

BP PLASTICS HOLDING BHD

(Company No. 644902-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 15 August 2014.

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 2013. 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 2013.

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 2013. The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2013 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations does not have any material impact on the financial statements of the Group.

3. Standards and interpretations issued but not yet effective

As at date of authorization of issuance of these interim financial statements, the following new MFRS was issued but not yet effective, and has not been applied by the Group and the Company as follows:

<u>MFRS</u>	<u>periods beginning on or after</u>	Effective for financial
- MFRS 9 Financial Instruments		1 January 2015

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

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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 results.

7. Debt and equity securities

For the current financial quarter, the Company increased its paid-up capital to RM90,223,875 through the issuance of 307,000 ordinary shares of RM0.50 each under the Employees Share Option Scheme at an issue price of RM0.53 per ordinary share for 297,000 shares and at issue price of RM0.62 per ordinary share for 10,000 shares.

Other than the above, there was no issuance or repayment of debt and equity securities, share buy-backs and share cancellations, for the current quarter under review.

As at 30 June 2014, 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

No dividend was paid during the current financial quarter under review.

9. Segment information

The Group is principally involved in manufacturing and trading of plastics packaging products which are 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 derived from the local and export markets as follows:

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	Current quarter		Cumulative quarter	
	3 Months Ended		6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Operating revenue:				
- Local	16,644	14,059	32,712	28,295
- Export	58,840	41,562	115,201	78,846
Total operating revenue	<u>75,484</u>	<u>55,621</u>	<u>147,913</u>	<u>107,141</u>

10. Material events subsequent to the balance sheet date

There were no other material events subsequent to the quarter ended 30 June 2014 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.

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 2013.

13. Review of performance

For the 6 months ended 30 June 2014, the Group achieved higher operating revenue of RM147.91 million, an increase of 38.05% compared to RM107.14 million in the corresponding period last year. The increase in revenue is due to higher sales, particularly in the export market.

The Group achieved a higher unaudited profit before tax (PBT) for the period under review of RM8.57 million, an increase of 31.24% compared to PBT of RM6.53 million in the same period last year. This was mainly contributed by higher revenue growth.

Unaudited profit after tax (PAT) for the period under review is higher by 31.56% at RM6.42 million, compared to the PAT of RM4.88 million in the same corresponding period last year.

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14. Variation of results against last quarter

Operating revenue for the current quarter ended 30 June 2014 of RM75.48 million is higher by 4.21% compared to RM72.43 million in the preceding quarter of 1Q2014.

Unaudited profit before tax (PBT) of RM4.32 million for the quarter under review, was higher by 1.65% compared with the PBT of RM4.25 million in the preceding quarter..

Unaudited profit after tax (PAT) for the quarter under review was also higher at RM3.24 million, which is an increase of 1.89%, compared to the PAT of RM3.18 million in 1Q2014.

15. Current Year Prospects

Recognising the higher operating costs due to the effects of government fuel subsidy reduction which triggered higher electricity, domestic transportation and packaging costs, and higher wage cost arising from the nationwide minimum wage implementation, the Group shall continue to enhance its internal process efficiencies and productivity. With improved consumer confidence in advanced nations and steady increase in external demand for manufacturing goods, the Group continues to seek opportunities and implement strategies to achieve higher export sales. With this in view, the Group endeavours to deliver a satisfactory financial performance for the year ending 31December 2014.

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		Cumulative quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(194)	(243)	(488)	(483)
Depreciation of property, plant & equipment	2,088	2,067	4,166	4,150
Gain on disposal of property, plant and equipment	-	-	-	(19)
Interest expense	-	-	11	-
Foreign exchange loss/(gain) - realised	(220)	(490)	(355)	(429)

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18. Taxation

	3 Months Ended		6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income tax	1,292	1,130	2,577	1,900
Deferred tax	(212)	(257)	(424)	(257)
	<u>1,080</u>	<u>873</u>	<u>2,153</u>	<u>1,643</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 was 25%, which is comparable with the previous corresponding period's effective tax rate of 25%.

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 2014, the Group's quoted investments are as follows:

	Group	
	Carrying amount RM	Market value of quoted investments RM
Investments - Available for sale		
Quoted investment in Malaysia	100,800	135,400

21. Status on corporate proposals

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

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22. Group borrowings

The Group has no borrowing as at end of the current quarter under review.

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 2014 and 31 December 2013 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.

	Current quarter ended 30 Jun 2014 RM'000 (unaudited)	Previous financial year ended 31 Dec 2013 RM'000 (audited)
Total retained profits of BP Plastics Holding Berhad and its subsidiaries:		
- Realised	105,964	106,168
- Unrealised	(9,419)	(10,638)
	96,545	95,530
Less: Consolidation adjustments	(35,615)	(35,615)
Total Group retained profits as per consolidated accounts	60,930	59,915

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25. Capital Commitments

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

	30 June 2014 RM'000	31 Dec 2013 RM'000
Approved and contracted for	10,315	859

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 proposed an interim dividend (Single-Tier) of 6% (3 sen per share) in respect of the financial year ending 31 December 2014. The entitlement date is fixed on 8 September 2014 and payment will be made on 24 September 2014

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 2013 was not subject to any audit qualification.

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 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Net Profit for the period	(RM'000)	3,238	2,694	6,418	4,883
Weighted average number of ordinary shares in issue	('000)	180,140	180,086	180,140	180,086
Basic earnings per share	(sen)	1.80	1.50	3.56	2.71

By Order of the Board

Company Secretary

DATED: 15 August 2014