overview of the Group's business activities and performance. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to the Bursa Malaysia Securities Berhad. The Group has also participated in the Capital Market Development Fund-Bursa Research Scheme (CMDF-Bursa Research Scheme) to enable investors to view Researchers Reports generated under the Scheme which is available free of charge to the public on the Bursa Malaysia Securities Berhad's website.

#### 2. Annual General Meeting

The main forum for dialogue with shareholders of the Company is the Company's general meeting. Shareholders who attend the general meetings are encouraged to raise questions pertaining to the agenda at the general meeting. Adequate notice of the Annual General Meeting of not less than 21 days are communicated to those concerned. All Directors are available to provide feedback to questions from any shareholders during the Annual General Meeting.

An explanatory note or statement to facilitate full understanding and evaluation of issued involved will accompany items of special business included in the notice of the meeting.

#### 3. Extraordinary General Meeting

The Board will convene an Extraordinary General Meeting if a situation arises for reasons that require shareholders to meet in between Annual General Meeting. An appropriate notice of a meeting would be communicated to shareholders in providing explanation of the intended agenda to facilitate understanding and evaluation.

### E. ACCOUNTABILITY AND AUDIT

#### 1. Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company and the Group's financial positions and prospects in all their reports to shareholders, investors, and relevant Regulatory Authorities.

Early releases of announcements on the quarterly financial statements reflect the Board's commitment to give timely and up-to-date disclosures of the Group's performance.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of financial reporting.

The Responsibility Statement by the Directors on the annual audited financial statements of the Company and its Group pursuant to paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 32.

## corporate governance statement (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad

### E. ACCOUNTABILITY AND AUDIT (cont'd)

#### 2. Internal Controls

The Board acknowledges its responsibilities for maintaining a sound and reliable system of internal control within the Group, covering the financial controls, the operational and compliance controls, and risk management. The internal control system involves each business unit and its key management, including the Board, and is designed to meet the Group's needs and to manage risks to which it is exposed. This is a continuing process which includes risk assessments, internal controls reviews, and internal audit checks on all companies in the Group. The purpose of this continuous process is to ensure that the Group's assets are safeguarded in the interest of preserving the investment of Shareholders.



The system of internal controls, by its nature, can only provide reasonable but not absolute assurance against misstatement, fraud, or loss.

The Board has reviewed the adequacy and integrity of the Group's system of internal controls and the Board's Statement of Internal Control are on pages 29 to 31 of this Annual reports.

#### 3. Relationships with the Auditors

The Group's independent external auditors are essential for all shareholders by ensuring the reliability of the Group's financial statements and providing assurance of that reliability to users of these financial statements. From time to time, the external auditors will bring attention to the Audit Committee of any significant deficiency in the Group's control system.

An appropriate relationship is maintained with the Group's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the external and internal auditors. The Audit Committee meets with the external auditor whenever necessary to discuss the audit plan, annual financial statements, and audit findings. A full Audit Committee Report and its Terms of Reference detailing its role in relation to the auditors, is set out in pages 25 to 28 of this Annual Report.

### F. STATEMENT OF COMPLIANCE WITH THE CODE

The Board has to the best of its ability and knowledge complied with the Best Practices on Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

# audit committee report

The Audit Committee for the financial year ended 31 December, 2006 comprises the following members:-

## 1. MEMBERSHIPS

The Board has up an Audit Committee, which comprises the following:-

### Chairman

**Boo Chin Liong** *Independent Non-Executive Director*

### Members

**Lim Chun Yow** *Chairman and Managing Director*

**Koh Chin Koon** *Independent Non-Executive Director*

Koh Chin Koon is a member of the Malaysian Institute of Accountants.

## 2. SECRETARY

**Teo Soon Mei** (MAICSA No. 7018590)

## 3. TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

### 3.1 Membership

The Committee shall be appointed by the Board of Directors from amongst their number and shall consist of not less than three (3) members, a majority of whom shall be independent directors. No Alternate Director is appointed as a member of the Committee and at least one (1) member of the Committee:-

- (a) shall be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
  - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director. In the event of any vacancy in the Committee resulting in the non-compliance of the above stated conditions, the Company shall fill the vacancy within three (3) months.

### 3.2 Meetings and Minutes

Meetings shall be held not less than four (4) times a year and such additional meeting as the Chairman shall decide in order to fulfill its duties. The Company Secretary or any person appointed by the Audit Committee shall act as the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and other supporting explanatory documentation for circulation to the Committee Members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meetings of the Audit Committee, and circulating them to other members of the Board of Directors. The Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter that the external auditor and/or Internal Auditor believes should be brought to the attention of the directors or shareholders. The Financial Controller, Internal Auditors and a representative of the external auditors shall normally be invited to attend the meetings. Other members of the Board and employees of the Company may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting. At least once a year, the Committee shall meet the external auditors without any Executive Directors present.

## audit committee report (cont'd)

### 3. TERMS OF REFERENCE (cont'd)

#### 3.3 Quorum

A quorum shall consist of a majority of members present who must be independent directors.

#### 3.4 Rights

The Audit Committee is empowered and authorized by the Board of Directors at the cost of the Company:-

- (a) to investigate any matters within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- (b) to have the resources in order to perform its duties as set out in its terms of reference;
- (c) to have full and unrestricted access to any information pertaining to the Company and the Group;
- (d) to have direct communication channels with the external auditors and internal audit (if any);
- (e) to obtain external legal or other independent professional advice where necessary; and
- (f) to invite outsiders with relevant experience to attend its meetings, whenever deemed necessary.

Notwithstanding anything contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendations thereon, pertaining to the Company and the Group.

#### 3.5 Duties

The duties of the Committee are as follows:-

- (a) to consider the appointment, nomination, resignation and dismissal of internal and external auditors and their respective audit fees;
- (b) to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- (c) to review the effectiveness of the internal audit function (if any);
- (d) to review the effectiveness of the internal control and management information system;
- (e) to review the quarterly and annual financial statements of the Company and the Group with both the external auditors and management;
- (f) to review the external auditors' audit report;
- (g) to review and discuss any management letter sent by the external auditors to the Company and the management's response to such letter;
- (h) to review assistance given by the employees of the Company and the Group to the external auditors;
- (i) to consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors;
- (j) to review the adequacy of the scope, functions and resources of the internal auditors and whether it has the necessary authority to carry out its work;
- (k) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptance levels;
- (l) to review all related-party transactions entered into by the Group and the Company and potential conflict of interest situations;
- (m) to review the allocation of options pursuant to the Employees' Share Options Scheme and make such statement to be included in the annual report of the Company in relation to a share scheme for employees; and
- (n) any such other functions as may be agreed by the Committee and the Board.

## audit committee report (cont'd)

### 3. TERMS OF REFERENCE (cont'd)

#### 3.6 Responsibility

Where the Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Committee has the responsibility to promptly report such matters to the Bursa Malaysia Securities Berhad or any other relevant authorities.

#### 3.7 Review of the Composition of the Committee

The term of office and performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### 4. SUMMARY OF AUDIT COMMITTEE ACTIVITIES DURING THE YEAR

The Audit Committee held a total of four (4) meetings during the financial year ended 31 December, 2006. The Accountant, departmental head and a representative of the external auditors normally attend the Committee meetings. Other Board members may attend meetings upon invitation by the Committee. The Minutes of the Audit Committee meetings have been extended to all members of the Board of Directors and significant issues were discussed at the Board Meetings.

