

# Directors' Report

The directors have pleasure in submitting their report together with the audited accounts of the group and of the company for the financial year ended 31 December 1999.

## PRINCIPAL ACTIVITIES

The principal activities of the company consist of manufacture and printing of plastic bags and packaging materials. There has been no significant change in these activities during the financial year.

The subsidiary companies have not commenced operations and the associated company is dormant as at 31 December 1999.

## FINANCIAL RESULTS

	<u>Group</u>	<u>Company</u>
	RM'000	RM'000
Profit after taxation	<u>6,432</u>	<u>6,471</u>

## DIVIDENDS

The amounts of dividends paid or declared by the company since 31 December 1998 were as follows:

In respect of the financial year ended 31 December 1998  
as shown in the directors' report of that financial year - RM'000

First and final tax exempt dividend of 3% paid on 23 July 1999 887

In respect of the financial year ended 31 December 1999, the directors recommend the payment of a first and final tax exempt dividend of 3% amounting to RM888,000, which subject to the approval of members at the forthcoming Annual General Meeting of the company, will be paid on 2 June 2000 to shareholders registered on the company's Register of Members and Record of Depositors at the close of business on 19 May 2000.

## EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("the Scheme") was approved by the shareholders at the Extraordinary General Meeting held on 24 July 1999.

The principal features of the Scheme are as follows:

- (a) The total number of new ordinary shares to be offered under the Scheme shall be subject to a maximum of 10% of the issued and paid-up share capital of the company at any time during the existence of the Scheme;

- (b) Only employees and executive directors who have been confirmed in the employment of the company and/or its subsidiary companies and who have served the group for at least one year as employees as at the date of the offer shall be eligible to participate in the Scheme;
- (c) The price payable for each new ordinary share under the Scheme upon exercise of the option shall be the average of the mean market quotation of the ordinary shares of the company as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of the offer or the par value of the ordinary shares whichever is higher; and
- (d) The new ordinary shares of the company to be issued pursuant to the Scheme will, upon allotment and issue, rank pari passu in all respects with its then existing ordinary shares except that they will not qualify for any dividend or distribution declared to shareholders on the Register of Members and Record of Depositors as at the relevant books closing date which precedes the option exercise date.

As at 31 December 1999, unissued shares of the company under the Scheme were as follows:

<u>No. of ordinary shares</u>	<u>Exercise price</u>
	RM
2,924,000	1.91

## SHARE CAPITAL

During the financial year, the company's issued and fully paid up share capital was increased from RM29,563,459 to RM29,595,459 by way of exercise of options to subscribe for 32,000 ordinary shares of RM1.00 each under the Employees' Share Option Scheme at the exercise price of RM1.91 per ordinary share.

The newly issued shares rank pari passu in all respects with the existing issued shares except that they will not qualify for any dividend or distribution declared to shareholders on the Register of Members and Record of Depositors as at the relevant books closing date which precedes the option exercise date.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the accounts.

## DIRECTORS

The directors who have held office during the period since the date of the last report are:

Tan Sri Dato' Dr. Abdul Khalid bin Sahan  
Datuk Wong Soon Lim  
Yong Jaw Teck  
Low Chan Tian

Datuk Haji Tamby Chik bin Haji Hassan  
Low Chan Koon  
Maj. Gen. (Rtd) Dato' Haji Johan Hew bin Abdullah  
Low Chung Kuay (resigned on 31 December 1999)

Datuk Haji Tamby Chik bin Haji Hassan retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-election as director under Section 129(6) of the said Act to hold office until the next Annual General Meeting of the company.

In accordance with the company's Articles of Association, Datuk Wong Soon Lim and Tan Sri Dato' Dr Abdul Khalid bin Sahan retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the company or its subsidiary companies is a party, with the object or objects of enabling directors to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except for the options over shares granted by the company to eligible employees, including certain directors of the company, pursuant to the Employees' Share Option Scheme of Daibochi Plastic and Packaging Industry Bhd.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits disclosed as directors' remuneration in note 5 on the accounts) by reason of a contract made by the company or a related corporation with the 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

(a) The directors' interests in shares in the company were as follows:

