BP PLASTICS HOLDING BHD (644902-V)

5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading
83300 Batu Pahat, Johor Darul Takzim, Malaysia

Tel: 607 455 7633 • Fax: 607 455 7699

www.bpplas.com

BP PLASTICS HOLDING BHD (644902-V) ANNUAL REPORT 2012

南源塑膠控股有限公司
BP PLASTICS HOLDING BHD
(644902-V)

BPPLAS

ANNUAL REPORT 2012

STRETCHING *beyond*

INFINITY™ Stretch Film

HILLPLUS Stretch Film

PRIORITY MACHINE WRAP

PRIORITY MACHINE WRAP

VISION and MISSION

VISION
To be the plastics packaging specialist of choice in Asian Region

MISSION
To produce reliable and high quality packaging products for industries.

BPPLAS is a Polyethylene Film and Bag manufacturer. We specialize in stretch, and shrink films that are used to protect and enhance palletized goods product safety handling in warehousing and transportation. BPPLAS also produce various premier quality flat polyethylene film for printing, lamination, surface protective film, air cargoes packaging film, builder film and various customized polyethylene bag targeted for different industrial packaging application to improve packaging integrity and/or shelf life.

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CORPORATE DATA

BOARD OF DIRECTORS

Lim Chun Yow
Chairman and Managing Director
Tan See Khim
Executive Director
Hey Shiow Hoe
Executive Director
Boo Chin Liong
Senior Independent Non-Executive Director
Koh Chin Koon
Independent Non-Executive Director
Lim Kim Hock
Independent Non-Executive Director

COMPANY SECRETARY

Chua Siew Chuan
(MAICSA 0777689)

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd *(36869-T)*
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2084 9000
Fax: 03-2094 9940

REGISTERED OFFICE

5A Jalan Wawasan 2
Kawasan Perindustrian Sri Gading
83300 Batu Pahat
Johor Darul Takzim
Tel: 07-455 7633
Fax: 07-455 7699
Email: enquiry@bpplas.com

HEAD/MANAGEMENT OFFICE

5A Jalan Wawasan 2
Kawasan Perindustrian Sri Gading
83300 Batu Pahat
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Tel: 07-455 7633
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WEBSITE

www.bpplas.com

AUDITORS

Ernst & Young *(AF 0039)*
Chartered Accountants
Level 16-1, Jaya 99
99 Jalan Tun Sri Lanang
75100 Melaka.
Tel: 06-288 2399
Fax: 06-283 2899

STOCK EXCHANGE LISTING

BPPLAS (5100)
Main Board of the Bursa Malaysia Securities Berhad
(Listed on 23rd February, 2005)

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

AUDIT COMMITTEE

- **Koh Chin Koon** *(Chairman)*
  Independent Non-Executive Director
- **Boo Chin Liong** *(Member)*
  Senior Independent Non-Executive Director
- **Lim Kim Hock** *(Member)*
  Independent Non-Executive Director

NOMINATION COMMITTEE

- **Boo Chin Liong** *(Chairman)*
  Senior Independent Non-Executive Director
- **Koh Chin Koon** *(Member)*
  Independent Non- Executive Director
- **Lim Kim Hock** *(Member)*
  Independent Non-Executive Director

REMUNERATION COMMITTEE

- **Lim Kim Hock** *(Chairman)*
  Independent Non-Executive Director
- **Koh Chin Koon** *(Member)*
  Independent Non-Executive Director
- **Hey Shiow Hoe** *(Member)*
  Executive Director
- **Boo Chin Liong** *(Member)*
  Senior Independent Non-Executive Director

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

- **Lim Chun Yow** *(Chairman)*
  Chairman and Managing Director
- **Tan See Khim** *(Member)*
  Executive Director
- **Hey Shiow Hoe** *(Member)*
  Executive Director
- **Gavin Tan Siau Hui** *(Member)*
  HR/Admin Manager

RISK MANAGEMENT COMMITTEE

- **Hey Shiow Hoe** *(Chairman)*
  Executive Director
- **Tan See Khim** *(Member)*
  Executive Director
- **Gavin Tan Siau Hui** *(Member)*
  HR/Admin Manager
- **Lee Kuan Hock** *(Member)*
  Finance Manager
- **Tay Peh Hwee** *(Member)*
  Plant Manager
- **Foo See Boon** *(Member)*
  Maintenance Manager
- **Koh Chu How** *(Member)*
  Marketing Manager

INVESTOR RELATIONS

- **Mr. Lim Chun Yow**
  (Chairman/Managing Director)
  Tel: 07-4557633
  Fax: 07-4556799
  Email: ir@bpplas.com

CORPORATE STRUCTURE

BPPLAS

南源塑膠控股有限公司

BP PLASTICS HOLDING BHD

(644902-V)

100%
BP Plastics Sdn Bhd
(Company No. 221104-W)

100%
BPPlas Plantation Sdn Bhd
(Company No. 904086-A)

100%
Baoman Rubber Limited (Cambodia)
(Company No. 2039E/2010)

100%
BP Packaging Sdn Bhd
(Company No. 540196-U)

CORPORATE PROFILE

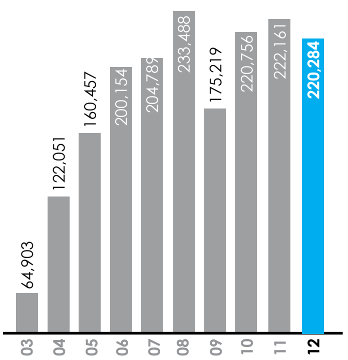
BP Plastics Holding Bhd, an investment holding and provision of management services company, was incorporated in Malaysia under the Companies Act, 1965 on 9 March, 2004.