The details of the attendance of each Audit Committee member was as follows:-

Audit Committee Member	Total no. of Meetings Held During the Year	Meetings Attended
Mr. Boo Chin Liong	4	4
Mr. Lim Chun Yow	4	4
Mr. Koh Chin Koon	4	4

During the financial year, the activities undertaken by the Audit Committee included:-

- a. review of the quarterly unaudited financial statements of the Group and the Company prior making the recommendations to the Board of Directors for approval;
- b. review of inter-company transactions and/or any related party transaction or conflict of interest situations that arose within the Group or the Company;
- c. discussion on the Company's Corporate Governance process and the application of the key principles and best practices of Corporate Governance and the compliance with the Listing Requirement of the Bursa Malaysia Securities Berhad;
- d. discussion and review of the semi-annual returns pursuant to the Paragraph 8.02 of Chapter 8 of the Listing Requirements of the Bursa Malaysia Securities Berhad;
- e. discussion and review of the amendments to the Listing Requirements of the Bursa Malaysia Securities Berhad;
- f. discussion and review of the annual audited financial statements of the Group and the Company for the financial year ended 31 December, 2005 and made recommendations to the Board of Directors for approval;
- g. discussion and review of the board policy manual of the Company and made recommendations to the Board of Directors for approval;
- h. discussion and review of the external auditors' scope of work and the audit planning memorandum for the financial year ended 31 December, 2006;
- i. discussion and consideration the appointment of Internal Auditors and Risk Management Consultant;

## audit committee report (cont'd)

### 4. SUMMARY OF AUDIT COMMITTEE ACTIVITIES DURING THE YEAR (cont'd)

- j. discussion and review of the internal auditors' scope of work and the audit planning memorandum for the financial year ended 31 December, 2006;
- k. discussion and review of the interim audit findings from the Internal Auditors for the financial year ending 31 December, 2006;
- l. discussion and review of the risk management report from Risk Management Consultant; and
- m. review of the allocation of options pursuant to the Employees' Share Option Scheme of the Company.

### 5. REVIEW OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the year, options pursuant to ESOS being offered to the eligible employees and Independent Directors of the Group pursuant to the ESOS of the Company. The Audit Committee reviewed the allocation of options pursuant to ESOS on 23 November, 2006.

### 6. INTERNAL AUDIT FUNCTION

The Audit Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The Company engaged Messrs Deloitte KassimChan to carry out the internal audit function of the Group for the financial year ended 31 December, 2006 to assist the Audit Committee to properly discharge its duties and responsibilities. The primary function of the internal audit was to independently carry out a review of the existing systems, controls and procedures and thereafter provides such recommendations that would assist to further enhance the existing internal control. During the year, the Company managed to conduct the risk assessment review with the assistance of the Risk Management Consultant. This includes evaluation of processes where significant risks are identified, assessed and managed to ensure that the balance scorecard of the Company to be finalized and instituted controls are appropriate and effectively applied according to the Group's risk management policies. The Company also set up a Risk Management Committee during the year to carry out the ongoing process of monitoring the effectiveness of application of policies, processes and activities related to risk management and corporate governance processes. The Audit Committee will report to the Board on significant findings and results.

Further details of the activities of the internal audit are set out in the Statement on Internal Control.

# internal control statement

## INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad Paragraph 15.27(b), directors of listed companies are to include a statement on the state of their internal controls in annual reports. Bursa Malaysia Securities Berhad's *Statement on Internal Control: Guidance for Directors of Public Listed Companies* ("Internal Control Guidance") provides guidance for compliance with these requirements.

In view of the above, the Board of Directors ("the Board") of BP Plastics Holding Bhd ("the Company") is pleased to set out below its Statement of Internal Control, which has been prepared in accordance with the Guidance.

## BOARD RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, the system of internal control of the Group can only serve to provide reasonable and not absolute assurance that material misstatement or loss are managed appropriately and communicated to the Board on a timely basis.

## THE GROUP'S SYSTEM OF INTERNAL CONTROL

### Monitoring Mechanisms and Management Style

The Board entrusts the daily running of the business to the Managing Director and his management team. The Managing Director and his management team receive timely information pertaining to performance and profitability of the Group through timely reports which include quantitative and qualitative trends and analyses through its fully computerised information system.

The Managing Director plays a pivotal role in communicating the Board's expectations of an internal control system to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as his attendance at various scheduled management committee meetings. The management committee comprises of Heads of Departments meet timely to discuss on Production, Operational, Sales and Human Resource issues. These meetings represent the platform by which the Group's activities are monitored to ensure timely identification and resolution of any critical issues. The Managing Director monitors the progress of these issues through daily interaction with the management and the reviews of the management committee minutes.

The Group practices an "open door" policy whereby Executive Directors, Senior Management and Executives are encouraged to voice out any matters to the Managing Director for prompt response. This culture provides opportunity for every employees of the Group to solve matters quickly and efficiently by drawing experience and knowledge from all levels of staffs within the Group.

## internal control statement (cont'd)

### Internal Audit

The Group has outsourced its internal audit function to an independent party who assists the Audit Committee as well as the Board of Directors in discharging their responsibilities by providing an independent, objective assurance and advisory services that add value and improve the operations by:-

- Ensuring the existence of processes to monitor the effectiveness and efficiency of operations and the achievement of business objectives;
- Ensuring the adequacy and effectiveness of internal control systems for safeguarding of assets and providing consistent, accurate financial and operational data;
- Promoting risk awareness and the value and nature of an effective internal control system;
- Ensuring compliance with laws, regulations, corporate policies and procedures; and
- Assisting management in accomplishing its objectives by adopting a systematic and disciplined audit approach to evaluating and improving the effectiveness of risk management, control and governance processes with the Group's operations.

The internal audit function has focused on high priority activities determined by risk assessment and in accordance with the audit planning memorandum approved by the Audit Committee.

In addition, as part of the requirements of the ISO 9001:2000 certification accredited to the Group, a scheduled internal quality audit is conducted each year. Results of the audit are reported to the Managing Director.

### Risk Management Framework

The Board recognizes that effective risk management is part of good business management practice. The Board also acknowledges that all areas of the Group's activities do involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to identify, evaluate, and manage risks within defined risk parameters that affect the achievement of the Group's business objectives.

In the forthcoming years, the Board is looking into establishing a Risk Advisory Committee, which will be chaired by the Chairman/Managing Director. The Risk Advisory Committee will meet with the audit committee on a quarterly basis to report on the processes, findings and actions taken by management. The Risk Advisory Committee will continuously identify new risks by taking into consideration the Groups' business objective, strategies and targets and external environmental factors. This covers matters such as, responses to significant risks identified, output from monitoring processes, and changes made to the internal control systems. The Audit Committee or Risk Advisory Committee then reports to the Board any significant changes in the business and the external environment.