	<b>Number of ordinary shares of RM1 each</b>			
	<b>At</b>			<b>At</b>
	<b><u>1.1.1999</u></b>	<b><u>Bought</u></b>	<b><u>Sold</u></b>	<b><u>31.12.1999</u></b>
Datuk Haji Tamby Chik bin Haji Hassan				
- direct	30,358	-	-	30,358
Datuk Wong Soon Lim				
- direct	651,100	653,000	140,000	1,164,100
- indirect	630,000	140,000	-	770,000
Low Chan Koon				
- direct	2,278,485	110,000	-	2,388,485
- indirect	110,000	1,000	110,000	1,000
Yong Jaw Teck				
- direct	941,100	61,000	160,000	842,100
Low Chan Tian				
- direct	1,222,300	500,000	-	1,722,300

- (b) Rights to redeem 5% guaranteed Bonds 1994/1999 in cash for every RM1.00 nominal value of guaranteed bonds on maturity date.

	<b><u>Number of 5% guaranteed bonds of RM1 each</u></b>			
	<b><u>At</u></b> <b><u>1.1.1999</u></b>	<b><u>Bought</u></b>	<b><u>Redeemed</u></b>	<b><u>At</u></b> <b><u>31.12.1999</u></b>
Datuk Haji Tamby Chik bin Haji Hassan				
- direct	256	-	256	-
Datuk Wong Soon Lim				
- direct	10,750	-	10,750	-

- (c) Warrants with a right to subscribe for ordinary shares on the basis of one new ordinary share for every one warrant held at an exercise price of RM3.50 per warrant.

	<b><u>Number of warrants</u></b>			
	<b><u>At</u></b> <b><u>1.1.1999</u></b>	<b><u>Bought</u></b>	<b><u>Disposal/ converted</u></b>	<b><u>At</u></b> <b><u>31.12.1999</u></b>
Datuk Haji Tamby Chik bin Haji Hassan				
- direct	128	-	-	128
Datuk Wong Soon Lim				
- direct	178,250	-	-	178,250
Low Chan Koon				
- direct	1,079,102	-	-	1,079,102
Yong Jaw Teck				
- direct	310,250	-	150,000	160,250
Low Chan Tian				
- direct	750,000	-	-	750,000

- (d) Share option granted pursuant to the Employees' Share Option Scheme and entitles the holder to subscribe for one new ordinary share of RM1 each for every option held at RM1.91 per share.

<b><u>each</u></b>	<b><u>Number of options over ordinary shares of RM1</u></b>			
	<b><u>At</u></b> <b><u>1.1.1999</u></b>	<b><u>Granted</u></b>	<b><u>Exercised</u></b>	<b><u>At</u></b> <b><u>31.12.1999</u></b>
Datuk Wong Soon Lim	-	142,000	-	142,000
Yong Jaw Teck	-	142,000	-	142,000

No other directors in office at the end of the financial year held any interests in shares, warrants and options in the company and its other related corporations.

According to the Register of Directors' Shareholdings, the directors' interests in the share capital of the company as at 21 January 2000 are as follows:

	<b>Number of ordinary shares of RM1 each</b>			
	<b>At 1.1.2000</b>	<b>Bought</b>	<b>Sold</b>	<b>At 21.1.2000</b>
Datuk Haji Tamby Chik bin Haji Hassan				
- direct	30,358	-	-	30,358
Datuk Wong Soon Lim				
- direct	1,164,100	-	-	1,164,100
- indirect	770,000	-	-	770,000
Low Chan Koon				
- direct	2,388,485	-	-	2,388,485
- indirect	1,000	-	-	1,000
Yong Jaw Teck				
- direct	842,100	-	118,000	724,100
Low Chan Tian				
- direct	1,722,300	-	-	1,722,300

## STATUTORY INFORMATION ON THE ACCOUNTS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps:

- to ascertain that 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 adequate provision had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the group and the company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the accounts of the group and the company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the accounts of the group and the company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the group and of the company misleading or inappropriate.

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, in the opinion of the directors, will or may substantially affect the ability of the group and the company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the group and the company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the group and the company which has arisen since the end of the financial year.

#### **OTHER STATUTORY INFORMATION**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the accounts which would render any amount stated in the accounts misleading.

In the opinion of the directors,

- (a) the results of the group's and the company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the group or the company for the financial year in which this report is made.

#### **SIGNIFICANT EVENTS**

The significant events during the year are disclosed in note 24 on the accounts.