The principal activities of its subsidiaries are as follows:

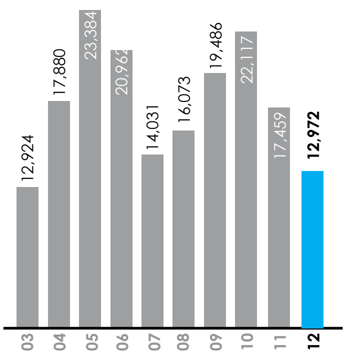
Company	Date and Country of Incorporation	Equity Interest (%)	Principal Activities
BP Plastics Sdn Bhd *(Company No: 221104-W)*	18 July, 1991/ Malaysia	100	Manufacturing
BP Packaging Sdn Bhd *(Company No: 540196-U)*	23 February, 2001/ Malaysia	100	Trading
BPPlas Plantation Sdn Bhd *(Company No: 904086-A)*	10 June, 2010/ Malaysia	100	Dormant
Baoman Rubber Limited *(Company No: 2039E/2010)*	5 October, 2010/ Cambodia	100	Dormant

PAST YEARS FINANCIAL HIGHLIGHTS

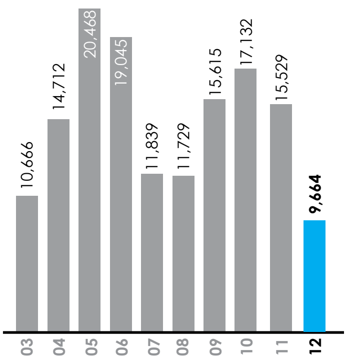
TURNOVER (RM'000)



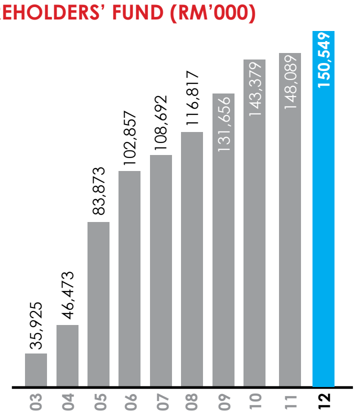
PROFIT BEFORE TAX (RM'000)



PROFIT AFTER TAX (RM'000)



SHAREHOLDERS' FUND (RM'000)



	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
TURNOVER	64,903	122,051	160,457	200,154	204,789	233,488	175,219	220,756	222,161	**220,284**
EBITDA	15,303	21,389	27,488	26,582	19,888	22,544	26,234	29,424	24,476	**21,413**
PROFIT BEFORE TAX	12,924	17,880	23,384	20,962	14,031	16,073	19,486	22,117	17,459	**12,972**
PROFIT AFTER TAX	10,666	14,712	20,468	19,045	11,839	11,729	15,615	17,132	15,529	**9,664**
SHAREHOLDERS' FUNDS	35,925	46,473	83,873	102,857	108,692	116,817	131,656	143,379	148,088	**150,549**
ROE	34.58%	35.71%	31.41%	20.40%	11.19%	10.40%	12.57%	12.46%	10.66%	**6.47%**
NON CURRENT ASSET	36,325	37,543	64,158	67,598	72,074	67,217	70,392	67,144	76,104	**71,681**
ROA	29.36%	39.19%	31.90%	28.17%	16.43%	17.45%	22.18%	25.52%	20.41%	**13.48%**
EPS *	8.89	12.26	17.06	15.86	9.86	6.51	8.67	9.51	8.62	**5.37**
Net Div (sen)	na	na	7	5	3	2	3	4	4	**4**
NTA per share (RM)	na	0.57	0.72	0.86	0.91	0.65	0.73	0.80	0.82	**0.84**

** based on 120 Million shares for 2003 to 2005, 120.08 Million shares for 2006 to 2007, 180.12 Million shares for 2008 to 2009, 180.11 Million shares for 2010 and 180.09 Million shares for 2011 and 2012.*

Note:
The financial figures for 2003 and 2004 are prepared based on proforma consolidated basis on the assumption that the current structure of the Group has been in existence since the financial year ended 31 December 2000.

BOARD OF DIRECTORS

From Left to Right

Mr. Boo Chin Liong

Mr. Koh Chin Koon

Mr. Lim Kim Hock

Mr. Hey Shiow Hoe

Mr. Lim Chun Yow

Mr. Tan See Khim

BOARD OF DIRECTORS (CONT'D)

LIM CHUN YOW

Age: 50

Nationality: Malaysian

Position in the Company: Chairman and Managing Director

Qualification: Holds a degree in Bachelor of Science in Business Administration from The Ohio State University, United State of America in 1985.

Working Experience: He started his career as a Sales and Marketing Executive with a plastic bag manufacturer in 1986 after graduation from a University in USA. In 1990, he set up a business with two co-founders of BP Plastics. He was appointed as the Managing Director and Chairman of the Company on 3rd September, 2004 and 23rd November, 2005 respectively. He also sits on the board of several private limited companies.

Other Directorship of Public Companies: None

Details of Any Board Committee to which He Belongs: He is the Chairman of ESOS Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

TAN SEE KHIM

Age: 49

Nationality: Malaysian

Position in the Company: Executive Director

Qualification: Holds a Certificate in Senior Middle Three from Chung Hwa High School in Muar in 1982.

Working Experience: He was appointed as an Executive Director of the Company on 3rd September, 2004. He is a co-founder of BP Plastics Sdn Bhd. He was involved in the sales, trading, marketing, distribution, resource planning and training in consumer products in between 1983 and 1990, prior to the establishment of BP Plastics Sdn Bhd in 1991. His experience and knowledge in sales have been very instrumental towards the growth of the Company. He also sits on the board of several private limited companies.

Other Directorship of Public Companies: None

Details of Any Board Committee to which He Belongs: He is a member of the ESOS and the Risk Management Committees of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

BOARD OF DIRECTORS (CONT'D)

HEY SHIOW HOE

Age: 50

Nationality: Malaysian

Position in the Company: Executive Director

Qualification: Holds a degree in Bachelor of Science in Industrial and Systems Engineering from The Ohio State University, United State of America in 1986.

Working Experience: He was appointed as an Executive Director of the Company on 3rd September, 2004. He is a co-founder of BP Plastics Sdn Bhd. He started his career in a plastic manufacturing company upon his graduation in 1986. He was responsible for the strategic planning and total management of the manufacturing operations, infrastructure upgrading and development, technical improvement and support to the production team ever since the business set up of BP Plastics Sdn Bhd. He also sits on the board of several private limited companies.

Other Directorship of Public Companies: None

Details of Any Board Committee to which He Belongs: He is a member of the Remuneration and the ESOS Committees of the Company. He is also the Chairman of the Risk Management Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

BOO CHIN LIONG

Age: 52

Nationality: Malaysian

Position in the Company: Senior Independent Non-Executive Director

Qualification: Holds a Bachelor of Law (Honours) degree from the University of Malaya in 1985 and was called to Bar in 1986.

Working Experience: He was appointed as an Independent Non-Executive Director of the Company on 3rd September, 2004. He is an advocate and solicitor and has been in active legal practice since 1986. He is a founding partner of Messrs. C. L. Boo & Associates. He also sits on the board of several private limited companies.

Other Directorship of Public Companies: He sits on the board of Poh Huat Resources Holdings Bhd, a company listed on Bursa Malaysia Securities Berhad.

Details of Any Board Committee to which He Belongs: He is the Chairman of the Nomination Committee of the Company. He also is the member of the Audit and the Remuneration Committees of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

Mr. Boo Chin Liong who has served the Company for more than nine years, has expressed his intention to retire at the conclusion of the Ninth AGM. This is in line with Recommendation 3.2 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), which states that the tenure of an independent director should not exceed a cumulative term of nine years. Hence, he will retain office until the close of the Ninth AGM.