### Other Internal Control Processes

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:-

- Well defined lines of responsibility, delegation of authority, segregation of duties and flow of information in the organization structure. Besides the predominantly non-executive standing committees, such as, the Audit, the Remuneration, the Nomination and the Option Committees, the Executive and Management Committees will support the Board. These committees convene regular board and management meetings to assess performance and controls in all facets of operations;



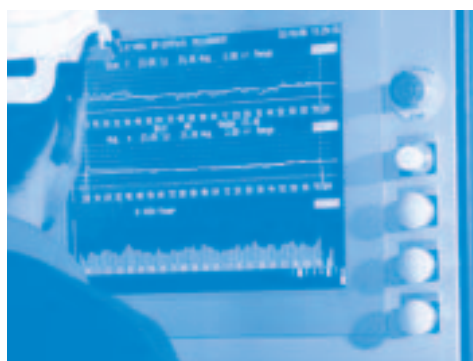
## internal control statement (cont'd)

### Other Internal Control Processes (cont'd)

- The ISO 9001:2000 Quality Management System is in place to monitor and ensure the quality of the Group's products and services meet customers' expectations;
- Training and development programmes are conducted to enhance staff competencies;
- The public release of quarterly reports is made on time after the review by the Audit Committee and the approval of the Board;
- Monthly monitoring of results against budget with major variances being followed up and action taken by management, where necessary; and
- Monitoring mechanism in the form of scheduled Management Committee meetings on reviewing the Group's operations, financial performance and human resource matters.

### THE BOARD'S COMMITMENT

To ensure that the Group will achieve its corporate objectives successfully, the Board is determined to establish proactive internal controls and is committed in keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. Cognizant of this fact, the Board, in striving for continuous improvement, will put in place appropriate measures, when necessary, to further enhance the Group's system of internal control.



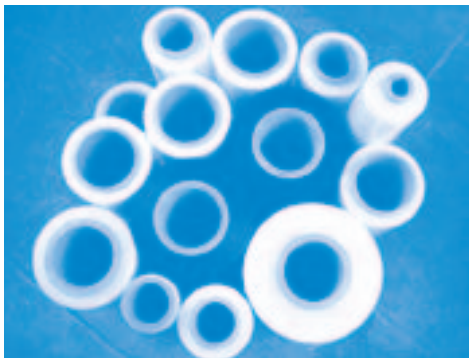
## statement of director's responsibility in preparing the financial statements

The Companies Act, 1965 requires the Directors to prepare financial statements which give a true and fair view of the financial position of the Company and the Group for each financial year. In preparing those statements, the directors have:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue its business; and
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group thus enabling to ensure that the financial statements comply with the Companies Act, 1965. They are also responsible for taking reasonable steps to safeguard the assets of the Group through prevention of fraud and other irregularities.

The Directors confirmed that they have complied with these requirements and have a reasonable expectation that the Group has adequate resources to continue its operation for the future and will continue to adopt a going concern basis in preparing the financial statements.



# financial statements

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# directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2006.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are manufacturing and trading of plastic products.

There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit for the year attributable to equity holders of the Company	19,044,881	8,458,874

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December, 2005 were as follows:

	RM
In respect of financial year ended 31 December, 2005 as reported in the directors' report of that year:	
Final tax exempt dividend of 4% on every ordinary share of RM0.50 each, declared on 28 February, 2006 and paid on 6 June, 2006	2,400,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December, 2006 of 10% on 120,080,500 ordinary shares, amounting to a total dividend payable of RM6,004,025 (5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December, 2007.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Lim Chun Yow  
Tan See Khim  
Hey Shiow Hoe  
Boo Chin Liang  
Koh Chin Koon

## directors' report (cont'd)

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares options granted under the Employee Share Option Scheme ("ESOS").

Since the end of previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 each			
	1.1.2006	Acquired	Sold	31.12.2006
<b>Direct interest</b>				
Lim Chun Yow	11,670,002	-	(4,670,000)	7,000,002
Tan See Khim	11,669,999	-	(4,670,000)	6,999,999
Hey Shiow Hoe	11,669,999	-	(4,670,000)	6,999,999
Boo Chin Liong	18,000	-	-	18,000
Koh Chin Koon	18,000	-	-	18,000
<b>Indirect interest</b>				
Lim Chun Yow	54,000,000	-	-	54,000,000
Tan See Khim	54,000,000	-	-	54,000,000
Hey Shiow Hoe	54,000,000	-	-	54,000,000
Number of Options over Ordinary Shares of RM0.50 Each				
	1.1.2006	Granted	Exercised	31.12.2006
Lim Chun Yow	980,000	-	-	980,000
Tan See Khim	980,000	-	-	980,000
Hey Shiow Hoe	980,000	-	-	980,000
Boo Chin Liong	100,000	-	-	100,000
Koh Chin Koon	100,000	-	-	100,000

Lim Chun Yow, Tan See Khim and Hey Shiow Hoe by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

### ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM60,000,000 to RM60,040,250 by way of the issuance of 80,500 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.20 per ordinary share. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

## directors' report (cont'd)

### EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 10 January, 2005. The ESOS was implemented on 15 February, 2005 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 18 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 150,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 150,000 or more ordinary shares of RM0.50 each are as follows:

Name	Grant Date	Expiry Date	Exercised Price RM	Number of Share Options			
				1.1.2006	Granted	Exercised	31.12.2006
Kaw (Foo) See Boon	15.2.2005	14.2.2010	1.20	169,000	-	-	169,000

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to make any provision for doubtful debts or the amount written off for bad debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## directors' report (cont'd)

### OTHER STATUTORY INFORMATION (cont'd)

- (e) As at the date of this report, there does not exist:-
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:-
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April, 2007.

**LIM CHUN YOW**

**TAN SEE KHIM**

## statement by directors

Pursuant to Section 169 (15) of the Companies Act, 1965

We, **LIM CHUN YOW** and **TAN SEE KHIM**, being two of the directors of **BP PLASTICS HOLDING BHD.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April, 2007.

**LIM CHUN YOW**

**TAN SEE KHIM**

## statutory declaration

Pursuant to Section 169 (16) of the Companies Act, 1965

I, **LIM CHUN YOW**, being the director primarily responsible for the financial management of **BP PLASTICS HOLDING BHD.**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 65 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed LIM CHUN YOW at )  
Melaka in the State of Melaka )  
on 11 April, 2007 ) **LIM CHUN YOW**

Before me,  
**CHOO YONG CHUAN**  
No. M. 031



# report of the auditors to the members

of BP Plastics Holdings Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 40 to 65. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December, 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

**ABRAHAM VERGHESE A/L T.V.ABRAHAM**  
No. 1664/10/08(J)  
Partner

Melaka, Malaysia  
Date: 11 April, 2007

# income statements

for the year ended 31 December, 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	200,154,081	160,456,995	8,900,000	6,100,000
Cost of sales		(165,714,919)	(126,745,780)	-	-
Gross profit		34,439,162	33,711,215	8,900,000	6,100,000
Other income	4	855,521	1,484,312	4,372	354,712
Administrative and general expenses		(8,138,700)	(7,042,604)	(375,105)	(260,924)
Selling expenses		(5,838,744)	(4,379,397)	-	-
Operating profit		21,317,239	23,773,526	8,529,267	6,193,788
Finance costs		(354,954)	(389,967)	-	-
Profit before tax	5	20,962,285	23,383,559	8,529,267	6,193,788
Income tax expense	8	(1,917,404)	(2,915,989)	(70,393)	(104,675)
Profit for the year		19,044,881	20,467,570	8,458,874	6,089,113
Earnings per share attributable to equity holders of the Company (sen):	9	15.86	17.21		