#### **AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

On behalf of the Board

**TAN SRI DATO' DR. ABDUL KHALID BIN SAHAN**  
*DIRECTOR*

Melaka

**24 March 2000**

**DATUK WONG SOON LIM**  
*DIRECTOR*

## Profit And Loss Accounts

### FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	Group		Company	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
TURNOVER	4	<u>71,949</u>	<u>54,146</u>	<u>71,949</u>	<u>54,146</u>
OPERATING PROFIT		<b>5,843</b>	1,086	<b>5,843</b>	1,086
SHARE OF ASSOCIATED COMPANY LOSS		<u>(39)</u>	-	-	-
PROFIT BEFORE TAXATION	5	<b>5,804</b>	1,086	<b>5,843</b>	1,086
TAXATION	6	<u>628</u>	<u>5,522</u>	<u>628</u>	<u>5,522</u>
PROFIT AFTER TAXATION		<b>6,432</b>	6,608	<b>6,471</b>	6,608
UNAPPROPRIATED PROFITS BROUGHT FORWARD		<u>28,323</u>	<u>22,602</u>	<u>28,323</u>	<u>22,602</u>
PROFITS AVAILABLE FOR APPROPRIATIONS		<b>34,755</b>	29,210	<b>34,794</b>	29,210
APPROPRIATIONS					
Dividends					
- First and final tax exempt dividend of 3% (1998: 3%)		<u>(888)</u>	<u>(887)</u>	<u>(888)</u>	<u>(887)</u>
UNAPPROPRIATED PROFITS CARRIED FORWARD	18	<u>33,867</u>	<u>28,323</u>	<u>33,906</u>	<u>28,323</u>
EARNINGS PER SHARE (SEN)					
Basic	7	<u>21.8</u>	<u>22.3</u>		
Fully diluted	7	<u>18.8</u>	<u>22.3</u>		

The notes on pages 15 to 26 form part of these accounts.

# Balance Sheets

## AS AT 31 DECEMBER 1999

		Group		Company	
	Note	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
<b>FIXED ASSETS</b>	8	<b>60,748</b>	61,006	<b>60,748</b>	61,006
<b>ASSOCIATED COMPANY</b>	9	<b>36</b>	75	-	-
<b>SUBSIDIARY COMPANIES</b>	10	*	*	-	-
<b>INTANGIBLE ASSETS</b>	11	<b>100</b>	43	<b>64</b>	12
<b>CURRENT ASSETS</b>					
Stocks	12	10,535	8,789	10,535	8,789
Trade debtors	13	21,373	17,133	21,373	17,133
Other debtors, deposits and prepayments		670	1,697	670	1,697
Tax recoverable		-	1,742	-	1,742
Amounts due by subsidiary companies		-	-	109	105
Fixed deposits with licensed banks		3,251	19,509	3,251	19,509
Cash and bank balances		999	1,033	998	1,031
		<b>36,828</b>	49,903	<b>36,936</b>	50,006
<b>CURRENT LIABILITIES</b>					
Trade creditors		11,906	7,277	11,906	7,277
Other creditors and accrued liabilities	14	1,941	3,133	1,938	3,130
Short term borrowings	15	6,359	9,317	6,359	9,317
Guaranteed bonds	16	-	19,362	-	19,362
Proposed dividend		888	887	888	887
		<b>21,094</b>	39,976	<b>21,091</b>	39,973
<b>NET CURRENT ASSETS</b>		<b>15,734</b>	9,927	<b>15,845</b>	10,033
		<b>76,618</b>	71,051	<b>76,657</b>	71,051
* denotes RM6					
Financed by:					
<b>SHARE CAPITAL</b>	17	<b>29,595</b>	29,563	<b>29,595</b>	29,563
<b>RESERVES</b>	18	<b>43,879</b>	38,306	<b>43,918</b>	38,306
		<b>73,474</b>	67,869	<b>73,513</b>	67,869
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Term loans	19	1,959	817	1,959	817
Hire purchase creditors	14	-	31	-	31
Deferred taxation	20	1,185	2,334	1,185	2,334
		<b>76,618</b>	71,051	<b>76,657</b>	71,051

The notes on pages 15 to 26 form part of these accounts.