BOARD OF DIRECTORS (CONT'D)

KOH CHIN KOON

Age: 43

Nationality: Malaysian

Position in the Company: Independent Non-Executive Director

Qualification: Holds a Bachelor Degree of Accounting (Hon) from University of Malaya in 1995 and joined Malaysia Institute of Accountants (MIA) and Malaysia Institute of Taxation (MIT) in 1999 and 2000 respectively.

Working Experience: He was appointed as an Independent Non-Executive Director of the Company on 3rd September, 2004. He was employed by Arthur Andersen & Co (Malacca Branch) as a Tax Assistant after he completed his Bachelor Degree and promoted as Tax Experience Senior during the employment. He left Arthur Andersen & Co and joined Chin & Co as a Tax Manager in 2000. After obtained a wide range of experience from his last employment involved in advising clients including private companies, public listed companies and government organizations, he set up Koh & Siow Management Services in 2001. He is also an approved tax agent under section 153(3)(b) pursuant to Income Tax Act, 1967 by Ministry of Finance since 2001. He also sits on the board of several private limited companies.

Other Directorship of Public Companies: He is an Independent Non-Executive Director of SKP Resources Bhd, a company listed on the Bursa Malaysia Securities Berhad.

Details of Any Board Committee to which He Belongs: He is a member of the Remuneration and the Nomination Committees of the Company. He is also the Chairman of the Audit Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

Pursuant to Recommendation 3.2 of the MCCG 2012, Mr. Koh Chin Koon who retires by rotation in accordance with Article 92 of the Company's Articles of Association, and who has served the Company for more than nine years, has expressed his intention not to seek re-election. Hence, he will retain office until the close of the Ninth AGM.

LIM KIM HOCK

Age: 47

Nationality: Malaysian

Position in the Company: Independent Non-Executive Director

Qualification: Member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation; and Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW). He holds a Bachelor Degree in Accountancy in the United Kingdom in 1988 and Chartered Accountancy (Institute of Chartered Accountants in England and Wales) qualification in 1992.

Working Experience and Occupation: He started his articleship at Garners, Chartered Accountants, United Kingdom in 1988 until 1992. He joined Price Waterhouse in 1992 and was promoted to the position of Senior Consultant before he left the firm 3 years later to head the Finance Division of a subsidiary of Arab-Malaysian Development Berhad. Subsequently, he joined the Rashid Hussain Berhad Group and his employment stint with the group included a 2½ years overseas posting as the Director and Head of Finance and Administration for the group's subsidiary in Indonesia. He is currently in public practice as a Chartered Accountant and the Managing Director of Alliance Corporate Taxation Services Sdn. Bhd., a tax advisory and consulting company. He also sits on the Board of several private limited companies.

Other Directorship of Public Companies: None.

Details of Any Board Committee: He is a member of the Audit and the Nomination Committees of the Company. He is also the Chairman of the Remuneration Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 6/6

Green

Mini Roll

Stretch film

Shrink film

Priority Machine Roll

Lamination-based coating film

INFINITY Stretch film

BPPLAS

INFINITY™ HILLPLUS™ PRIORITY™ PRIORITY™

ADDITIONAL INFORMATION

FAMILY RELATIONSHIP WITH THE DIRECTOR AND SUBSTANTIAL SHAREHOLDERS

Mr. Tan See Khim and Mr. Lim Chun Yow are brother-in-law of Mr. Hey Shiow Hoe. They are the Directors and major shareholders of the Company. Mr. Lim Chun Yow, Mr. Hey Shiow Hoe and Mr. Tan See Khim are also Directors and substantial shareholders of LG Capital Sdn. Bhd. (a major shareholder of the Company).

Save as disclosed above, none of the Director of the Company has any relationship with any Director or substantial shareholder of the Company.

SHARE BUY-BACK

The Company did not enter into any share buy-back transaction during the financial year ended 31 December 2012.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were issued or exercised by BPPLAS during the financial year ended 31 December 2012.

DEPOSITORY RECEIPT (“DR”) PROGRAMME

During the financial year, BPPLAS did not sponsor any DR Programme.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on BPPLAS and its subsidiaries, by any regulatory bodies during the financial year ended 31 December 2012.

NON-AUDIT FEES

The amount of non-audit fee paid to the External Auditors by the Group during the financial year ended 31 December 2012 amounted to RM22,100/-.

VARIATION IN RESULTS

There was no significant variation between the audited results and the unaudited results for the financial year ended 31 December 2012.

PROFIT FORECAST / PROFIT GUARANTEE

There was no profit forecast/profit guarantee issued by BPPLAS in the financial year ended 31 December 2012.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS’ INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving Directors’ and major shareholders’ interest, in the financial year ended 31 December 2012.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE NATURE

There were no material recurrent related party transactions of a revenue nature during the year other than those disclosed in Note 28 to the financial statements.

CONVICTION FOR OFFENCES

None of the Directors have any conviction for offences within the past ten (10) years other than traffic offences, if any.

ADDITIONAL INFORMATION (CONT'D)

CONFLICT OF INTERESTS

None of the directors have any conflict of interest with the Company.

Save as disclosed below, none of the Directors and major shareholders of the Company are engaged in any related party transactions with the Group:

(a) Pursuant to a written agreement dated 19 March 2012 entered into between BP Plastics Sdn Bhd ("BPSB") and Madam Hey Sio Tong ("HST"), the spouse of Mr. Tan See Khim, and sister of Mr. Hey Shiow Hoe, BPSB is renting an apartment bearing the postal address A-05-04, Vista Komanwel, Bukit Jalil, 57000 Kuala Lumpur and measuring approximately 1,422 square feet from HST at a monthly rental of RM2,000/-.

