

BP PLASTICS HOLDING BHD

(Company No. 644902-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial statements have been prepared on a historical cost basis except for land and buildings that have been measured at their fair values.

The interim financial statements are unaudited and have been prepared in compliance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31 December 2009.

2. Changes in Accounting policies

The accounting policies and method of computation adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2009 except for the adoption of the following new/revised Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations, which were effective for financial periods beginning 1 January 2010:

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosures

FRS 101: Presentation of Financial Statements

FRS 123: Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and

FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations

Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 8: Operating Segments

Amendments to FRS 107: Cash Flow Statements

Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to FRS 110: Events after the Reporting Period

Amendments to FRS 116: Property, Plant and Equipment

Amendment to FRS 117: Leases

Amendment to FRS 118: Revenue

Amendment to FRS 119: Employee Benefits

Amendment to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

Amendment to FRS 123: Borrowing Costs

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Amendment to FRS 127: Consolidated and Separate Financial Statements
Amendment to FRS 128: Investment in Associates
Amendment to FRS 129: Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131: Interests in Joint Ventures
Amendments to FRS 132: Financial Instruments: Presentation
Amendment to FRS 134: Interim Financial Reporting
Amendment to FRS 136: Impairment of Assets
Amendment to FRS 138: Intangible Assets
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7
Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded
Derivatives
Amendment to FRS 140: Investment Property
Amendments to FRSs 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum
Funding Requirements and their Interaction

With the exception of FRS 139, the adoption of the above new/revised FRSs, Amendments to FRSs and Interpretations will not have significant impact on the financial statements of the Group and Company. The principal effects of the changes in accounting policies resulting from the adoption of the above new/revised FRSs, Amendments to FRSs and Interpretations are summarized below:

FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the financial statements presented will consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The gains/(losses) that were recognised directly in equity in the preceding year/corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income is presented separately in the statement of comprehensive income and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests.

The total comprehensive income is presented as a one-line item in the statement of changes in equity and the comparative information has been re-presented in order to conform with the revised standard. This standard only affects the presentation aspects and will not have any impact on the earnings per share.

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FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives and their corresponding gains/(losses) were only recognized on their settlement dates. Outstanding derivatives at the reporting date were not recognized. With the adoption of FRS 139, such financial derivatives will be recognized at contract dates as financial assets or financial liabilities and the measurement of such contracts would be at fair value through profit and loss. In accordance with the transitional provisions of this standard, the required changes are applied prospectively and the comparative information are not restated. This standard does not have any material impact on the financial position and results of the Group.

2(a) Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, the following new FRSs, Interpretations, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

| <u>FRS and Interpretations</u> | <u>Effective for financial periods beginning on or after</u> |
|--|--|
| FRS 1: First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3: Business Combinations (revised) | 1 July 2010 |
| FRS 127: Consolidated and Separate Financial Statements (amended) | 1 July 2010 |
| Amendments to FRS 2 Share-based Payment | 1 July 2010 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| IC Interpretation 12 Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 1 July 2010 |
| Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendments to FRS 1) | 1 January 2011 |
| Improving Disclosures about Financial Instruments (Amendments to FRS 7) | 1 January 2011 |
| Additional Exemptions for First-time Adopters (Amendments to FRS 1) | 1 January 2011 |
| Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2) | 1 January 2011 |
| IC Interpretation 4 Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Interpretation 18 Transfers of Assets from Customers | 1 January 2011 |
| IC Interpretation 15 Agreements for the Construction of Real Estate | 1 January 2012 |

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The new FRSs, Interpretations, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

3. Seasonal or cyclical factors

The Group has traditionally performed better during the second half of the financial year.

4. Unusual items affecting the assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

5. Changes in estimates

There were no changes in estimates that have a material effect on the current quarter results.

6. Debt and equity securities

There were no issuances of shares, cancellations or repayment of debt and equity securities and share buy-backs by the Company for the current quarter.

As at 30 September 2010, total shares repurchased and held as treasury shares, amounted to 15,000 shares. None of the treasury shares held were resold or cancelled during the financial quarter under review.