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 RM'000	1998 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers and other receivables		69,424	52,288
Cash paid to suppliers and employees		(57,893)	(47,918)
Cash generated from operations		11,531	4,370
Interest paid		(500)	(1,628)
Tax refund/(paid)		1,221	(72)
Net cash generated from operating activities		12,252	2,670
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of fixed assets		4,742	114
Purchase of fixed assets		(10,181)	(4,763)
Interest received		174	1,670
Net cash used in investing activities		(5,265)	(2,979)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (payments to)/receipts of bankers' acceptance		(3,504)	5,098
Dividends paid		(887)	(1,277)
Redemption of guaranteed bonds	21(a)	(3,362)	-
Proceeds from issuance of shares		61	-
Contribution to sinking fund		-	(4,000)
Bonds guarantee commission		-	(150)
Proceeds from term loans drawdown		3,300	1,945
Repayment of term loans		(1,426)	(2,720)
Repayment of hire purchase liabilities		(1,275)	(1,498)
Net cash used in financing activities		(7,093)	(2,602)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(106)</b>	<b>(2,911)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR		3,893	6,804
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	21(b)	3,787	3,893

The notes on pages 15 to 26 form part of these accounts.

## 1. BASIS OF ACCOUNTING

The accounts of the group and the company are prepared under the historical cost convention in accordance with the applicable approved accounting standards in Malaysia.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the company consist of manufacture and printing of plastic bags and packaging materials.

The subsidiary and associated companies have not commenced operations and the associated company is dormant as at 31 December 1999.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The group accounts include the accounts of the company and its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed of during the financial year are included in the group's profit and loss account from the date of their acquisition or up to the date of disposal. All significant intercompany transactions are eliminated upon consolidation.

### (b) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Freehold land and capital work-in-progress are not depreciated. Long leasehold land is amortised over the leasehold period of 99 years. Depreciation of other assets is calculated to write off the cost of the fixed assets on a straight line basis over the expected useful lives of the assets concerned. The depreciation charge for printing cylinders will commence from the year following production. The principal annual rates used are as follows:

Buildings	2%
Motor vehicles	20%
Plant and machinery	6.67 - 10%
Printing cylinders	25%
Furniture and fittings and office equipment	10%

### (c) Associated company

The company considers associated companies as a company in which a long term equity interest of between 20% and 50% is held and where the company has management participation through board representation and is in a position to exercise significant influence.

The consolidated profit and loss account includes the group's share of the post-acquisition results of the associated company. In the consolidated balance sheet, the group's interest in associated company is stated at cost plus the group's share of the post-acquisition reserves.

(d) Stocks

Stocks are valued at the lower of cost and net realisable value after adequate provision has been made for all deteriorated, damaged, obsolete and slow-moving stocks. Cost is determined on a weighted average basis. In the case of work-in-progress and finished goods, cost includes materials, direct labour and an appropriate proportion of production overheads.

(e) Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences between taxable and accounting profits. Debit balances on the deferred taxation account are not recognised unless there is reasonable expectation of their recovery.

(f) Debtors

Debtors are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(g) Intangible assets

Preliminary and pre-operating expenses of subsidiary companies will be written off when the subsidiary companies commence operations. Other deferred expenditure is amortised over a period of five years.

(h) Foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rate of exchange which is approximately the exchange rate ruling at the transaction date. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at rates ruling at that date. All exchange differences are dealt with through the profit and loss account.

(i) Investments in subsidiaries

Investments in subsidiaries are stated at cost, unless there has been a permanent diminution in value in which case provision is made for the diminution.

(j) Hire purchase

Fixed assets acquired under hire purchase are capitalised and are depreciated in accordance with the policy set out in paragraph 3(b) above. Outstanding obligations due under the hire purchase agreement after deducting finance charges are included as liabilities in the accounts. Finance charges are allocated to the profit and loss account over the period of the hire purchase.

(k) Recognition of income

(i) Revenue recognition

Sales is recognised upon delivery of products.

(ii) Interest income

Interest income from fixed deposits is included in the accounts on the accruals basis.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash and demand deposits less short term borrowings payable on demand.

#### 4. TURNOVER

Turnover represents sale of goods at invoiced value net of discounts and sales returns.

#### 5. PROFIT BEFORE TAXATION

	Group and Company	
	1999	1998
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of fixed assets	6,276	6,169
Directors' remuneration		
- fees	35	23
- other emoluments	795	508
Audit fees		
- statutory	18	18
- special	-	10
Interest expense		
- term loans	191	258
- guaranteed bonds	66	968
- overdrafts	22	153
- other borrowings	480	614
Rental of premises	31	16
Amortisation of deferred expenditure	25	143
Bonds guarantee commission	-	150
Gain on disposal of fixed assets	(580)	(39)
Interest income	(174)	(1,670)
Fixed assets written off	1	411
Provision for doubtful debts net of recoveries	402	333
(Gain)/loss on foreign exchange	(16)	29

The estimated monetary value of benefits provided to a director of the company during the year amounted to RM8,000 (1998:RM8,000).

