

# BP PLASTICS HOLDING BHD

(Company No. 644902-V)

(Incorporated in Malaysia)

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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### 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 19 August 2013.

#### 2. Basis of preparation

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.

The interim financial statements have been prepared on the basis of consolidating the results of the Group's subsidiary companies for the period under review using the acquisition method. The interim financial statements are to be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. 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 2012.

The accounting policies and basis of computation/estimates adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2012 except for the adoption of the following applicable new and revised Malaysia Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and Interpretations issued by the Malaysian Accounting Standards Board that are effective for financial periods beginning 1 January 2013:

- MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
- Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits
- MFRS 127 Separate Financial Statements
- MFRS 128 Investment in Associate and Joint Ventures
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

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- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

### 3. Standards and interpretations issued but not yet effective

As at date of authorization of issuance of these interim financial statements, the following new MFRSs, Amendments to MFRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company are as follows:

<u>MFRSs, Amendments to MFRSs and Interpretations</u>	<u>Effective for financial periods beginning on or after</u>
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
- MFRS 9 Financial Instruments	1 January 2015

The adoption of the above standards and interpretations are expected to have no material impact on the interim financial statements of the Group and the Company in the period of initial application.

### 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 results.

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#### 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 30 June 2013, the number of treasury shares held by the Company 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 2012 was declared and paid on 3 April 2013.

#### 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.

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

	Current quarter		Cumulative quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	14,059	16,795	28,295	34,124
- Export	41,562	39,605	78,846	75,445
Total operating revenue	<u>55,621</u>	<u>56,400</u>	<u>107,141</u>	<u>109,569</u>

#### 10. Material events subsequent to the balance sheet date

There were no other material event subsequent to the quarter ended 30 June 2013 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 financial quarter under review.

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### **EXPLANATORY NOTES PURSUANT TO MFRS 134**

#### **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 2012.

#### **13. Review of performance**

The Group recorded operating revenue of RM107.141 million for the 6 months ended 30 June 2013, which is a marginal reduction of 2.22% compared to RM109.569 million in the same corresponding period last year. Sales performance for 1H2013 has been challenging, with local demand largely subdued due to higher cost base effect from the minimum wage implementation early this year. Revenue was sustained in part due to more robust export sales.

Unaudited profit before tax (PBT) was marginally lower at RM6.526 million compared to PBT of RM6.681 million in the same period last year.

Unaudited profit after tax (PAT) for the 1H ended 30 June 2013 was RM4.883 million, which is slightly lower compared to the PAT of RM4.988 million in the same corresponding period last year.

#### **14. Variation of results against last quarter**

Operating revenue for the current quarter ended 30 June 2013 has shown improvement of 8% or RM4.102 million to RM55.621 million, compared to RM51.519 million in the preceding quarter of 1Q2013. This was mainly attributable to higher exports sales recorded.

The Group's unaudited profit before tax (PBT) of RM3.567 million for the quarter under review is higher as compared with the PBT of RM2.960 million in the preceding quarter, mainly due to higher revenue achieved and foreign exchange gains in the current quarter.

Unaudited profit after tax (PAT) for 2Q2013 was RM2.694 million, which is a significant increase of 23% compared to the PAT of RM2.190 million in 1Q2013.

#### **15. Current Year Prospects**

Global growth is expected to be concentrated within the Asian region and with Japan's recent "Abenomics" monetary policy showing some positive results, global exports and demand are likely to be sustainable in 2013.

The Group will strive to continuously enhance the efficiency and productivity of the Group's operations - to streamline processes, and achieve cost competitiveness and quality product commitment to customers. With this in view, the Group will endeavour to deliver a satisfactory set of financial performance for the year ending 31 December 2013.

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### EXPLANATORY NOTES PURSUANT TO MFRS 134

#### 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 year under review.

#### 17. Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 Months Ended		Cumulative quarter 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Interest income	(243)	(312)	(483)	(679)
Depreciation of property, plant & equipment	2,067	2,101	4,150	4,188
Gain on disposal of property, plant and equipment	-	(18)	(19)	(128)
Interest expense	-	-	-	25
Foreign exchange loss/(gain) - realised	(490)	143	(429)	(391)

#### 18. Taxation

	3 Months Ended		6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Income tax	1,130	1,005	1,900	2,010
Deferred tax	(257)	(159)	(257)	(317)
	<u>873</u>	<u>846</u>	<u>1,643</u>	<u>1,693</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 Group's effective tax rate for the current quarter under review is 24.5%, which is similar to the previous corresponding period's effective tax rate.

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### EXPLANATORY NOTES PURSUANT TO MFRS 134

#### 19. Unquoted investments and/or properties

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

#### 20. Quoted investments

As at 30 June 2013, the Group's quoted investments are as follows:

	<b>Group</b>	
	<b>Carrying amount</b>	<b>Market value of quoted investments</b>
	<b>RM</b>	<b>RM</b>
<b>Investments - Available for sale</b>		
Quoted investment in Malaysia	100,800	132,400

#### 21. Status on corporate proposals

There was no corporate proposal announced or not completed as at the date of this quarterly report.

#### 22. Group borrowings

There were no borrowings by the Group as at 30 June 2013.

#### 23. Financial Derivatives

With the adoption of MFRS 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 30 June 2013 and 31 December 2012 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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### EXPLANATORY NOTES PURSUANT TO MFRS 134

	<b>Current quarter ended 30 June 2013 RM'000 (unaudited)</b>	<b>Previous financial year ended 31 Dec 2012 RM'000 (audited)</b>
Total retained profits of BP Plastics Holding Berhad and its subsidiaries:		
- Realised	104,787	103,505
- Unrealised	(10,207)	(10,207)
	<hr/> 94,580	<hr/> 93,298
Less: Consolidation adjustments	(36,281)	(36,281)
Total Group retained profits as per consolidated accounts	<hr/> 58,299	<hr/> 57,017

#### 25. Capital Commitments

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

	<b>30 June 2013 RM'000</b>	<b>31 Dec 2012 RM'000</b>
Approved and contracted for	1,353	2,587

#### 26. Material litigation

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

#### 27. Dividend

The Board of Directors of the Company has declared an interim tax exempt dividend of 4% (2 sen per share) in respect of the financial year ending 31 December 2013. The entitlement date is fixed on 3 September 2013 and payment will be made on 19 September 2013.

#### 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 2012 was not subject to any audit qualification.

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### EXPLANATORY NOTES PURSUANT TO MFRS 134

#### 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		6 months Ended	
		30 June	30 June	30 June	30 June
		2013	2012	2013	2012
Net Profit for the period	(RM'000)	2,694	2,605	4,883	4,988
Weighted average number of ordinary shares in issue	('000)	180,086	180,086	180,086	180,086
Basic earnings per share	(sen)	1.50	1.45	2.71	2.77

**By Order of the Board**

**Company Secretary**

DATED: 19 August 2013