

# 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 2015

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### PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

#### A.1 Corporate information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2015.

#### A.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 Main Market 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 2014. 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 2014.

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 2014.

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

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

##### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016*

- Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7 Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

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### A.3 Standards and interpretations issued but not yet effective (cont'd)

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (cont'd)*

- Amendments to MFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets – Classification of Acceptance Methods of Depreciation and Amortisation
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119 Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127 Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*

- MFRS 15 Revenue from Contracts with Customers

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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

### A.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.

### A.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.

### A.6 Changes in estimates

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

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### A.7 Debt and equity securities

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 2015, 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.

### A.8 Dividend paid

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

### A.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:

	Current quarter		Cumulative quarter	
	3 Months ended		6 Months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	13,314	16,644	28,156	32,712
- Export	53,887	58,840	105,890	115,201
Total operating revenue	<u>67,201</u>	<u>75,484</u>	<u>134,046</u>	<u>147,913</u>

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

There were no other material events subsequent to the quarter ended 30 June 2015 that have not been reflected in the interim financial statements as at the date of this report.

### A.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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### **A.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 2014.

### **PART B: ADDITIONAL NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

#### **B.1 Review of performance**

For the 6 months ended 30 June 2015, the Group achieved lower operating revenue of RM134.05 million, a decrease of 9.37% compared to RM147.91 million in the corresponding period last year. The decrease in revenue is due to weakened domestic market sales impacted by the GST implementation since 1 April 2015.

The Group achieved a higher unaudited profit before tax (PBT) for the period under review of RM9.86 million, an increase of 15.05% compared to PBT of RM8.57 million in the same period last year due to lower raw material costs consumed.

Unaudited profit after tax (PAT) for the period under review is also higher by 21.96% at RM7.83 million, compared to the PAT of RM6.42 million in the same corresponding period last year.

#### **B.2 Variation of results against last quarter**

Operating revenue for the current quarter ended 30 June 2015 of RM67.20 million was slightly higher by 0.52% compared to RM66.85 million in the preceding 1Q2015.

Unaudited profit before tax (PBT) of RM5.26 million for the quarter under review was higher by 14.35% compared with the PBT of RM4.60 million in the preceding quarter.

Unaudited profit after tax (PAT) for the quarter under review was also higher at RM4.42 million, which is an increase of 29.62%, compared to the PAT of RM3.41 million in the preceding 1Q2015.

The higher PBT and PAT achieved were mainly attributable to the higher selling prices and the favourable foreign exchange gained from export sales arising from the weakened Ringgit Malaysia.

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### B.3 Current year prospects

The Board is mindful of the many challenges ahead arising from volatilities of crude oil prices and the foreign exchange rate as well as the weakening domestic demand while competition continues to intensify. With consumer confidence in advance nations gaining traction and the envisaged gradual increase in global demand for manufacturing goods as well as packaging consumption, the Group continues to seek opportunities for machine and product innovations, and implement strategies to achieve higher sales.

The Board is pleased to inform that the new stretch film machine was successfully commissioned in June 2015. With the enhancement of additional production capacity and on-going cost management and rationalisation measures coupled with progressive quality and efficiency enhancements, barring any unforeseen circumstances, the Group will endeavour to deliver a satisfactory performance in the financial year ending 31 December 2015.

### B.4 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.

### B.5 Profit before tax

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	3 Months ended		6 Months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(231)	(194)	(469)	(488)
Depreciation of property, plant and equipment	1,870	2,088	3,743	4,166
Gain on disposal of property, plant and equipment	-	-	(11)	-
Interest expense	-	-	7	11
Foreign exchange loss/(gain) – realised	(279)	(220)	(724)	(355)
Provision for doubtful debt	130	-	130	-

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### B.6 Taxation

	3 Months ended		6 Months ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Income tax	2,243	1,292	2,679	2,577
Deferred tax	(1,404)	(212)	(650)	(424)
	<u>839</u>	<u>1,080</u>	<u>2,029</u>	<u>2,153</u>

Income tax expense is recognised 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 15.97%, which is lower than the previous corresponding period's effective tax rate of 25% mainly due to 1% reduction in current year income tax rate and overprovision of deferred tax in prior year.

### B.7 Unquoted investments and/or properties

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

### B.8 Quoted investments

As at 30 June 2015, 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	126,400

### B.9 Status on corporate proposals

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

### B.10 Group borrowings

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

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### B.11 Financial derivatives

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

### B.12 Realised and unrealised profits disclosure

The breakdown of the retained profits of the Group as at 30 June 2015 and 31 December 2014 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010, and prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Current quarter ended 30 Jun 2015 RM'000 (unaudited)</b>	<b>Previous financial year ended 31 Dec 2014 RM'000 (audited)</b>
Total retained profits of BP Plastics Holding Berhad and its subsidiaries:		
- Realised	105,788	104,694
- Unrealised	(8,804)	(9,908)
	96,984	94,786
Less: Consolidation adjustments	(35,700)	(35,700)
Total Group retained profits as per consolidated accounts	61,284	59,086

### B.13 Capital commitment

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

	<b>30 Jun 2015 RM'000</b>	<b>31 Dec 2014 RM'000</b>
Approved and contracted for	560	8,280

### B.14 Material litigation

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

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### B.15 Dividend

On 22 May 2015, the Board of Directors of the Company had declared a Special Single-tier interim dividend of 4% (2 sen per share) in respect of the financial year ending 31 December 2015. The entitlement date was fixed on 18 June 2015 and payment was made on 2 July 2015.

On 14 August 2015, the Board of Directors of the Company declared an interim dividend (Single-tier) of 6% (3 sen per share) in respect of the financial year ending 31 December 2015. The entitlement date is fixed on 15 September 2015 and payment will be made on 30 September 2015.

### B.16 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 2014 was not subject to any audit qualification.

### B.17 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	30 Jun	30 Jun	30 Jun
		2015	2014	2015	2014
Net profit for the period	(RM'000)	4,416	3,238	7,828	6,418
Weighted average number of ordinary shares in issue	('000)	187,688	180,140	186,626	180,140
Basic earnings per share	(sen)	2.35	1.80	4.19	3.56

**By Order of the Board**

**Company Secretary**

DATED: 14 August 2015