7. Dividend Paid

During the quarter ended 30 September 2010, a first and final tax exempt dividend of 6% (3 sen per share) in respect of the financial year ended 31 December 2009, amounting to RM5,403,473 was paid on 5 July 2010.

8. Segment information

No segmental information is prepared as the Group is principally involved in manufacturing and trading of plastics packaging products which are predominantly carried out in Malaysia. Segmental information on the trading segment is not separately reported as it contributes only less than 0.1% of the Group's total revenue.

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9. Valuation of property, plant and equipment

There was no amendment to the valuations of property, plant and equipment of the Group during the current quarter.

10. Material events subsequent to the balance sheet date

There were no other material events subsequent to the quarter ended 30 September 2010 that have not been reflected in the financial statements as at the date of this report.

11. Changes in the composition of the Group

On 24 September 2010, BP Plastics Holding Bhd (“BPHB”) acquired 2 ordinary shares of RM1.00 each, representing the entire total issued and paid-up capital of BPPlas Plantation Sdn Bhd (“BPPP”) (Company No. 904086-A) for cash at par from Mr. Lim Chun Yow and Mr. Tan See Khim, whereby both are Executive Directors and major shareholders of BPHB.

BPPP was incorporated in Malaysia on 10 June 2010 as a private limited company under the Companies Act, 1965. As at the date of report, BPPP has an authorised share capital of RM100,000.00 divided into 100,000 shares of RM1.00 each, of which RM2.00 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

The acquisition of BPPP is meant for future potential investments into the plantation business.

Subsequent to the quarter under review, BPPP had on 5 October 2010 incorporated a wholly-owned subsidiary company under the name of Baoman Rubber Limited (“BAOMAN”), in the Kingdom of Cambodia for future potential investments into the plantation business. BAOMAN is a limited liability company with a registered capital of USD5,000 comprising 5,000 shares of USD1.00 each.

12. Changes in contingent liabilities or contingent assets

There were no changes in other contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

13. Review of performance

For the 9 months period ended 30 September 2010, the Group registered a total operating revenue of RM165.088 million and unaudited profit before tax of RM15.227 million as compared to the operating revenue of RM124.828 million and unaudited profit before tax of RM15.405 million in the corresponding preceding financial period.

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The increase in operating revenue is due to higher sales on the back of the economic recovery and pick-up in global packaging demand.

The Group achieved unaudited profit after tax for the period ended 30 September 2010 of RM11.733 million compared to RM11.650 million in the same corresponding period last year.

14. Variation of results against last quarter

The Group achieved operating revenue of RM55.649 million and unaudited profit before tax (PBT) of RM6.498 million compared to operating revenue of RM57.369 million and unaudited PBT of RM4.074 million in the preceding quarter. The decrease in operating revenue but higher profit achieved was mainly attributable to lower input cost for the quarter under review.

Profit after tax (PAT) for the quarter under review increased by RM1.89 million (or 60.1%) to RM5.034 million compared to RM3.144 million in Q2 2010.

15. Current Year Prospects

With the overall improvement in global economic recovery and sustained demand for polyethylene packaging products particularly within Asia and ASEAN region, the Board of Directors is optimistic of achieving satisfactory financial performance for the financial year ending 31 December, 2010.

16. Variance of actual profit from profit forecast

This note is not applicable as the Group did not issue nor publish any profit forecast for the current quarter under review.

17. Taxation

| | 3 Months Ended | | 9 Months Ended | |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 Sep 2010 RM'000 | 30 Sep 2009 RM'000 | 30 Sep 2010 RM'000 | 30 Sep 2009 RM'000 |
| Income tax | 1,464 | 950 | 3,494 | 3,470 |
| Deferred tax | - | 285 | - | 285 |
| | <u>1,464</u> | <u>1,235</u> | <u>3,494</u> | <u>3,755</u> |

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The Group's effective tax rates for the cumulative year-to-date is lower than the statutory tax rate due to availability of tax incentives to a subsidiary company.