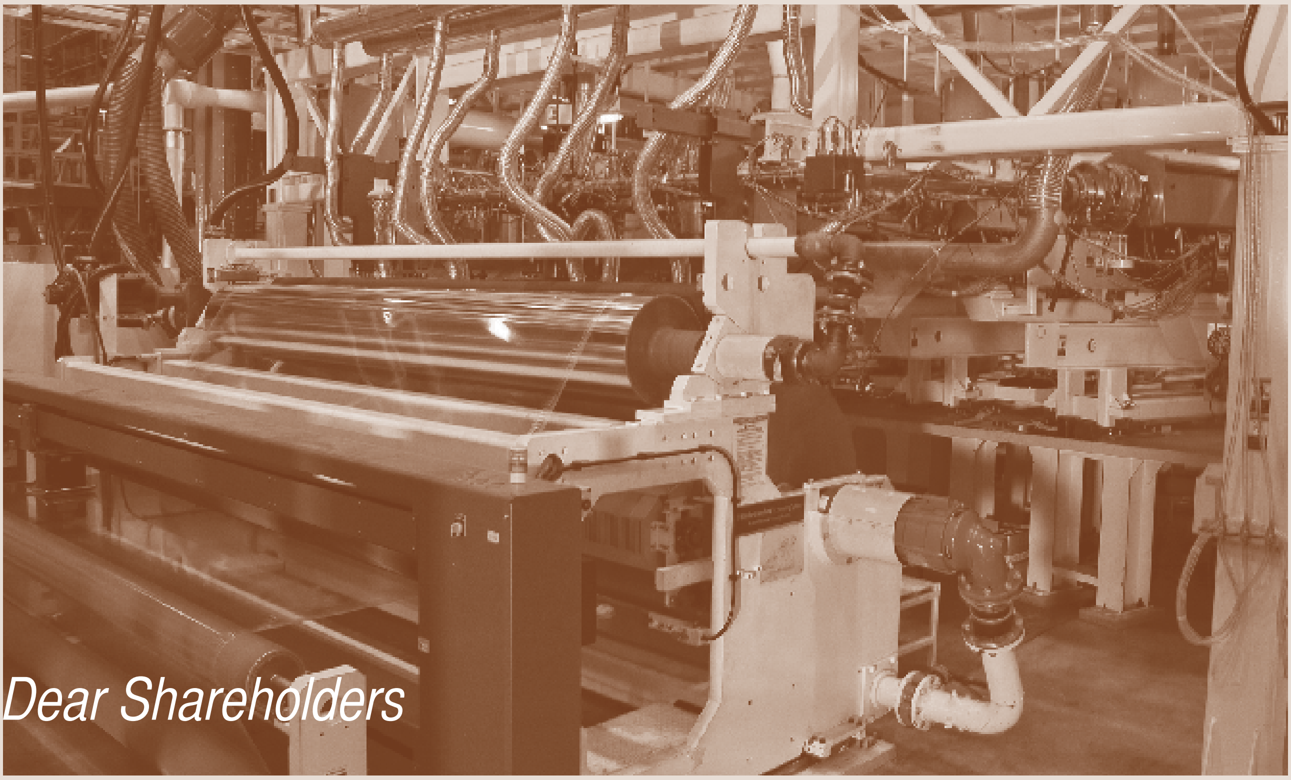
EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The Company had granted options under the ESOS governed by the ESOS By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 10 January 2005. The shareholders had subsequently approved the extension of duration of ESOS for another 5 years to 13 February 2015. There is one (1) ESOS in existence during the financial year ended 31 December 2012 with information as follows:

	During the financial year ended 31 December 2012	Since commencement of the ESOS on 10 January 2005
Total number of options or shares granted	-	13,080,000
Total number of options exercised or shares vested	-	80,500
Total options or shares outstanding	8,604,000	8,604,000

Granted to Directors and Chief Executive	During the financial year ended 31 December 2012	Since commencement of the ESOS on 10 January 2005
Aggregate number of options or shares granted	-	4,040,000
Aggregate number of options exercised or shares vested	-	-
Aggregate number of options or shares outstanding	-	4,040,000
Aggregate maximum allocation in percentage	-	50%
Actual percentage granted	-	22.44 %

CHAIRMAN'S STATEMENT



On behalf of The Board of Directors of BP Plastics Holding Berhad (BPPLAS), it is my pleasure to present the annual report and audited financial statement for the year ended 31st December 2012.

BUSINESS OVERVIEW

The soft global economy, challenging external business environment coupled with high raw material input cost and lower production start ups led to higher operational cost and margin squeeze for financial year 2012. Despite the challenges, the group delivered a modest Return on Equity (ROE) of 6.5% in FY2012 compared to 10.7 % in FY2011.

FINANCIAL PERFORMANCE

BPPLAS Group of Company achieved Revenue of RM220.3 million in FY2012, which is a marginal 1% decline compared to Revenue of RM222.2 million in FY 2011. Due to the higher operating cost, the Group experienced a significant 25.7% decline in Profit Before Tax (PBT) to RM13.0 million in FY2012 compared to PBT of RM17.5 million in FY2011. In addition, the Group's effective tax rate was higher in FY2012 due to the expiry of Reinvestment Allowance (RA) incentive granted to a subsidiary at the end of FY2011. As a result, the Group's Profit After Tax (PAT) was also reduced by a substantial 37% from RM15.5 million in FY2011 to RM9.7 million in FY2012.

EPS recorded for the year was 5.4 sen in FY2012 compared to 8.6 sen in FY2011.

CHAIRMAN'S STATEMENT (CONT'D)

MANAGEMENT REVIEW

Revenue was marginally down, mainly attributable to soft market sentiment and a decelerating global economy which continued to be plagued by persistent debt woes and high unemployment in OECD countries, particularly in the Eurozone and US respectively. The deepening recession in Eurozone, soft and volatile economic recovery in the US dampened consumers' confidence in OECD countries. This dragged down the aggregate world demand and hampered Asian exports, particularly in 2H 2012.

According to Global Purchasing Manager Index (PMI) report, China PMI Index dipped below 50 in 2H 2012, which caused global business sentiment to pull-back and hampered intra- regional trading activities in Asian countries. Despite the Group's efforts to step up on various initiatives to promote sales, the gloomy short term outlook coupled with strong Japanese Yen appreciation hampered the group's opportunity to export more quantity to Japan. The deteriorating export business conditions in Japan prompted more businesses to reduce inventory holding and seek alternative thinner gauge stretch film to achieve ultimate savings on packaging cost. This in turn created challenges for the Group to ramp up overall sales turnover.

In FY2012, the Group export sales increased to 70% compared to 67% in FY2011. The stretch films segment remains our core business which dominates 69% of sales while the other PE films products contribute the balance 31%. Japan maintain as our top export destination with 17% sales. Korea, Australia, Asean and Europe are the other major export destinations. Domestic sales were also lower due to the decelerating global demand which indirectly reduced the consumption of packaging film as there were less demand multiplier effects.

As per Bank Negara report 2012, the world economy registered a 3.2% growth rate in FY2012 due to weak demand. Malaysia achieved a favourable 5.6% GDP growth due to strong domestic-oriented industries performance, particularly the construction related cluster which witnessed robust construction activities and the consumer based cluster which saw strong performance in the transportation equipment production segment, as well as in food and beverage manufacturing.