## 6. TAXATION

	Group and Company	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
The taxation credit/(charge) comprises:		
Malaysian income tax	-	(468)
Prior years' (under)/overprovision	(521)	4,263
	(521)	3,795
Deferred taxation (Note 20)	1,149	1,727
	<b>628</b>	<b>5,522</b>

There is no taxation charge for the year due to:-

- (a) the utilisation of reinvestment allowances of which the tax savings amounted to RM738,000.
- (b) tax on the remaining chargeable income is waived pursuant to Section 8 of the Income Tax (Amendment) Act, 1999.

## 7. EARNINGS PER SHARE

The basic earnings per ordinary share have been calculated based on the profit after taxation of RM6,432,000 (1998: RM6,608,000) and on the weighted average number of ordinary shares in issue during the year of 29,566,126 (1998: number of ordinary shares in issue during the year of 29,563,459).

The fully diluted earnings per share are calculated based on adjusted earnings of RM7,910,000 (1998: Nil) after adding back:

- (i) Notional income deemed to be received from interest on fixed deposits at 3.75% from the assumed proceeds that will be derived from the exercise of warrants (note 16); and
- (ii) Notional income deemed to be received from interest on fixed deposits at 3.75% from the proceeds of options exercised under the Employees' Share Option Scheme.

and on the weighted average number of shares issued and issuable for the year of 42,160,147 shares on the assumption that 9,670,021 Warrants and 2,924,000 Options were exercised on 1.1.1999.

## 8. FIXED ASSETS

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Printing cylinders RM'000	Furniture and fittings and office equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<b>1999</b>									
<b>Group and Company</b>									
<b>Cost</b>									
Balance as at 1.1.1999	496	5,659	14,691	2,044	71,868	5,253	1,780	-	101,791
Additions	-	-	413	569	7,664	1,049	243	243	10,181
Disposals	-	-	-	(391)	(8,804)	(808)	(15)	-	(10,018)
Write off	-	-	-	-	-	-	(1)	-	(1)
Balance as at 31.12.1999	<u>496</u>	<u>5,659</u>	<u>15,104</u>	<u>2,222</u>	<u>70,728</u>	<u>5,494</u>	<u>2,007</u>	<u>243</u>	<u>101,953</u>
<b>Accumulated depreciation</b>									
Balance as at 1.1.1999	-	199	503	1,543	34,591	3,118	831	-	40,785
Charge for the year	-	59	303	297	4,689	767	161	-	6,276
Disposals	-	-	-	(391)	(5,017)	(440)	(8)	-	(5,856)
Balance as at 31.12.1999	<u>-</u>	<u>258</u>	<u>806</u>	<u>1,449</u>	<u>34,263</u>	<u>3,445</u>	<u>984</u>	<u>-</u>	<u>41,205</u>
Net book value as at 31.12.1999	<u>496</u>	<u>5,401</u>	<u>14,298</u>	<u>773</u>	<u>36,465</u>	<u>2,049</u>	<u>1,023</u>	<u>243</u>	<u>60,748</u>

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Printing cylinders RM'000	Furniture and fittings and office equipment RM'000	Total RM'000
<b>1998</b>								
<b>Group and Company</b>								
<b>Cost</b>								
Balance as at 1.1.1998	496	5,659	14,290	2,044	69,220	4,288	2,101	98,098
Additions	-	-	401	-	3,330	965	67	4,763
Disposals	-	-	-	-	(270)	-	-	(270)
Write off	-	-	-	-	(412)	-	(388)	(800)
Balance as at 31.12.1998	<u>496</u>	<u>5,659</u>	<u>14,691</u>	<u>2,044</u>	<u>71,868</u>	<u>5,253</u>	<u>1,780</u>	<u>101,791</u>
<b>Accumulated depreciation</b>								
Balance as at 1.1.1998	-	140	352	1,244	30,291	2,365	809	35,201
Charge for the year	-	59	151	299	4,726	753	181	6,169
Disposals	-	-	-	-	(195)	-	-	(195)
Write off	-	-	-	-	(231)	-	(159)	(390)
Balance as at 31.12.1998	<u>-</u>	<u>199</u>	<u>503</u>	<u>1,543</u>	<u>34,591</u>	<u>3,118</u>	<u>831</u>	<u>40,785</u>
Net book value as at 31.12.1998	<u>496</u>	<u>5,460</u>	<u>14,188</u>	<u>501</u>	<u>37,277</u>	<u>2,135</u>	<u>949</u>	<u>61,006</u>