# balance sheets

as at 31 December, 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	67,598,426	64,158,377	-	-
Investment in subsidiaries	12	-	-	38,279,169	38,279,169
		67,598,426	64,158,377	38,279,169	38,279,169
<b>Current assets</b>					
Inventories	13	30,787,277	22,745,797	-	-
Trade receivables	14	29,728,743	20,950,006	-	-
Other receivables	15	258,337	146,766	31,497,746	25,086,365
Cash and bank balances	16	9,844,202	21,436,974	109,774	457,959
Tax recoverable		1,005,823	17,386	70,125	-
		71,624,382	65,296,929	31,677,645	25,544,324
<b>TOTAL ASSETS</b>		<b>139,222,808</b>	<b>129,455,306</b>	<b>69,956,814</b>	<b>63,823,493</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	17	60,040,250	60,000,000	60,040,250	60,000,000
Share premium	17	3,492,762	3,436,412	3,492,762	3,436,412
Retained earnings		39,324,236	20,436,254	6,166,045	107,171
		102,857,248	83,872,666	69,699,057	63,543,583
Negative goodwill		-	2,243,101	-	-
<b>Total equity</b>		<b>102,857,248</b>	<b>86,115,767</b>	<b>69,699,057</b>	<b>63,543,583</b>
<b>Non-current liabilities</b>					
Term loans	19	3,524,971	5,100,103	-	-
Deferred taxation	20	8,141,000	7,673,989	-	-
		11,665,971	12,774,092	-	-
<b>Current liabilities</b>					
Term loans	19	1,536,297	1,523,597	-	-
Trade payables	21	19,279,219	20,055,062	-	-
Other payables	22	3,884,073	8,986,788	257,757	252,744
Tax payable		-	-	-	27,166
		24,699,589	30,565,447	257,757	279,910
<b>Total liabilities</b>		<b>36,365,560</b>	<b>43,339,539</b>	<b>257,757</b>	<b>279,910</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>139,222,808</b>	<b>129,455,306</b>	<b>69,956,814</b>	<b>63,823,493</b>

The accompanying notes form an integral part of the financial statements

# statements of changes in equity

for the year ended 31 December, 2006

	Note	Share capital RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total RM
<b>Group</b>					
At 1 January, 2005		56,000,000	1,169	5,968,684	61,969,853
Public issue at RM1.20 per share		4,000,000	5,600,000	-	9,600,000
Share issue expenses		-	(2,164,757)	-	(2,164,757)
Net profit for the year		-	-	20,467,570	20,467,570
Dividends	10	-	-	(6,000,000)	(6,000,000)
At 31 December, 2005		60,000,000	3,436,412	20,436,254	83,872,666
Effects of adopting FRS 3	2.3 (a)	-	-	2,243,101	2,243,101
Issue of ordinary shares pursuant to ESOS	18 (a)	40,250	56,350	-	96,600
Net profit for the year		-	-	19,044,881	19,044,881
Dividends	10	-	-	(2,400,000)	(2,400,000)
At 31 December, 2006		60,040,250	3,492,762	39,324,236	102,857,248
<b>Company</b>					
At 1 January, 2005		56,000,000	1,169	18,058	56,019,227
Public issue at RM1.20 per share		4,000,000	5,600,000	-	9,600,000
Share issue expenses		-	(2,164,757)	-	(2,164,757)
Profit for the year		-	-	6,089,113	6,089,113
Dividends	10	-	-	(6,000,000)	(6,000,000)
At 31 December, 2005		60,000,000	3,436,412	107,171	63,543,583
Issue of ordinary shares pursuant to ESOS	18 (a)	40,250	56,350	-	96,600
Net profit for the year		-	-	8,458,874	8,458,874
Dividends	10	-	-	(2,400,000)	(2,400,000)
At 31 December, 2006		60,040,250	3,492,762	6,166,045	69,699,057

# cash flow statements

for the year ended 31 December, 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	20,962,285	23,383,559	8,529,267	6,193,788
Adjustments for:				
Depreciation	5,265,086	3,714,461	-	-
Gain on disposal of property, plant and equipment	(63,500)	-	-	-
Bad debts recovered	-	(33,127)	-	-
Bad debts written off	250,455	-	-	-
Dividend income	-	-	(8,900,000)	(6,100,000)
Interest expenses	354,954	389,967	-	-
Interest income	(449,221)	(669,723)	(4,372)	(354,433)
Operating profit/(loss) before working capital changes	26,320,059	26,785,137	(375,105)	(260,645)
(Increase)/decrease in receivables	(9,050,952)	(1,600,494)	(4,996)	1,101,192
Increase in inventories	(8,041,480)	(2,722,568)	-	-
(Decrease)/increase in payables	(2,074,482)	9,315,619	5,013	234,744
Cash generated from/(used in) operations	7,153,145	31,777,694	(375,088)	1,075,291
Interest paid	(354,954)	(389,967)	-	-
Taxes refund	10,464	-	-	-
Taxes paid	(2,449,294)	(1,634,250)	(97,684)	(102,509)
Net cash generated from/(used in) operating activities	4,359,361	29,753,477	(472,772)	972,782
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	449,221	669,723	4,372	354,433
Proceeds from disposal of property, plant and equipment	63,500	-	-	-
Purchase of property, plant and equipment	(12,599,022)	(25,171,892)	-	-
Dividends received	-	-	8,830,000	6,100,000
Net cash (used in)/generated from investing activities	(12,086,301)	(24,502,169)	8,834,372	6,454,433

## cash flow statements (cont'd)

for the year ended 31 December, 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of ordinary shares	96,600	9,600,000	96,600	9,600,000
Repayment of term loans	(1,562,432)	(3,029,138)	-	-
Dividends paid	(2,400,000)	(6,000,000)	(2,400,000)	(6,000,000)
Advances to a subsidiary	-	-	(6,406,385)	(22,225,076)
Share issue expenses	-	(2,164,757)	-	(2,164,757)
Net cash (used in)/generated from financial activities	(3,865,832)	(1,593,895)	(8,709,785)	(20,789,833)
<b>NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES</b>				
	(11,592,772)	3,657,413	(348,185)	(13,362,618)
<b>CASH AND BANK BALANCES AT BEGINNING OF YEAR</b>				
	21,436,974	17,779,561	457,959	13,820,577
<b>CASH AND BANK BALANCES AT END OF YEAR</b>				
	9,844,202	21,436,974	109,774	457,959

# notes to the financial statements

31 December, 2006

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are manufacturing and trading of plastic products. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 April, 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January, 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (a) Subsidiaries and Basis of Consolidation (cont'd)

##### (ii) Basis of Consolidation (cont'd)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

##### (b) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. 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%
Office equipment, furniture and fittings	10% to 50%
Motor vehicles	20%

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



## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (b) Property, Plant and Equipment and Depreciation (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

##### (c) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (d) 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 cost of finished goods and work-in-progress comprise cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. 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.