Although Malaysia's manufacturing sector recorded a healthy 5.5% growth in revenue to RM622.3 billion in FY2012 compared to RM590.1 billion in FY2011, the plastic industry however registered a marginal contraction of 1.2% in sales revenue to RM15.9 billion compared to RM16.1 billion achieved in 2011 due to slowing demand from Euro zone. The plastic packaging segment recorded a 0.8% decline in export revenue to RM7.10 billion compared to RM7.16 billion in 2011. Meanwhile, the plastics Film and Sheet subsector was relatively worse off with 2% contraction in export sales to RM3.63 billion in FY2012 (2011:RM3.71 billion).

The protracted nuclear plant shut down in Japan after the earthquake and tsunami incident in March 2011 not only raised the aggregate demand of heavy crude oil consumption for power and electricity generation but also directly hit Asian naphtha polymer producers with higher cost. The unexpected prolonged high naphtha prices led to a majority of Asian polyethylene (PE) and polypropylene resin producers to scale down their production to limit their financial losses. The acute polymer shortage, particularly tight supply of Linear Low Density Polyethylene (LLDPE), elevated our cost of sales by 2% in FY2012. Despite the Group managing to mitigate polymer supply shortage, the fragile and tepid market condition resulted in margin squeeze under high cost and slow market demand condition.

In summary, the Group's top line performance is largely dependent on global events, but with the Group incurring higher operating cost in FY2012 due to high raw material prices, increased depreciation and utilities cost, bottom line for the year was negatively impacted.

Going forward, the Group is committed and endeavors to focus on cost reduction initiatives and continuous enhancement of employees' skills set development to increase operating efficiency and achieve higher productivity in today's challenging business environment.

CHAIRMAN'S STATEMENT (CONT'D)

INDUSTRY OUTLOOK AND PROSPECT

IMF's Chief, Christine Lagarde reported in early April 2013 that a substantial portion of global economy today looks better than last year and she begins to see momentum picking up in the United States. However, she also cautions that debt issues are still weighing down on growth and dragging out the recession in Euro Zone. She reiterated that Japan's move to weaken Yen to encourage exports shall support world growth. On the other hand, she praised Asian's traditionally impressive growth rate, an enviable performance by any measure, which accounted for 2/3 of global growth in the last 5 years since Lehman's crisis struck.

As Malaysia is strategically situated in the sustainable and fast economic expansion region, the increasing intra-regional trade activities and export opportunities shall underpin the demand for Stretch Film amid some slowdown due to down gauging effect. The recent concerted minimum wage implementation across Asean countries to boost higher domestic consumption and mitigate shrinking exports is expected to spur more investment in fast and efficient automated packaging equipment. Furthermore, with the progressive rise of the affluent and urbanization of the Asian economy, this will stimulate higher demand for sophisticated good quality polyethylene film to meet greater packaging speed in fast moving consumer goods (FMCG).

Since the Group already invested in state- of- the- art co-extrusion blown film machine which can produce good gauge PE film suitable for high quality printing, it is natural for the group to advance forward to produce surface and reverse PE film to cater to the increasing packaging needs of our domestic and export customers. The Group has budgeted a total sum of RM3 million to invest into a 8-colors rotogravure printing machine, a slitter rewinder and its related facilities at our newly completed factory. The Group will add more high quality printing machine after we acquire more skills and sales.

Blown PE Film is a customized product which requires higher skills and therefore it shall provide higher margin to offset the additional labor cost increase arising from the minimum wage implementation.

DIVIDEND

1) First Interim dividend of 4% (2 Sen tax exempt dividend) in respect of financial year ended 31st December 2012 was declared and fully paid on 12th December 2012 and
2) Second Interim dividend of 4% (2 Sen tax exempt dividend) in respect of financial year ended 31st December 2012 was declared and fully paid on 3rd April 2013, respectively.

This brings the total sum of dividend declared and paid out for the year to RM7,203,430, representing 74.5% of PAT in FY2012, which was in line with the Board's decision to distribute at least 40% to our shareholders. Hence, The Board of Directors does not recommend any final dividend for FY2012.

CORPORATE DEVELOPMENT

On 25th Feb 2013, Baoman Rubber Limited (Cambodia) ("Baoman"), an indirect wholly owned subsidiary of the BPPLAS Group, has decided to terminate the application for economic concession rights for agricultural investment land in the Kingdom of Cambodia due to longer than expected waiting time and lapsed of service agreement. There is no liability whatsoever assumed by Baoman following the lapsed of the said service agreement.

Following the decision to abort the agricultural investment in Cambodia, the board will consider other agricultural investments domestically in Malaysia should the opportunity arise. Similarly, the board shall continue to seek prospects for merger and acquisition (M&A) in similar or other industries to better enhance the Return on Equity (ROE) for shareholders.

CHAIRMAN'S STATEMENT (CONT'D)

CORPORATE GOVERNANCE

The board of directors is mindful and cognizant of the requirements and recommendations outlined in the new Malaysian Code on Corporate Governance ("MCCG"), as well as the revised Bursa's guideline on corporate governance and new Statement of Risk Management and Internal Control. As far as is practical, recommended guidelines will be implemented with a view to ensure that an effective governance, risk management and internal control process are in place. In line with the MCCG recommendation that any independent director shall not hold office bearing longer than a cumulative tenure of 9 years, Mr. Koh Chin Koon has expressed that he will not be seeking re-election while Mr. Boo Chin Liong has also indicated his intention to retire at the forthcoming annual general meeting (AGM). Correspondingly, I will also step down from the Chairman position so that a new Independent Chairman can be elected in due course.

APPRECIATION

The board of directors would like to extend our deepest appreciation to both Mr. Koh Chin Koon and Mr. Boo Chin Liong for their valuable service and contributions rendered to the BPPLAS Group throughout their tenure in the past 9 years as independent directors. Lastly, the board would like to express our sincerest thanks to all our advisors, suppliers, shareholders and stakeholders for their unwavering support for the past years.

Sincerely Yours,

CY Lim

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") of BP Plastics Holding Bhd ("BPPLAS") is committed to ensure that best practices of the Malaysian Code of Corporate Governance is practised throughout BPPLAS and its subsidiary companies (the "Group") in directing and managing the Group's businesses and affairs as a fundamental part of discharging its responsibility and to enhance the business prosperity to support the continuous growth of the Group as a long-term commitment to its shareholders and other stakeholders.

The Board has undertaken necessary adjustment on the Group's policies to ensure that the Group is complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (the "Code").

With much pleasure, the Board would like to present the following statement which describes the Group's application on the principles, and the extent of its compliance with the Code.