## 8. FIXED ASSETS (CONTINUED)

The net book value of fixed assets acquired under hire purchase agreements amounted to RM156,584 (1998: RM4,336,000).

## 9. ASSOCIATED COMPANY

	<u>1999</u> <u>RM'000</u>	Group <u>1998</u> RM'000
Unquoted shares at cost	75	75
Share of post-acquisition loss	(39)	-
Total interest in associated company	<u>36</u>	<u>75</u>
Represented by:		
Share of net tangible assets	<u>36</u>	<u>75</u>

Details of the associated company, incorporated in Malaysia are as follows:

Name of company	Principal activity	Country of incorporation	<u>Equity interest</u>		<u>Year end</u>
			<u>1999</u>	<u>1998</u>	
Cempaka Usaha Sdn Bhd	Property development - dormant	Malaysia	30%	30%	31 December

## 10. SUBSIDIARY COMPANIES

	<u>1999</u> <u>RM'000</u>	Company <u>1998</u> RM'000
Shares in unquoted corporations, at cost	<u>*</u>	<u>*</u>

\* denotes RM6

The details of the subsidiary companies which are all incorporated in Malaysia, are as follows:

<u>Name of company</u>	<u>Principal activity</u>	<u>Equity interest</u>	
		<u>1999</u>	<u>1998</u>
		<u>%</u>	<u>%</u>
Daibochi Development Sdn Bhd	Dormant	<b>100</b>	100
Daibochi Technology Sdn Bhd	Dormant	<b>100</b>	100
Stable Development Sdn Bhd	Dormant	<b>100</b>	100

All of the above subsidiary companies have co-terminous year-ends.

## 11. INTANGIBLE ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Preliminary expenses, at cost	<b>4</b>	4	-	-
Pre-operating expenses, at cost	<b>32</b>	27	-	-
	<b>36</b>	31	-	-
Other deferred expenditure				
At 1 January	<b>12</b>	155	<b>12</b>	155
Add: Incurred during the year	<b>77</b>	-	<b>77</b>	-
	<b>89</b>	155	<b>89</b>	155
Less: Amortisation	<b>25</b>	143	<b>25</b>	143
At 31 December	<b>64</b>	12	<b>64</b>	12
Total	<b>100</b>	43	<b>64</b>	12

## 12. STOCKS

	<u>Group and Company</u>	
	<u>1999</u>	<u>1998</u>
	<u>RM'000</u>	<u>RM'000</u>
Raw materials	<b>6,384</b>	5,454
Work-in-progress	<b>1,867</b>	2,284
Finished goods	<b>2,684</b>	1,304
	<b>10,935</b>	9,042
Provision for stocks obsolescence	<b>(400)</b>	(253)
	<b>10,535</b>	8,789

### 13. TRADE DEBTORS

	Group and Company	
	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
Trade debtors	22,852	18,258
Provision for doubtful debts	(1,479)	(1,125)
	<u>21,373</u>	<u>17,133</u>

### 14. HIRE PURCHASE CREDITORS

Analysis of hire purchase commitments:

Payable within one year	7	1,445
Payable between one and two years	-	37
	<u>7</u>	<u>1,482</u>
Less: Finance charges	(2)	(202)
	<u>5</u>	<u>1,280</u>
Representing hire purchase liabilities:		
Current (included in other creditors and accrued liabilities)	5	1,249
Long term	-	31
	<u>5</u>	<u>1,280</u>

### 15. SHORT TERM BORROWINGS

Current portion of term loans (note 19)	2,084	1,352
Bankers' acceptance	3,812	7,316
Bank overdrafts	463	649
	<u>6,359</u>	<u>9,317</u>

The bankers' acceptance and bank overdrafts are unsecured and interest is chargeable at rates ranging from 3.50% to 9.80% (1998: 7.05% to 14.50%) per annum.