##### (e) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company 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 Company 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) Cash and Cash Equivalents

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

##### (ii) 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 a review of all outstanding amounts as at the balance sheet date.

##### (iii) 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.

##### (iv) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### (v) Equity Instruments

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

##### (vi) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (f) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### (g) 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.

Deferred tax is provided for, using the liability method. 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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax 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 as income or an expense and included in the profit or loss for the period, 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

##### (h) 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. Short term accumulating compensated absences such as paid 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (h) Employee Benefits (cont'd)

##### (iii) Share-based Compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

##### (i) Foreign Currency Transactions

Transactions in foreign currencies are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sale of Goods

Revenue is recognised net of sales taxes, discounts and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January, 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January, 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The Group has not early adopted the following FRSs that will only become mandatory for applicable entities with financial periods beginning on or after 1 October, 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has also not early adopted FRS 139 -Financial Instruments : Recognition and Measurement whose effective date has yet to be determined.

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective:

- (i) FRS 6: Exploration for and Evaluation of Mineral Resources
- (ii) Amendment to FRS 119<sub>2004</sub>: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
- (iii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
- (iv) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (v) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (vi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (vii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (viii) IC Interpretation 7: Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies
- (ix) IC Interpretation 8: Scope of FRS 2

The adoption of the above FRS, amendments to FRS and Interpretations does not give rise to any impact to these financial statements as they are not relevant to the Group.

The adoption of revised/new FRS 2, 101, 102, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not result in significant changes in accounting policies of the Group.

## notes to the financial statements (cont'd)

31 December, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

The principal change in accounting policy and its effects resulting from the adoption of FRS 3: Business Combination is discussed below:

##### (a) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 January, 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January, 2006 of RM2,243,101 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. This change has no impact on the Company's financial statements.

### 3. REVENUE

Revenue of the Group and of the Company represents the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Dividends from a subsidiary	-	-	8,900,000	6,100,000
Sale of goods	200,154,081	160,456,995	-	-
	200,154,081	160,456,995	8,900,000	6,100,000

### 4. OTHER INCOME

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income	449,221	669,723	4,372	354,433
Bad debts recovered	-	33,127	-	-
Gain on foreign currency exchange	299,118	714,694	-	-
Gain on disposal of property, plant and equipment	63,500	-	-	-
Miscellaneous	43,682	66,768	-	279
	855,521	1,484,312	4,372	354,712

## notes to the financial statements (cont'd)

31 December, 2006

### 5. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration				
- Statutory audits	44,000	41,000	20,000	19,000
- Other services	17,800	13,800	6,800	2,600
Depreciation	5,265,086	3,714,461	-	-
Non-executive directors' fees (Note 7)	48,000	48,000	48,000	48,000
Bad debts written off	250,455	-	-	-
Rental expense	65,710	60,140	-	-
Employee benefits expense (Note 6)	8,905,346	7,492,036	-	-

### 6. EMPLOYEE BENEFITS EXPENSE

	Group	
	2006 RM	2005 RM
Wages and salaries	7,098,338	5,967,277
Bonus	666,424	528,850
Social security contribution	65,566	53,197
Contributions to defined contribution plan	703,420	606,954
Other staff related expenses	371,598	335,758
	8,905,346	7,492,036

Included in the staff costs of the Group are executives directors' remuneration amounting to RM1,774,350 (2005: RM1,774,350) as further disclosed in Note 7.

### 7. DIRECTORS' REMUNERATION

	Group	
	2006 RM	2005 RM
<b>Directors of the Company</b>		
Executive:		
Salaries and other emoluments	1,260,000	1,260,000
Fees	150,000	150,000
Bonus	105,000	105,000
Defined contribution plan	259,350	259,350
	1,774,350	1,774,350
Non-Executive:		
Fees (Note 5)	48,000	48,000
Allowances	4,000	5,000
	52,000	53,000

## notes to the financial statements (cont'd)

31 December, 2006

### 7. DIRECTORS' REMUNERATION (cont'd)

	Group	
	2006 RM	2005 RM
Analysis :		
Total executive directors' remuneration	1,774,350	1,774,350
Total non-executive directors' remuneration	52,000	53,000
Total directors' remuneration	1,826,350	1,827,350

### 8. INCOME TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current income tax:				
Tax expense for the year	1,450,000	1,353,000	70,000	98,000
Under/(over)provision in prior years	393	(999,361)	393	6,675
	1,450,393	353,639	70,393	104,675
Deferred tax (Note 20):				
Relating to origination of temporary differences	1,098,923	2,562,350	-	-
Relating to changes in tax rates	(650,958)	-	-	-
Underprovision in prior years	19,046	-	-	-
	1,917,404	2,915,989	70,393	104,675

Income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December, 2006 have reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation	20,962,285	23,383,559	8,529,267	6,193,788
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	5,869,440	6,547,397	2,388,195	1,734,261
Effect of income subject to tax rate of 20%	(42,214)	(45,203)	-	-
Effect on changes in tax rates on opening balance of deferred tax	(313,635)	-	-	-
Deferred tax recognised at different tax rates	(337,323)	-	-	-
Effect of income not subject to tax	-	-	(2,422,000)	(1,708,000)
Effect of expenses not deductible for tax purposes	265,984	225,297	103,805	71,739
Effect of utilisation of current year's export allowance/reinvestment allowance	(1,028,277)	(2,090,136)	-	-



## notes to the financial statements (cont'd)

31 December, 2006

### 8. INCOME TAX EXPENSE (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Effect of utilisation of previously unrecognised unutilised reinvestment allowance	(2,516,010)	(722,005)	-	-
Under/(over)provision of tax expense in prior years	393	(999,361)	393	6,675
Underprovision of deferred tax in prior years	19,046	-	-	-
Tax expense for the year	1,917,404	2,915,989	70,393	104,675

### 9. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the profit for the year attributable to ordinary equity holders of RM19,044,881 (2005 : RM20,467,570) by the weighted average number of ordinary shares of 120,048,741 (2005 : 118,926,027) in issue during the financial year.

Fully diluted earnings per share on the basis of assumed exercised of share options has not been disclosed as the effect is anti-dilutive.

### 10. DIVIDENDS

	Dividends in respect of Year		Dividends Recognised in Year	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Recognised during the year:</b>				
First interim tax exempt dividend for 2005: 6% on 120,000,000 ordinary shares (3 sen per ordinary share)	-	3,600,000	-	3,600,000
Second interim tax exempt dividend for 2005: 4% on 120,000,000 ordinary shares (2 sen per ordinary share)	-	2,400,000	-	2,400,000
<b>Proposed for approval at AGM (not recognised as at 31 December):</b>				
Final tax exempt dividend for 2005: 4% on 120,000,000 ordinary shares (2 sen per ordinary share)	-	2,400,000	-	-
Final tax exempt dividend for for 2006: 10% on 120,080,500 ordinary shares (5 sen per ordinary share)	6,004,025	-	-	-
	6,004,025	8,400,000	-	6,000,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December, 2006 of 10% on 120,080,500 ordinary shares, amounting to a total dividend payable of RM6,004,025 (5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December, 2007.