A. BOARD OF DIRECTORS

1. Board Composition and Board Balance

The Board consists of six (6) Directors, three (3) of whom are Independent Non-Executive Directors and three (3) are Executive Directors. Such composition is able to provide independent and objective judgment to facilitate a balanced leadership in the Group as well as providing effective checks and balance to safeguard the interest of the minority shareholders and other stakeholders as well as ensuring high standards of conduct and integrity are maintained. Whilst Mr. Lim Chun Yow, Mr. Tan See Khim and Mr. Hey Shiow Hoe represent the interests of the major shareholders of the Company, the interest of remaining shareholders are fairly reflected in the Board's representation.

Mr. Lim Chun Yow, who is the Chairman and Managing Director, and the two (2) Executive Directors, namely Mr. Tan See Khim and Mr. Hey Shiow Hoe, are founders of the Company and each of them have more than 20 years of expertise and experience in the plastic packaging business, specializing in bags, film and sheet section. The three (3) founders' extensive experience and in depth knowledge of the plastic packaging industry have enhanced the competitiveness of the Company. The other three Independent Non-Executive Directors are professionals in their own right with wide-ranging experiences, skills and expertise in audit, accounting, taxation, corporate finance and law. The three (3) Independent Non-Executive Directors are not engaged in the daily operations and management of the Company. This ensures that the Independent Non-Executive Directors remain free of conflict of interest situations and enable them to carry out their roles and responsibilities effectively. The Independent Non-Executive Directors, through their varied experiences and qualifications provide effective contributions and support to the Board. The members of the Board are persons of high calibre and integrity with the necessary qualifications, experience and qualities that enable them to discharge their duties effectively. The profile of each member of the Board is set out on pages 5 to 7 of this Annual Report.

2. Board Responsibilities

The Board is responsible for oversight of the overall operations of the Group. The responsibilities of the Board are as set out below:

- To review and approve the strategic direction, planning and execution of the Group's objectives as well as monitoring of Management's performance in implementation.
- overseeing the conduct and the performance of the Group's businesses;
- reviewing and approving all investment and divestment proposals;
- reviewing and approving all corporate plans, budgets and other significant matters of a financial nature;
- reviewing and approving human resource policies and processes involving the planning, appointing, training including succession planning for top management;
- developing an effective framework for identifying and monitoring significant business risks;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

2. Board Responsibilities (cont'd)

- reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines;

- reviewing the Group's strategies on promoting sustainability that focuses on environmental, social and governance (ESG) aspects, and

- developing and implementing an effective public communications programme for the Group.

Mr. Lim Chun Yow, the Chairman cum Managing Director of the Company, leads the Management and is assisted by two (2) Executive Directors. He has successfully led the Group over the past 23 years to transform the Group into one of the leading plastics packaging specialist in Malaysia. Although the Chairman is jointly responsible for the Group's strategic business direction, the roles of the Chairman and Managing Director are separated with clearly defined responsibilities to ensure the balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, together with the Executive Directors, oversees the operations of the Group and implementation of the Board's decisions, business strategies, and policies. The three Independent Directors by virtue of their roles and responsibilities, in effect represent the minority shareholders' interests. The Independent Non-Executive Directors engage proactively with the Management, external and internal auditors to address matters concerning the management and oversight of the Group's business and operations.

Due to the lean organisational structure of the Group, the current size and composition of the Board is sufficient and well balanced, and caters effectively to the scope of the Group's operations. Mr. Boo Chin Liong has been appointed as the Senior Independent Non-Executive Director to facilitate communications with the stakeholders which could not be dealt with by the Chairman/Managing Director or the Executive Directors.

The Board has also delegated certain responsibilities to the Committees of the Board which operate within clearly defined terms of reference. The Committees of the Board comprise of the Audit Committee (see Report on Audit Committee set out on pages 27 to 29, the Remuneration Committee, the Nomination Committee, the Risk Management Committee and the Employees' Share Option Scheme ("ESOS") Committee.

3. Attendance of Board Meetings

Board meetings are scheduled at quarterly intervals with additional meetings held when necessary.

Board meetings are conducted with a structured formal agenda. Board meeting's agenda includes reviews on various aspects of the Group's operations, financial performance, business plan, strategic decisions, major investment, findings from both the external and internal auditors and any other proposals or other significant matters that require direction of the Board. The Board members deliberate, and in the process, assess the viability of business propositions and corporate proposals and the principal risks that may have significant impact on the Group's business or its financial position, and the mitigating factors. Special Board meetings are convened when warranted by situations that require the expeditious direction of the Board.

The Board meetings are chaired by the Chairman who has the responsibility of ensuring that each of the items of the agenda is adequately reviewed and thoroughly deliberated within a reasonable timeframe.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

3. Attendance of Board Meetings (cont'd)

During the financial year under review, six (6) Board Meetings were held. Details of the Directors' attendance at these Board Meetings were as follows:

Board of Director	Total no. of meetings held in 2012	No. of Meetings Attended
Lim Chun Yow	6	6
Tan See Khim	6	6
Hey Shiow Hoe	6	6
Boo Chin Liong	6	6
Koh Chin Koon	6	6
Lim Kim Hock	6	6

The Directors remain fully committed and dedicated as reflected by their full attendance at Board meetings held during the financial year ended 31 December 2012.

4. Supply of Information and Access to Advice

All Board members are provided with relevant information of the Company and the Group to enable them to discharge their duties effectively. A set of board papers for each item of agenda including financial reports and notices are promptly sent to Directors prior to any Board Meeting. This is to accord sufficient time for the Directors to peruse the board papers and to seek any clarification or further details that they may need from the Management or to consult independent advisers, if they deem necessary. The Board also notes the decisions and salient issues deliberated by the Board Committees through minutes of these committees.

The Directors have a duty to declare immediately to the Board should they have any interest in transactions to be entered into directly or indirectly with the Company or the Group. The interested Directors would abstain from deliberations and decisions of the Board on the said transaction. In the event a corporate proposal is required to be approved by shareholders, the interested Directors would also abstain from voting in respect of their shareholdings relating to corporate proposal, and would further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Minutes of each Board meeting are circulated to all Directors at least 7 days before the Board meeting for their perusal prior to confirmation of the minutes during the Board meeting.

Senior management may be invited to attend any Board meetings to provide views and explanations on certain matters being tabled to the Board and to furnish clarification on issues that may be raised by the Directors. The Directors have direct access to senior management and has complete and unimpeded access of information relating to the Group in discharging their duties. The Directors also have the liberty to engage independent professional advice if necessary at the Company's expense. Every Board member has ready and unrestricted access to the advice and the services of the Company Secretary in ensuring the effective functioning of the Board. The Directors are also regularly updated by the Company Secretary on relevant new statutory and regulatory requirements issued by relevant authorities.