## 16. GUARANTEED BONDS

	Group and Company	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
5% Redeemable Unsecured Bank Guaranteed Bonds 1994/1999		
At 1 January	<b>19,362</b>	19,362
Redeemed during the year	<b>(19,362)</b>	-
At 31 December	<b>-</b>	<b>19,362</b>

The 5% Guaranteed Bonds 1994/1999 were constituted by a Trust Deed dated 15 December 1993. All the remaining outstanding bonds were redeemed in cash at their nominal value on 23 January 1999.

Interest was charged at the rate of 5% per annum on the nominal value of the Bonds.

The Bonds were issued with 9,688,021 Detachable Warrants on the basis of RM2 nominal value of the Bonds with one Detachable Warrant for every two existing ordinary shares held. The Detachable Warrants are quoted on the Kuala Lumpur Stock Exchange. Each warrant entitles its registered holder at any time not exceeding five years from the date of its issue, to subscribe for one new ordinary share of RM1 each in the company at an exercise price of RM3.50 per warrant.

All relevant parties have approved the extension of the duration and exercise period of the outstanding warrants from 23 January 1999 to 23 January 2004.

As at 31 December 1999, the number of warrants remaining unexercised amounted to 9,670,021 (1998: 9,670,021).

## 17. SHARE CAPITAL

	Group and Company	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Ordinary shares of RM1 each</u>		
Authorised:		
At 31 December	<b>100,000</b>	<b>100,000</b>
Issued and fully paid:		
At 1 January	<b>29,563</b>	29,563
Issued during the year		
- Pursuant to the Employees' Share Option Scheme	<b>32</b>	-
At 31 December	<b>29,595</b>	<b>29,563</b>

The principal features of the Employees' Share Option Scheme ("the Scheme") are as follows:

- (a) The total number of new ordinary shares to be offered under the Scheme shall be subject to a maximum of 10% of the issued and paid-up share capital of the company at any time during the existence of the Scheme;
- (b) Only employees and executive directors who have been confirmed in the employment of the company and/or its subsidiary companies and who have served the group for at least one year as employees as at the date of the offer shall be eligible to participate in the Scheme;
- (c) The price payable for each new ordinary share under the Scheme upon exercise of the option shall be the average of the mean market quotation of the ordinary shares of the company as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of the offer or the par value of the ordinary shares whichever is higher; and
- (d) The new ordinary shares of the company to be issued pursuant to the Scheme will, upon allotment and issue, rank pari passu in all respects with its then existing ordinary shares except that they will not qualify for any dividend or distribution declared to shareholders on the Register of Members and Record of Depositors as at the relevant books closing date which precedes the option exercise date.

During the financial year ended 31 December 1999, a total of 32,000 shares were issued by virtue of the exercise of the Options at the exercise price of RM1.91 per share.

As at 31 December 1999, there were 2,924,000 unissued ordinary shares under Options granted pursuant to the Scheme.

## 18. RESERVES

	Group		Company	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-distributable</u>				
SHARE PREMIUM				
At 1 January	<b>9,983</b>	9,983	<b>9,983</b>	9,983
Arising from shares issued during the year:				
- Pursuant to the Employees' Share Option Scheme	<b>29</b>	-	<b>29</b>	-
At 31 December	<b>10,012</b>	9,983	<b>10,012</b>	9,983
<u>Distributable</u>				
UNAPPROPRIATED PROFITS	<b>33,867</b>	28,323	<b>33,906</b>	28,323
Total reserves	<b>43,879</b>	38,306	<b>43,918</b>	38,306

As at 31 December 1999, the company has tax exempt income of approximately RM17,686,000 (1998: RM11,354,000) subject to agreement with the tax authorities of which to frank the payment of dividends out of its retained profits. If the balance of the retained profits were to be distributed as dividend, the company would have a Section 108 shortfall of approximately RM6,308,000 (1998: RM6,599,000).

Pursuant to the requirements of Section 365 (1A) of the Companies Act, 1965, the future distribution of dividends out of the company's retained profits may only be declared for a financial year up to an amount not exceeding the after-tax profit of that financial year, or not exceeding the average dividends declared in respect of the two financial years immediately preceding that financial year, whichever is the greater.