## notes to the financial statements (cont'd)

31 December, 2006

### 11. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM	Plant and machinery, tools and equipment RM	Office equipment, furniture fittings and motor vehicles RM	Capital work-in- progress RM	Total RM
<b>Group</b>					
<b>At 31 December, 2006</b>					
<b>Cost</b>					
At 1 January, 2006	19,708,171	57,111,085	3,515,037	76,373	80,410,666
Additions	254,730	7,096,987	596,792	756,626	8,705,135
Reclassification	-	76,373	290,540	(366,913)	-
Disposals	-	-	(276,089)	-	(276,089)
At 31 December, 2006	19,962,901	64,284,445	4,126,280	466,086	88,839,712
<b>Accumulated Depreciation</b>					
At 1 January, 2006	1,054,831	13,205,941	1,991,517	-	16,252,289
Charge for the year	390,654	4,271,233	603,199	-	5,265,086
Disposals	-	-	(276,089)	-	(276,089)
At 31 December, 2006	1,445,485	17,477,174	2,318,627	-	21,241,286
<b>Net Carrying Amount</b>	<b>18,517,416</b>	<b>46,807,271</b>	<b>1,807,653</b>	<b>466,086</b>	<b>67,598,426</b>
<b>At 31 December, 2005</b>					
<b>Cost</b>					
At 1 January, 2005	11,453,058	35,688,210	2,714,363	224,218	50,079,849
Additions	8,255,113	21,422,875	576,456	76,373	30,330,817
Reclassification	-	-	224,218	(224,218)	-
At 31 December, 2005	19,708,171	57,111,085	3,515,037	76,373	80,410,666
<b>Accumulated Depreciation</b>					
At 1 January, 2005	788,344	10,257,639	1,491,845	-	12,537,828
Charge for the year	266,487	2,948,302	499,672	-	3,714,461
At 31 December, 2005	1,054,831	13,205,941	1,991,517	-	16,252,289
<b>Net Carrying Amount</b>	<b>18,653,340</b>	<b>43,905,144</b>	<b>1,523,520</b>	<b>76,373</b>	<b>64,158,377</b>

## notes to the financial statements (cont'd)

31 December, 2006

### 11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### \* Land and buildings

	Freehold agriculture land RM	Long term leasehold land RM	Factory buildings RM	Total RM
<b>At 31 December, 2006</b>				
<b>Cost</b>				
At 1 January, 2006	340,000	6,653,398	12,714,773	19,708,171
Additions	-	-	254,730	254,730
At 31 December, 2006	340,000	6,653,398	12,969,503	19,962,901
<b>Accumulated Depreciation</b>				
At 1 January, 2006	-	322,076	732,755	1,054,831
Additions	-	133,958	256,696	390,654
At 31 December, 2006	-	456,034	989,451	1,445,485
<b>Net Carrying Amount</b>	340,000	6,197,364	11,980,052	18,517,416
<b>At 31 December, 2005</b>				
<b>Cost</b>				
At 1 January, 2005	340,000	2,816,615	8,296,443	11,453,058
Additions	-	3,836,783	4,418,330	8,255,113
At 31 December, 2005	340,000	6,653,398	12,714,773	19,708,171
<b>Accumulated Depreciation</b>				
At 1 January, 2005	-	228,936	559,408	788,344
Additions	-	93,140	173,347	266,487
At 31 December, 2005	-	322,076	732,755	1,054,831
<b>Net Carrying Amount</b>	340,000	6,331,322	11,982,018	18,653,340

- (a) All the assets of the Group have been charged to banks for banking facilities granted to a subsidiary as referred to in Note 19.
- (b) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM3,020,176 (2005 : RM1,681,586).

## notes to the financial statements (cont'd)

31 December, 2006

### 12. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Unquoted shares at cost	38,279,169	38,279,169

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%)		Principal Activities
		2006	2005	
BP Plastics Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic products
BP Packaging Sdn. Bhd.	Malaysia	100	100	Trading of plastic products

### 13. INVENTORIES

	Group	
	2006 RM	2005 RM
At cost:		
Raw materials	22,081,425	19,533,956
Work-in-progress	1,710,280	1,392,922
Spare parts	344,025	217,853
Finished goods	5,225,677	1,442,924
	29,361,407	22,587,655
At net realisable value:		
Raw materials	1,257,990	158,142
Finished goods	167,880	-
	30,787,277	22,745,797

### 14. TRADE RECEIVABLES

	Group	
	2006 RM	2005 RM
Trade receivables	29,728,743	21,150,006
Less: Provision for doubtful debts	-	(200,000)
	29,728,743	20,950,006

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.

## notes to the financial statements (cont'd)

31 December, 2006

### 15. OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits	66,764	72,771	2,000	2,000
Prepayment	179,429	73,995	10,000	5,004
Sundry receivables	12,144	-	-	-
Due from a subsidiary	-	-	31,485,746	25,079,361
	258,337	146,766	31,497,746	25,086,365

The amount due from a subsidiary is 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.

### 16. CASH AND BANK BALANCES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash on hand and at banks	9,811,210	3,398,498	109,774	97,959
Repository deposits with a licensed bank	-	3,090,000	-	360,000
Deposits with licensed banks	-	4,740,000	-	-
Short term deposit with other financial institution	32,992	10,208,476	-	-
	9,844,202	21,436,974	109,774	457,959

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group and Company	
	2006 %	2005 %
Repository deposits with a licensed bank	-	2.55
Fixed deposits with licensed banks	-	2.95
Short term deposit with other financial institution	2.73	2.73

The average maturities of deposits as at the end of the financial year were as follows:

	Group and Company	
	2006 days	2005 days
Repository deposits with a licensed bank	-	30
Fixed deposits with licensed banks	-	30
Short term deposit with other financial institution	11	11

## notes to the financial statements (cont'd)

31 December, 2006

### 17. SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary Shares of RM0.50 Each		Amount	
	Share Capital (Issued and Fully Paid)	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM
At 1 January, 2005	112,000,000	56,000,000	1,169	56,001,169
Public issue	8,000,000	4,000,000	5,600,000	9,600,000
Share issue expenses	-	-	(2,164,757)	(2,164,757)
At 31 December, 2005	120,000,000	60,000,000	3,436,412	63,436,412
Ordinary shares issued during the year pursuant to ESOS	80,500	40,250	56,350	96,600
At 31 December, 2006	120,080,500	60,040,250	3,492,762	63,533,012

	Number of Shares of RM0.50 Each		Amount	
	2006	2005	2006 RM	2005 RM
<b>Authorised share capital</b>				
At 1 January/31 December	200,000,000	200,000,000	100,000,000	100,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

#### (a) Ordinary shares issued for cash

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM60,000,000 to RM60,040,250 by way of the issuance of 80,500 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.20 per ordinary share. The share premium of RM56,350 arising from the issuance of ordinary shares have been included in the share premium account. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

### 18. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 10 January, 2005. The ESOS was implemented on 15 February, 2005 and is to be in force for a period of 5 years from the date of implementation.

