

BP PLASTICS HOLDING BHD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Corporate Information

BP Plastics Holding Berhad is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 May 2012.

2. First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS”)

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134- *Interim Financial Reporting* and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 34- *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These interim financial statements are the Group’s first MFRS interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1- *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied

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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note 3 below.

3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as follows:

(a) Business Combination

MFRS 1 provides the option to apply MFRS 3- *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

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Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognized under FRS is not adjusted.

(b) Property, plant and equipment

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116: *Property, Plant and Equipment*. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and buildings as at 31 December 2009 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM2,826,895 (31 March 2011: RM2,826,895; 31 December 2011: RM2,826,895) was transferred to retained earnings on date of transition to MFRS.

(c) Quoted equity instruments

Under FRS, the Group designated its investment in quoted equity instruments at fair value through profit or loss in accordance with FRS 139- *Financial Instruments: Recognition and Measurement*. Changes in fair value are taken to profit or loss. At the date of transition to MFRS, these quoted equity instruments were designated as available for sale.

(d) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Other than as disclosed in Note 3(b) above, the transition from FRS to MFRS has no significant financial impact on the Group's financial position, financial performance and cash flows.

(e) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliations of equity

	FRS as at 1 Jan 2011 (as reported) RM'000	Property, plant and equipment RM'000	MFRS as at 1 Jan 2011 (restated) RM'000	FRS as at 31 Mar 2011 (as reported) RM'000	Property, plant and equipment RM'000	MFRS as at 31 Mar 2011 (restated) RM'000	FRS as at 31 Dec 2011 (as reported) RM'000	Property, plant and equipment RM'000	Foreign currency translation reserve RM'000	MFRS as at 31 Dec 2011 (restated) RM'000
ASSETS										
Non-current assets										
Property, plant and equipment	67,144		67,144	66,001		66,001	76,104			76,104
Investment (in quoted securities)	101		101	101		101	101			101
	<u>67,245</u>		<u>67,245</u>	<u>66,102</u>		<u>66,102</u>	<u>76,205</u>			<u>76,205</u>
Current assets										
Inventories	22,245		22,245	23,720		23,720	21,935			21,935
Trade and other receivables	31,769		31,769	34,474		34,474	31,651			31,651
Cash and cash equivalents	58,356		58,356	46,117		46,117	60,051			60,051
Tax recoverable	158		158	161		161	882			882
	<u>112,528</u>		<u>112,528</u>	<u>104,472</u>		<u>104,472</u>	<u>114,519</u>			<u>114,519</u>
TOTAL ASSETS	<u>179,773</u>		<u>179,773</u>	<u>170,574</u>		<u>170,574</u>	<u>190,724</u>			<u>190,724</u>
EQUITY AND LIABILITIES										
Equity										
Share capital	90,060		90,060	90,060		90,060	90,060			90,060
Treasury Share	(8)		(8)	(8)		(8)	(21)			(21)
Share premium	3,493		3,493	3,493		3,493	3,493			3,493
Reserves - Revaluation reserve	2,827	(2,827)	-	2,827	(2,827)	-	2,827	(2,827)		-
- Translation reserve	-		-	-		-	(1)		1	-
- Retained profits	47,007	2,827	49,834	43,794	2,827	46,621	51,730	2,827	(1)	54,556
	<u>143,379</u>		<u>143,379</u>	<u>140,166</u>		<u>140,166</u>	<u>148,088</u>			<u>148,088</u>
Non-current liabilities										
Deferred tax liabilities	10,945		10,945	10,945		10,945	11,361			11,361
Current liabilities										
Short term borrowing	-		-	-		-	9,556			9,556
Trade and other payables	23,999		23,999	18,549		18,549	21,719			21,719
Tax provision	1,450		1,450	914		914	-			-
	<u>25,449</u>		<u>25,449</u>	<u>19,463</u>		<u>19,463</u>	<u>31,275</u>			<u>31,275</u>
TOTAL LIABILITIES	<u>36,394</u>		<u>36,394</u>	<u>30,408</u>		<u>30,408</u>	<u>42,636</u>			<u>42,636</u>
TOTAL EQUITY AND LIABILITIES	<u>179,773</u>		<u>179,773</u>	<u>170,574</u>		<u>170,574</u>	<u>190,724</u>			<u>190,724</u>

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4. Seasonal or cyclical factors

The operations and performance of the Group during the quarter under review have not been materially affected by any seasonal or cyclical factors.

5. 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 under review.

6. Changes in estimates

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

7. 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 under review.

As at 31 March 2012, the number of treasury shares held by the Group amounted to 35,000 shares. None of the treasury shares held were resold or cancelled during the quarter under review.

8. Dividend Paid

A second interim tax exempt dividend of 4% (2 sen per share) in respect of the financial year ended 31 December 2011 was declared and paid on 28 March 2012.

9. Segment information

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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Revenue of the Group is mainly derived from the local and export markets as follows:

	Current quarter		Cumulative quarter	
	3 Months Ended		3 Months Ended	
	31 Mar	31 Mar	31 Mar	31 Mar
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	17,329	19,122	17,329	19,122
- Export	35,840	37,843	35,840	37,843
Total operating revenue	<u>53,169</u>	<u>56,965</u>	<u>53,169</u>	<u>56,965</u>

10. Material events subsequent to the balance sheet date

There were no other material event subsequent to the quarter ended 31 March 2012 that have not been reflected in the financial statements as at the date of this report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period-to-date.