## 19. TERM LOANS

	Group and Company	
	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
Unsecured:		
Term loan 1		
Repayable by 12 quarterly instalments commencing July 1996.		
Interest at rates ranging from 8.65% to 9.05% (1998: 9.05% to 13.30%) per annum.		
The loan was fully settled in April 1999.	-	532
Term loan 2		
Repayable by 36 monthly instalments commencing July 1998. Interest at rates ranging from 8.55% to 9.80% (1998: 9.80% to 14.05%) per annum.	932	1,637
Term loan 3		
Repayable by 36 monthly instalments commencing September 1999. Interest at rate of 8.55% (1998: Nil) per annum.	1,203	-
Term loan 4		
Repayable by 36 monthly instalments commencing October 1999. Interest at rate of 8.55% (1998: Nil) per annum.	1,908	-
	<u>4,043</u>	<u>2,169</u>
Less: Repayments due within 12 months (note 15)	<u>(2,084)</u>	<u>(1,352)</u>
	<u>1,959</u>	<u>817</u>

## 20. DEFERRED TAXATION

At 1 January	2,334	4,061
Transfer to profit and loss account (note 6)	(1,149)	(1,727)
At 31 December	<u>1,185</u>	<u>2,334</u>

## 21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Redemption of guaranteed bonds

During the financial year, the company redeemed the outstanding bonds of RM19,362,000 of which RM16,000,000 was from deposits placed under sinking fund while the balance of RM3,362,000 was by way of cash payments.

### (b) Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	Group	
	<b>1999</b>	1998
	<b>RM'000</b>	RM'000
Fixed deposits with licensed banks	<b>3,251</b>	19,509
Less: Deposits placed under sinking fund	<b>-</b>	(16,000)
	<b>3,251</b>	3,509
Cash and bank balances	<b>999</b>	1,033
Bank overdrafts (note 15)	<b>(463)</b>	(649)
	<b>3,787</b>	3,893

## 22. CAPITAL COMMITMENTS

	Group and Company	
	<b>1999</b>	1998
	<b>RM'000</b>	RM'000
Capital expenditure approved and contracted for:		
- in respect of purchase of fixed assets	<b>5,309</b>	81

## 23. SEGMENTAL ANALYSIS

No segmental analysis is prepared as the company is primarily engaged in the manufacturing and printing of plastic bags and packaging materials and the operations are principally carried out in Malaysia.

## 24. SIGNIFICANT EVENTS

The company announced and submitted to the relevant authorities for their approval, the proposed bonus issue of up to 25,989,967 new ordinary shares of RM1.00 each to the existing shareholders of the company to be credited as fully paid-up on the basis of four (4) new ordinary shares for every five (5) existing ordinary shares held at a date to be determined. The above proposals are subject to approval by the relevant authorities and shareholders.

## *Statement By Directors*

### **PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, **Tan Sri Dato' Dr. Abdul Khalid bin Sahan** and **Datuk Wong Soon Lim**, being two of the directors of Daibochi Plastic and Packaging Industry Bhd, state that in the opinion of the directors, the accounts set out on pages 12 to 26 are drawn up so as to give a true and fair view of the state of affairs of the group and the company as at 31 December 1999 and of the results of the group and the company and cash flows of the group for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia.

On behalf of the Board

**TAN SRI DATO' DR. ABDUL  
KHALID BIN SAHAN**

Director

Melaka

**DATUK WONG SOON LIM**

Director

## *Statutory Declaration*

### **PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Yong Jaw Teck, the director primarily responsible for the financial management of Daibochi Plastic And Packaging Industry Bhd, do solemnly and sincerely declare that the accounts set out on pages 12 to 26 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.

**YONG JAW TECK**

Subscribed and solemnly declared by the abovenamed Yong Jaw Teck at Melaka in Malaysia on 24 March 2000, before me.

**A. SUPRAMANIAM, PIS**

**COMMISSIONER FOR OATHS**

## *Report Of The Auditors To The Members*

We have audited the accounts set out on pages 12 to 26. These accounts are the responsibility of the company's directors. Our responsibility is to express an opinion on these accounts based on our audit.

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

In our opinion:

- (a) the accounts give a true and fair view of the state of affairs of the group and the company as at 31 December 1999 and of the results of the group and the company and cash flows of the group for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia, and comply with the Companies Act, 1965; and
- (b) the accounting and other records and the registers required by the Act to be kept by the company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Our audit reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Public Accountants

P'NG BENG HOE  
(No. 1563/8/01 (J))  
Partner of the firm

Melaka

**24 March 2000**