The salient features of the ESOS are as follows:

- The ESOS shall be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the ESOS Committee, renew the ESOS for a further 5 years.
- The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

## notes to the financial statements (cont'd)

31 December, 2006

### 18. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (cont'd)

- (c) The total number of shares to be issued under the ESOS shall not exceed 15% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares to be offered are allotted to eligible employees who are Executive Directors and members of the Senior Management of the Group. In addition, not more than 10% of the shares to be offered are allotted to eligible employees who, either singly or collectively through his associates, holds 20% or more of the issued and paid-up share capital of the Company.
- (d) The option price for each share shall be the 5-days weighted average market price of the underlying shares at the time the ESOS Options are granted, with a discount of not more than ten percent (10%) if deemed appropriate, or the par value of the ordinary shares of the Company of RM0.50, whichever is the higher.
- (e) No option shall be granted for less than 100 shares to any eligible employee.
- (f) An option granted under the ESOS shall be capable of being accepted by the grantee by notice in writing to the Company before the expiry of 30 days period from the date of offer.
- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respect with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (h) The options shall not carry any right to vote at a general meeting of the Company.
- (i) The persons to whom the options have been granted have no rights to participate by virtue of the options in any share issue of any other company.

The following table illustrates the number of and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	Number of Share Options		Weighted Average Exercise Price	
	2006	2005	2006 RM	2005 RM
Outstanding at 1 January	9,640,000	-	1.20	-
Granted during the year	-	9,640,000	-	1.20
Exercised during the year	(80,500)	-	1.20	-
Forfeited during the year	(2,162,500)	-	1.20	-
Outstanding at 31 December	7,397,000	9,640,000	1.20	1.20
Exercisable at 31 December	7,397,000	9,640,000	1.20	1.20

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.2 years (2005: 4.2 years).

## notes to the financial statements (cont'd)

31 December 2006

### 19. TERM LOANS

	Group	
	2006 RM	2005 RM
<b>Term loans, secured:</b>		
Due within 12 months	1,536,297	1,523,597
Due after 12 months	3,524,971	5,100,103
	5,061,268	6,623,700
<b>Maturity of borrowings:</b>		
Within one year	1,536,297	1,523,597
More than 1 year and less than 2 years	1,634,291	1,581,642
More than 2 years and less than 5 years	1,890,680	3,518,461
	5,061,268	6,623,700

The weighted average interest rates during the financial year for term loans are 5.13% (2005 : 5.13%) per annum.

The term loans are secured by way of debentures incorporating fixed and floating charge over all assets of the Group as referred to in Note 11.

### 20. DEFERRED TAXATION

	Group	
	2006 RM	2005 RM
At 1 January	7,673,989	5,111,639
Recognised in the income statement (Note 8)	467,011	2,562,350
At 31 December	8,141,000	7,673,989

The component and movement of deferred tax liability and asset during the financial year are as follows:

	Property, plant and equipment RM	Other payables RM	Total RM
At 1 January, 2005	5,111,639	-	5,111,639
Recognised in the income statement	2,562,350	-	2,562,350
At 31 December, 2005	7,673,989	-	7,673,989
Recognised in the income statement	531,481	(64,470)	467,011
At 31 December, 2006	8,205,470	(64,470)	8,141,000



## notes to the financial statements (cont'd)

31 December, 2006

### 21. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

### 22. OTHER PAYABLES

Included in other payables of the Group is an amount of RM1,265,038 (2005 : RM5,158,925) due to suppliers of property, plant and equipment.

### 23. COMMITMENT

	Group	
	2006 RM	2005 RM
Capital expenditure:		
Approved and contracted for property, plant and equipment	854,828	1,892,835

### 24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2006 RM	2005 RM
Dividend received from BP Plastics Sdn. Bhd., a subsidiary	8,900,000	6,100,000

### 25. SEGMENT INFORMATION

The segmental information is not prepared as the Group is principally involved in manufacturing and trading of plastic products which is predominantly carried out in Malaysia.

### 26. 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 risks, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

## notes to the financial statements (cont'd)

31 December, 2006

### 26. FINANCIAL INSTRUMENTS (cont'd)

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2006. The investment in financial assets are 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 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.

#### (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:

	2006 RM	2005 RM
United States Dollar	(14,376,774)	(22,527,662)
Singapore Dollar	4,713,107	3,146,385
Japanese Yen	9,069,925	995,795
	(593,742)	(18,385,482)

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

	Maturity	Notional Amount	
		2006 RM	2005 RM
Forwards used to hedge anticipated sales			
- Singapore Dollar	Within 1 month	-	450,880
- Japanese Yen	Within 3 months	-	4,260,228
		-	4,711,108

The net unrecognised gain as at 31 December, 2005 on forward contracts used to hedge anticipated sales which are expected to occur during year 2005 amounted to RM34,829 are deferred until the related sales occur, at which time they will be included in the measurement of the sales.

## notes to the financial statements (cont'd)

31 December, 2006

### 26. FINANCIAL INSTRUMENTS (cont'd)

#### (d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is 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.

#### (e) Liquidity Risk

The Company actively 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 Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Company strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Company raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### (f) Fair Values

The fair value of the financial assets and financial liabilities as at the balance sheet date approximate their carrying amount as shown in the balance sheet except that the fair value of the amount due from a subsidiary as disclosed in Note 15 cannot be practically determined in view of the lack of repayment terms for the said balances and without incurring excessive costs.

# analysis of shareholdings

as at 28 March, 2007

Authorized Capital	: RM100,000,000 divided into 200,000,000 shares of RM0.50 each
Issued and fully paid-up	: 120,080,500 ordinary shares of RM0.50 each
Class of shares	: RM0.50 ordinary Share
Voting Rights	: 1 vote per ordinary shares
Number of Shareholders as at 28 March, 2007	: 1,780

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	2	0.11	52	0.00
100 - 1,000	576	32.36	547,900	0.45
1,001 - 10,000	891	50.06	3,893,450	3.24
10,001 - 100,000	261	14.66	8,162,500	6.80
100,001 - 6,004,024*	46	2.58	32,476,600	27.05
6,004,025 and above **	4	0.23	74,999,998	62.46
<b>Total</b>	<b>1,780</b>	<b>100.00</b>	<b>120,080,500</b>	<b>100.00</b>

Note: (\*) means less than 5% of issued and paid-up share capital  
 (\*\*\*) means 5% and above of issued and paid-up share capital

## SUBSTANTIAL SHAREHOLDERS AS AT 28 MARCH, 2007

The Substantial shareholders of BP Plastics Holding Bhd (holding 5% or more of the capital) based on the Register of Substantial shareholdings of the Company and their respective shareholdings are as follows:-

Name of Directors	Direct Interest		Indirect Interest	
	No of Shares Held	%	No of Shares Held	%
LG Capital Sdn Bhd	54,000,000	44.97	0	0
Hey Shioh Hoe	6,999,999	5.83	54,000,000*	44.97
Lim Chun Yow	7,000,002	5.83	54,000,000*	44.97
Tan See Khim	6,999,999	5.83	54,000,000*	44.97

Note:

(\*) Deemed interested by virtue of his shareholding more than 15% in LG Capital Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

## DIRECTORS' INTERESTS IN RELATED CORPORATIONS AS AT 28 MARCH, 2007

By virtue of their interests in the shares of the Company, Mr. Hey Shioh Hoe, Mr. Lim Chun Yow and Mr. Tan See Khim are deemed interested in shares of all Company's subsidiaries to the extent the Company has an interest.

