

BP PLASTICS HOLDING BHD

(Company No. 644902-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 14 November 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>Effective for financial periods beginning on or after</u>
- 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 RM91,688,375 through the issuance of 3,225,000 ordinary shares of RM0.50 each under the Employees Share Option Scheme at an issue price of RM0.53 per ordinary share for 1,081,000 shares and at issue price of RM0.62 per ordinary share for 1,894,000 shares and at issue price of RM0.80 per ordinary share for 250,000 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 September 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

An interim dividend (Single-Tier) of 6% (3 sen per share) in respect of the financial year ended 31 December 2014 was paid on 24 September 2014.

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		9 Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	14,424	14,526	47,136	42,822
- Export	51,944	53,977	167,145	132,822
Total operating revenue	<u>66,368</u>	<u>68,503</u>	<u>214,281</u>	<u>175,644</u>

10. Material events subsequent to the balance sheet date

There were no other material events subsequent to the quarter ended 30 September 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

Baoman Rubber Limited ("Baoman") has been officially dissolved in accordance with the law of Cambodia on 25 September 2014. The Company received the aforesaid notification on 30 September 2014. The dissolution of Baoman had no significant financial and operational impact on the BPPLAS Group.

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 9 months ended 30 September 2014, the Group achieved higher operating revenue of RM214.28 million, an increase of 22.0% compared to RM175.64 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 RM10.42 million, an increase of 5.79% compared to PBT of RM9.85 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 4.82% at RM7.83 million, compared to the PAT of RM7.47 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 September 2014 of RM66.37 million was lower by 12.07% compared to RM75.48 million in the preceding quarter of 2Q2014.

Unaudited profit before tax (PBT) of RM1.85 million for the quarter under review was lower by 57.18% compared with the PBT of RM4.32 million in the preceding quarter.

Unaudited profit after tax (PAT) for the quarter under review was also lower at RM1.41 million, which is a decrease of 56.48%, compared to the PAT of RM3.24 million in 2Q2014.

The lower PBT and PAT achieved were mainly attributable to lower volume of sales amidst heightened competition which also resulted in margin pressure coupled with higher operating costs.

15. Current Year Prospects

With the focus on improving its cost management, the Group is continuing its cost-optimization efforts to enhance its internal process efficiencies and productivity in the face of rising operating costs due to the effects of government fuel subsidy reduction which triggered higher electricity, domestic transportation and packaging costs, and the higher wage cost arising from the nationwide minimum wage implementation. With consumer confidence in advanced nations gaining traction and the envisage increase in global demand for manufacturing goods, the Group continues to seek opportunities for machine and product innovation, and implement strategies to achieve higher export sales. With this in view, the Group is cautiously optimistic of delivering a satisfactory financial performance for the year ending 31 December 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 3 Months Ended		Cumulative quarter 9 Months Ended	
30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013

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	RM'000	RM'000	RM'000	RM'000
Interest income	(197)	(364)	(684)	(847)
Depreciation of property, plant & equipment	2,057	2,055	6,223	6,206
Gain on disposal of property, plant and equipment	(40)	-	(40)	(19)
Interest expense	-	-	11	-
Foreign exchange loss/(gain) - realised	154	770	(201)	341

18. Taxation

	3 Months Ended		9 Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Income tax	629	1,018	3,206	2,918
Deferred tax	(192)	(280)	(616)	(537)
	<u>437</u>	<u>738</u>	<u>2,590</u>	<u>2,381</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 24%, which is higher than the previous corresponding period's effective tax rate of 22%.

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

	Group
	Carrying amount
	Market value of quoted investments

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Investments - Available for sale	RM	RM
Quoted investment in Malaysia	100,800	124,800

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

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 September 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	Previous financial year ended
	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
	<i>(unaudited)</i>	<i>(audited)</i>
Total retained profits of BP Plastics Holding Berhad and its subsidiaries:		
- Realised	101,566	106,168

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- Unrealised	(9,108)	(10,638)
	<u>92,458</u>	<u>95,530</u>
Less: Consolidation adjustments	(35,615)	(35,615)
Total Group retained profits as per consolidated accounts	<u>56,843</u>	<u>59,915</u>

25. Capital Commitments

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

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Approved and contracted for	7,817	859

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 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		9 months Ended	
		30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
Net Profit for the period	(RM'000)	1,410	2,588	7,828	7,470
Weighted average number of ordinary shares in issue	('000)	183,342	180,086	183,342	180,086

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Basic earnings per share	(sen)	0.77	1.44	4.27	4.15
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By Order of the Board

Company Secretary

DATED: 14 November 2014