12. Changes in contingent liabilities or contingent assets

There were no changes in other contingent liabilities or contingent assets since the last annual statement of financial position as at 31 December 2011.

13. Review of performance

The Group recorded lower operating revenue of RM53.169 million in the current quarter ended 31 March 2012 compared with operating revenue of RM56.965 million in the same preceding quarter last year. Revenue for the quarter under review decreased by RM3.796 million or 6.7%, mainly due to lower average selling price.

For the quarter under review, the Group's unaudited profit before tax (PBT) was RM3.23 million compared to PBT of RM4.581 million in the corresponding period last year. The PBT for the period under review decreased by RM1.351million or 29%, mainly due to higher input and operating costs.

The Group's unaudited profit after tax (PAT) for the quarter ended 31 March 2012 decreased to RM2.384 million compared to RM3.991 million in the same corresponding period last year. This was mainly due to higher effective tax rate of 26% in the current quarter, as compared to effective tax rate of 13% in the corresponding quarter last year due to availability of tax

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reinvestment allowance incentives granted to a subsidiary that has since been utilized.

14. Variation of results against last quarter

For the quarter ended 31 March 2012, the Group achieved operating revenue of RM53.169 million, which is RM2.668 million or 4.8% lower compared to operating revenue of RM55.837 million in the preceding quarter.

The Group's unaudited profit before tax (PBT) of RM3.230 million for the quarter under review is 31% or RM1.457 million lower, compared to the unaudited PBT of RM4.687 million in the preceding quarter, mainly due to higher operating costs, weakening global demand and increasing material input costs during the quarter.

Profit after tax (PAT) for the quarter under review decreased to RM2.384 million, from RM4.273 million in the immediate preceding quarter. Compared to the preceding quarter, PAT is 44% lower as a result of higher effective tax rate as mentioned above.

15. Current Year Prospects

With the additional capacity from the 4th cast stretch film line, the Group has the ability and flexibility to offer better mix and higher margin thin gauge products. The Group shall continue to strive and emphasize on improving internal process efficiency and productivity, while continuing to pursue cost savings and reduction programs in order to remain competitive.

In view of the on-going uncertainties surrounding the fate of the Eurozone region, the Board concurs that the months ahead will be challenging. However, the Board is committed toward delivering their best effort in ensuring that the Group continue to focus on improving operational yields and efficiencies. Despite the global economic uncertainty, the Board is confident of delivering a profitable performance for the financial year ending 31 December 2012.

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.

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17. Profit before tax

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	3 Months Ended		3 Months Ended	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(367)	(327)	(367)	(327)
Depreciation of property, plant & equipment	2,087	1,699	2,087	1,699
Gain on disposal of property, plant and equipment	(110)	(138)	(110)	(138)
Interest expense	25	-	25	-
Foreign exchange gain - realised	(534)	(681)	(534)	(681)

18. Taxation

	3 Months Ended		3 Months Ended	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	RM'000	RM'000	RM'000	RM'000
Income tax	1,005	590	1,005	590
Deferred tax	(159)	-	(159)	-
	<u>846</u>	<u>590</u>	<u>846</u>	<u>590</u>

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

The Group's effective tax rate of 13% for the previous corresponding period ended 31 March 2011 is lower than the statutory tax rate due to the availability of tax incentives to a subsidiary company.

19. Unquoted investments and/or properties

There were no purchases or disposal of unquoted investments and/or properties for the financial quarter under review.

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20. Quoted investments

As at 31 March 2012, the Group's quoted investments are as follows:

	Group	
	Carrying amount	Market value of quoted investments
Investments - Available for sale	RM	RM
Quoted investment in Malaysia	100,800	134,800

21. 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.

The application 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 by Baoman Rubber Limited ("BAOMAN"), an indirect wholly-owned subsidiary of BPHB for agricultural investment purposes is still pending approval.

A detailed announcement will be made at the appropriate time if and when there is material development.

22. Group borrowings

There were no borrowings by the Group as at 31 March 2012.

23. Financial Derivatives

With the adoption of FRS 139, financial derivatives are recognized on their respective contract dates. There were no outstanding derivatives as at the end of the reporting period.

24. Realised and Unrealised Profits Disclosure

The breakdown of the retained profits of the Group as at 31 March 2012 and 31 December 2011 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits of Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

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	Current quarter ended 31 Mar 2012 RM'000 (unaudited)	Previous financial year ended 31 Dec 2011 RM'000 (restated)
Total retained profits of BP Plastics Holding Berhad and its subsidiaries:		
- Realised	98,469	99,304
- Unrealised	(11,204)	(10,823)
	87,265	88,481
Less: Consolidation adjustments	(33,926)	(33,925)
Total Group retained profits as per consolidated accounts	53,339	54,556

25. Capital Commitments

Capital commitment of the Group as at end of the current quarter is as follows:

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Approved and contracted for	1,963	1,963

26. Material litigation

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

27. Dividend

No dividend was recommended for the current quarter under review.

28. 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 2011 was not subject to any audit qualification.

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29. 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		3 months Ended	
		31 Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Net Profit for the period	(RM'000)	2,384	3,991	2,384	3,991
Weighted average number of ordinary shares in issue	('000)	180,086	180,121	180,086	180,121
Basic earnings per share	(sen)	1.32	2.22	1.32	2.22

By Order of the Board

Company Secretary

DATED: 28 May 2012