## analysis of shareholdings (cont'd)

as at 28 March, 2007

### DIRECTORS' SHAREHOLDINGS AS AT 28 MARCH, 2007

The Directors of BP Plastics Holding Bhd based in Register of Directors' shareholding and their respective shareholdings are as follows:-

Name of Directors	No of Option Granted Over Shares of RM0.50 each±	No of Options Exercised	Direct Interest		Indirect Interest	
			No of Shares Held	%	No of Shares Held	%
Hey Shioh Hoe	980,000	0	6,999,999	5.83	54,000,000*	44.97
Lim Chun Yow	980,000	0	7,000,002	5.83	54,000,000*	44.97
Tan See Khim	980,000	0	6,999,999	5.83	54,000,000*	44.97
Boo Chin Liong	100,000	0	18,000	0.01	-	-
Koh Chin Koon	100,000	0	18,000	0.01	-	-

Note:

(\*) Deemed interested by virtue of his shareholding more than 15% in LG Capital Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

### THIRTY LARGEST SHAREHOLDERS AS AT 28 MARCH, 2007

No	Shareholders	No. of Shares	%
1	LG CAPITAL SDN BHD	54,000,000	44.97
2	LIM CHUN YOW	7,000,002	5.83
3	HEY SHIOH HOE	6,999,999	5.83
4	TAN SEE KHIM	6,999,999	5.83
5	GOH SUU HOK	5,000,000	4.16
6	LEE WEI JANG	5,000,000	4.16
7	BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JAMALUDIN BIN CHE MURAD</i>	4,111,600	3.42
8	ECM LIBRA AVENUE NOMINEES (TEMPATAN) SDN BHD <i>TAY KHIANG PUANG</i>	4,010,000	3.34
9	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED</i>	2,211,400	1.84
10	CARTABAN NOMINEES (ASING) SDN BHD <i>STATE STREET LONDON FUND U8T8 FOR AIG SOUTHEAST ASIA SMALL COMPANIES FUND</i>	1,939,800	1.62
11	CHENG WEE KIONG	1,784,100	1.49
12	AIBB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI</i>	1,256,800	1.05
13	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	702,300	0.58
14	RHB CAPITAL NOMINNES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SUSY DING</i>	480,000	0.40

## analysis of shareholdings (cont'd)

as at 28 March, 2007

### THIRTY LARGEST SHAREHOLDERS AS AT 28 MARCH, 2007 (cont'd)

No	Shareholders	No. of Shares	%
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR MUHA BIN PANDAK AHMAD</i>	475,500	0.40
16	ABD. HAMID BIN IBRAHIM	300,000	0.25
17	MD RASID BIN MOHAMAD	287,100	0.24
18	ELITE VENTURES SDN BHD	273,500	0.23
19	GAN HONG LIANG	252,500	0.21
20	PERMODALAN PELADANG BERHAD	250,000	0.21
21	HADIAN BIN HASHIM	200,000	0.17
22	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR MOHD SHAIFUL RYZAL BIN MARZUKI</i>	200,000	0.17
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR RUZINA BINTI IDRIS</i>	196,000	0.16
24	SEE LEONG CHYE @ SZE LEONG CHYE	195,000	0.16
25	ANIZA BINTI AHMAD AZIZUDDIN	175,000	0.15
26	SEE EWE BENG	170,000	0.14
27	SAW HOE HENG	160,000	0.13
28	LIM BOON LIAT	155,000	0.13
29	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HONG KIM FOOK</i>	152,000	0.13
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE HOCK LEONG</i>	151,500	0.13

## list of group properties

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built up area	Description/ Existing Use	Estimated Age of Buildings (years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)
No P.T.D.: 30911 No H.S.(D): 32035 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  10, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 21,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Warehouse)	3	19.11.2003	1,623
No P.T.D.: 31030 No H.S.(D): 32034 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 26,120 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory and Double-Storey Office Building	Single-Storey Detached Factory - 12 years  Double-Storey Office Building - 10 years	08.06.1994  28.08.1996	1,869
No P.T.D.: 31039 No H.S.(D): 32031 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  5, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 15,000 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory an-annex with Double-Storey Office and Single-Storey Detached Factory	9	29.04.1997	1,702
No P.T.D.: 31031 No H.S.(D) : 32033 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  5B, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 23,100 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory	3	28.05.2003	2,021

## list of group properties (cont'd)

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built up area	Description/ Existing Use	Estimated Age of Buildings (years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)
No P.T.D.: 35099 No H.S.(D): 38296 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  8, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 05.10.2057	1.5 Acres/ 39,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory	5	07.11.2001	2,810
No Hakmilik: GM 1359 Lot No.: 2408 Daerah: Batu Pahat Mukim: Linau Negeri: Johor	Freehold	3.2687 Acres	A parcel of Agricultural Land	NA	NA	340
No P.T.D.: 29032 No H.S.(D): 28431 Daerah: Batu Pahat Mukim: Simpang Kanan Negeri: Johor  Lot PTD 29032, Jln Wawasan 3, Kaw. Perindustrian Sri Gading, Batu Pahat, Johor.	Leasehold 60 years/ 21.09.2052	10 Acres/ 115,200 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory	1	07.04.2006	8,152





# proxy form

Number of Shares Held

I/We \_\_\_\_\_  
 (Full Name In Capital Letters)

of \_\_\_\_\_  
 (Full Address)

being a \* Member/Members of **BP PLASTICS HOLDING BHD**, do hereby appoint \_\_\_\_\_

\_\_\_\_\_ (Full Name in Capital Letters)

of \_\_\_\_\_  
 (Full Address)

or failing him, \_\_\_\_\_  
 (Full Name In Capital Letters)

of \_\_\_\_\_  
 (Full Address)

as \*my/our proxy to vote for \*my/our behalf at the Third Annual General Meeting to be held at Emerald Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor on Monday, 21 May, 2007 at 2.00 p.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain for voting as his discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December, 2006 together with the Directors' and Auditors' Report thereon.		
2.	To approve the payment of a First and Final Tax Exempt Dividend of 10% (5 sen per share) in respect of the financial year ended 31 December, 2006.		
3.	To approve the payment of Directors' fee for the financial year ended 31 December, 2006.		
4.	To re-elect the following retiring Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with the Article 92 of the Company's Articles of Association:- i) Mr. Boo Chin Liong		
5.	ii) Mr. Koh Chin Koon		
6.	To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December, 2007 and to authorize the Directors to fix the Auditors' remuneration.		
7.	As Special Business Ordinary Resolution - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		

\* Strike out whichever not applicable.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
 Signature of Member/ Common Seal

**NOTES:**

1. A member of the Company, who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint more than (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified true copy of that power or authority shall be deposited at the Registered Office of the Company at 5A Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor not less than 48 hours before the time for holding the meeting or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.

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Affix  
stamp  
here

**The Secretary**  
**BP PLASTICS HOLDING BHD** (Company No. 644902-V)

5A Jalan Wawasan 2  
Kawasan Perindustrian Sri Gading  
83300 Batu Pahat  
Johor Darul Takzim

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