5. Qualified and Competent Company Secretary

The Board is supported by qualified and competent Company Secretary on matters relating to the Company's constitution, Board's policies and procedures and any requirement of compliance with the relevant regulatory requirements, codes, guidance or legislations.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that an accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

6. Board Charter

The Board Charter of the Company is in place and posted on the Company's website. The Board acknowledges the importance to spell out the key values, principles and ethos of the Company in view that all the policies and strategy development are derived from these considerations.

The Board will perform periodic review on the Board Charter to ensure accuracy on information and compliance with the Code.

7. Appointment to the Board

The Nomination Committee was formed on 4 May, 2005. The Nomination Committee will review and assess the proposed appointment of Directors, and thereupon recommends to the Board for approval. The Nomination Committee would also ensure that the Board has an appropriate balance of expertise and ability. Another objective of this Committee is to assess the effectiveness of the Board as a whole and the contribution of each individual director on an on-going basis. The Nomination Committee will review annually the required mix of skills, experience and other qualities including core competencies that the Directors should bring to the Board, identify areas for improvement, and review the succession plan for senior management in the Group.

Other responsibilities of this Committee are clearly defined in the terms of reference of the Nomination Committee.

One of the recommendations of the Code is that the chair of the Nomination Committee should be Senior Independent Director identified by the Board. As such, Mr. Boo Chin Liong has been re-designated by the Board as Senior Independent Director on 19 November 2012 based on his qualification and experience.

The Nomination Committee of the Company comprises entirely of Independent Non-Executive Directors as follows:

Members	Designation	Responsibility
Mr. Boo Chin Liong	Senior Independent Non-Executive Director	Chairman
Mr. Koh Chin Koon	Independent Non-Executive Director	Member
Mr. Lim Kim Hock	Independent Non-Executive Director	Member

The Nomination Committee is satisfied with the current board composition. The Committee was of the view that the existing composition of the Board is sufficient and well balanced, caters effectively to the scope of the Group's operation and there is appropriate mix of knowledge, skills, attributes and core competencies in the Board. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively. The Nomination Committee is also satisfied that all the members of the Board are suitably qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, experience and qualities. The Nomination Committee also through its recent annual review assessed the composition and effectiveness of all the Committees of the Board. The Nomination Committee is satisfied with the composition of each Board Committees and their performance.

The Directors have direct access to the advice and the services of the Company Secretary who ensures that all the appointments are properly made and all the necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligation arising from the Listing Requirements of the Bursa Malaysia Securities Berhad and other regulatory requirements.

The Board does not have any gender diversity policies and targets. Nevertheless, the Group practices equal opportunity policy and all appointments and employments are based strictly on merits and are not driven by any racial or gender bias.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

8. Directors' Development and Training

There is a familiarisation programme in place for new Directors, including visits to the Group's business and meetings with senior management where appropriate to facilitate their understanding of the Group's businesses and operations.

All Directors have completed the Mandatory Accreditation Programme ("MAP") pursuant to the requirements of Bursa Securities. The Board acknowledges that the directors of the Company with varied experiences and qualifications provide effective contribution and support to the functions of the Board. The Board has empowered the directors of the Company to determine their own training requirements as they consider necessary or deem fit to enhance their knowledge in new rules and regulations as well as understanding of the Group's business and operations and to keep abreast with current developments in the market place. All the board members have continued to attend seminars and trainings during the financial year in order to enhance their skills and knowledge, and to keep abreast with current market developments. The Board will evaluate and determine the training needs of its Directors on an ongoing basis to assist them to discharge their responsibilities.

The following are training programmes, seminars and briefing attended by Directors of the Company in 2012:

Name of Director	Course Attended	Date of Seminar
Lim Chun Yow	6th MPMA International Plastics Conference 2012	2 & 3 October 2012
	Negotiation & Influencing Skills to Resolve Workplace Conflicts	19 & 20 October 2012
Hey Shiow Hoe	Negotiation & Influencing Skills to Resolve Workplace Conflicts	19 & 20 October 2012
Tan See Khim	Negotiation & Influencing Skills to Resolve Workplace Conflicts	19 & 20 October 2012
Boo Chin Liong	Malaysian Code On Corporate Governance 2012	15 October 2012
Koh Chin Koon	Seminar on the law, the practice and you	4 September 2012
	Workshop on criminal tax investigations and anti-money laundering	13 December 2012
Lim Kim Hock	2012 National Tax Conference	17 & 18 July 2012
	National Budget 2012 Seminar	18 October 2012

9. Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being and those appointed during the financial year shall retire from the office and shall be eligible for re-election. The Articles of Association of the Company also provide that all Directors are required to retire from office once in every three (3) years but shall be eligible for re-election.

Directors who are appointed during the financial year are subjected to re-election following their appointment in accordance with the Company's Articles of Association by shareholders at the Annual General Meeting ("AGM").

CORPORATE GOVERNANCE STATEMENT (CONT'D)

A. BOARD OF DIRECTORS (CONT'D)

10. Annual Assessment of Independence

The Code recommends that the Board should undertake assessment of its independent directors annually. To be in line with such recommendation, the Board has put in place proper policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Group. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Group's business and the reporting of monthly business performance.

The Board had evaluated and is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

11. Tenure of Independent Directors

One of the new recommendations of the Code imposes that the tenure of an independent director should not exceed a cumulative term of nine (9) years to prevent impairment of independence.

Mr. Boo Chin Liong and Mr. Koh Chin Koon are Independent Directors who have served the Board for more than nine (9) consecutive years and they had expressed their intention to retire/not seeking for re-election at the forthcoming Annual General Meeting ("AGM").

12. Separation of Positions of Chairman and Managing Director

The positions of the Chairman and Managing Director are concurrently held by Mr Lim Chun Yow. Nevertheless, the roles of the Chairman and Managing Director are separated with clearly defined responsibilities to ensure the balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, together with the Executive Directors, oversees the operations of the Group and implementation of the Board's decisions, business strategies, and policies.

The Company took cognizance and in line with the Code's recommendations to separate the roles of the Chairman and Managing Director, Mr. Lim Chun Yow has also expressed his intention to step down as Chairman at the forthcoming AGM to allow for an Independent Non-Executive Chairman to be appointed and lead the Board.

B. BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has delegated certain responsibilities to the Board Committees, which operate within clearly defined terms of reference. The committees are:

1) The Audit Committee

The Audit Committee consists of three (3) directors, all of whom are Independent Non-Executive Directors.