18. Unquoted investments and/or properties

There were no purchases or disposal of unquoted investments and/or properties for the current financial quarter except as disclosed in Note 11.

19. Quoted investments

There were no purchases or disposal of quoted securities for the current financial quarter.

20. Status on corporate proposals

Save as disclosed below, there was no corporate proposal announced or not completed as at the date of this quarterly report.

- a) Baoman Rubber Limited ("BAOMAN"), an indirect wholly-owned subsidiary of BPHB had on 15 October 2010 entered into a Service Agreement ("the Service Agreement") with Mr. Channarith Saram, an unrelated third party to act for and on behalf of BAOMAN in applying for economic concession rights over approximately 10,000 hectares of land ("the Leased Property") in Mondulkiri Province, Kingdom of Cambodia from the Royal Government of Cambodia for agricultural investment purposes (hereinafter referred to as "the Application"). Pursuant to the Service Agreement, Mr. Channarith Saram shall submit all necessary applications, documentations and all required works to the competent government entities and authorities for the concession rights over the Leased Property for a process fee of USD280 per hectare or USD112 per acre which will only be payable upon successful principle approval. Mr. Channarith Saram is undertaking all the risk in making the Application for and on behalf of BAOMAN as all related costs in submitting the application which includes environmental impact studies over 25,000 acres will be borne by him alone and BAOMAN bears no risks in the Application. BAOMAN is merely making an application for concession via Mr. Channarith Saram, and to date no material development has arisen. If in the event the Application is rejected, the Service Agreement automatically lapses.
- b) Further to the announcements made to Bursa Malaysia on 24 September 2010, 7 October 2010, 15 October 2010 and 19 October 2010, BP Plastics Holding Berhad ("BPHB") has proposed to enter into a Letter of Intent ("LOI") with Kosmo Tropika Sdn. Bhd. ("KTSB") to reflect the parties' intention to establish a joint venture via equity participation in BPPlas Plantation Sdn. Bhd. to undertake the business of agriculture investment in the Kingdom of Cambodia upon its successful application of its concession rights.

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Pursuant to the proposed LOI, BPHB and KTSB will jointly subscribe for an equity amount to be decided only upon successful alienation of its concession rights on an 80:20 basis. A detailed announcement will be made at the appropriate time, if and when formal agreements are concluded between the parties.

21. Group borrowings

| | 30-Sep-10 RM'000 | 31-Dec-09 RM'000 |
|--------------------|---------------------|---------------------|
| Current | | |
| <u>Secured</u> | | |
| Term loans | - | 883 |
| Non-current | | |
| <u>Secured</u> | | |
| Term loans | - | - |

The above borrowings are denominated in US Dollar and have been fully settled as of September 2010.

22. Financial Derivatives

With the adoption of FRS 139, financial derivatives are recognized on their respective contract dates. There were no off-balance sheet financial instruments as at reporting date.

23. Capital Commitments

| | 30 Sep 2010 RM'000 | 31 Dec 2009 RM'000 |
|----------------------------------|-----------------------|-----------------------|
| Approved and Contracted for : | | |
| - Property, plant and equipments | 574 | 1,536 |

24. Material litigation

There was no material litigation pending as at the date of this quarterly report.

25. Dividend

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No dividend was recommended for the current quarter under review.

26. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group in respect of the annual financial statements for the year ended 31 December 2009 was not subject to any audit qualification.

27. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and weighted average number of shares outstanding as follows:-

| | | 3 months Ended | | 9 months Ended | |
|---|----------|----------------|-----------|----------------|-----------|
| | | 30-Sep-10 | 30-Sep-09 | 30-Sep-10 | 30-Sep-09 |
| Net Profit for the period | (RM'000) | 5,034 | 4,524 | 11,733 | 11,650 |
| Weighted average number of ordinary shares in issue | ('000) | 180,121 | 180,121 | 180,121 | 180,121 |
| Basic earnings per share | (sen) | 2.79 | 2.51 | 6.51 | 6.47 |

By Order of the Board

Company Secretary

DATED: 18 November 2010