The Audit Committee assists and supports the Board's responsibility to oversee the Group's operations by reviewing the Group's financial reporting processes, its internal controls, and is independent of the Group's external and internal auditors. The Audit Committee will discuss with Management and the external auditors the accounting principles and standards that were applied and their opinion on items that may affect the financial statements. The Audit Committee meets the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

B. BOARD COMMITTEES (CONT'D)

1) The Audit Committee (cont'd)

The summary of the terms of reference of the Audit Committee are set out under the Audit Committee Report. The Audit Committee met five (5) times during the financial year and its Report is presented on pages 27 to 29 of this Annual Report.

2) The Nomination Committee

The Nomination Committee met once during the financial year. The Nomination Committee met to approve the principles and processes of assessing the Board's effectiveness and performance evaluation of senior management.

3) The Remuneration Committee

The Board established the Remuneration Committee on 4 May, 2005, which is in compliance with the Code. The Remuneration Committee is made up three (3) Independent Non-Executive Directors and an Executive Director. The members of the Remuneration Committee are as follows:

No.	Members	Designation	Responsibility
1.	Lim Kim Hock	Independent Non-Executive Director	Chairman
2.	Koh Chin Koon	Independent Non-Executive Director	Member
3.	Boo Chin Liong	Senior Independent Non-Executive Director	Member
4.	Hey Shiow Hoe	Executive Director	Member

The Remuneration Committee of the Company has set up a remuneration policy framework and makes recommendations to the Board on the remuneration and other terms of employment for the Executive Directors. The terms of reference of the Remuneration Committee are clearly defined by the Board to its members.

The component parts of directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the levels of remuneration are reflected by the experience, level of responsibilities and the remuneration package for similar positions in the market and time commitment required from the directors. The Executive Directors will abstain from participating in the discussion with respect to their own remuneration. The determination of remuneration of Non-Executive Directors is a matter for the Board as a whole. The individual concerned will abstain from discussion and decision on his own remuneration.

The remuneration of Non-Executive Directors comprises fees, meeting allowances and participation in the Employees Share Option Scheme ("ESOS") while the remuneration package of Executive Directors comprise of basic salary, fees, bonus, and participation in the ESOS. The By-Law and policy of the ESOS have set out a minimum timeframe for any option to be vested in the Executive Directors and Non-Executive Directors of the Company.

The Remuneration Committee will meet at least once a year to carry out the annual review of the overall remuneration policy for Directors whereupon recommendations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders. The Remuneration Committee and the Board strives to reward the Directors based on accountability, fairness, and competitiveness, as prescribed in the Code and to ensure the remuneration packages of Directors are sufficiently attractive to draw in and to retain persons of high calibre. Thus, there is a formal and transparent procedure for rewarding and fixing the remuneration packages of Directors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

B. BOARD COMMITTEES (CONT'D)

3) The Remuneration Committee (cont'd)

The breakdown of the remuneration of the Directors of the Company for the financial year ended 31 December, 2012 is as follows:

Total Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	188	90	278
Salary, Bonus and Other Emoluments	1,804	-	1,804
Allowances	-	8	8
Employees Provident Fund	343	-	343
	2,335	98	2,433

Number of Directors whose remuneration falls within the following bands:

	Number of Directors		
	Executive Directors	Non-Executive Directors	Total
RM50,000 and below	-	3	3
RM650,001 to RM700,000	1	-	1
RM750,001 to RM800,000	1	-	1
RM850,001 to RM900,000	1	-	1
	3	3	6

4) The Employees' Share Options Scheme ("ESOS") Committee

The ESOS Committee was formed on 22 September, 2004 to administer the Group's Employees' Share Options Scheme ("Scheme"). The ESOS Committee will ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company.

The members of the ESOS Committee as at the date of this Statement are as follows:

No.	Members	Designation	Responsibility
1.	Lim Chun Yow	Managing Director/Chairman	Chairman
2.	Hey Shiow Hoe	Executive Director	Member
3.	Tan See Khim	Executive Director	Member
4.	Gavin Tan Siau Hui	HR/Admin Manager	Member

The ESOS Committee did not meet during the financial year as there was no new allocation of ESOS during the year under review.

5) The Risk Management Committee

The Risk Management Committee was formed on 26 October, 2006 to ensure the Group achieves its corporate objectives by applying effective enterprise risk management control. The Risk Management Committee reviews and identifies key risks as well as oversees the overall management of all risks and to ensure infrastructure, resources, process and systems are in place for risk management.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

B. BOARD COMMITTEES (CONT'D)

5) The Risk Management Committee (cont'd)

The members of the Risk Management Committee as at the date of this Statement are as follows:

No.	Members	Designation	Responsibility
1.	Hey Shiow Hoe	Executive Director	Chairman
2.	Tan See Khim	Executive Director	Member
3.	Gavin Tan Siau Hui	HR/Admin Manager	Member
4.	Lee Kuan Hock	Finance Manager	Member
5.	Tay Peh Hwee	Plant Manager	Member
6.	Foo See Boon	Maintenance Manager	Member
7.	Koh Chu How	Marketing Manager	Member

C. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

1. Corporate Disclosure Policies

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities with the consultation of the Company Secretary, advisers and/or other service providers.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. This is important in ensuring equal and fair access to information by the investing public.

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives are the provision of clear, relevant, timely, comprehensive and readily assessable information to all stakeholders.

1. Dialogue between the Company and Investors

The Group values its dialogues with investors. The annual report of the Company is a key channel of communication with shareholders and investors. The shareholders and investors of the Company are kept informed of the Groups' performance, and major developments of the Group through annual report and announcements made. Apart from this, financial results and other corporate information as contained in the Annual Reports and Circulars to shareholders are available to enable shareholders and investors to have better understanding of the Group's business activities and performance.

The Company disseminates its annual report to its shareholders either in hard copy or in CD ROM media.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS (CONT'D)

2. Encourage Shareholder Participation at General Meetings

The Paragraph 7.21 of the Bursa Securities Berhad ("Bursa Securities") Main Market Listing Requirements (the "LR") promotes the participation of members through appointing proxy(ies), to be in line with the LR, the Company will seek shareholders' approval to amend its Articles of Association to include the right of proxies to speak at the general meetings, to allow members who are exempt authorized nominees to appoint multiple proxies for each omnibus account it holds and expressly disallow any restriction on proxy's qualification.

The Company would conduct poll voting upon requests by shareholders at the general meetings.

3. Annual General Meeting

The main forum of dialogue with shareholders of the Company is the Company's AGM. The AGM represents the primary platform for direct two-way interactions between shareholders, Directors and senior management of the Company. During the AGM, shareholders who attend the AGM are encouraged to raise questions pertaining to the items of the agenda of the AGM. All Directors and senior management, where appropriate, will provide feedback, answers and clarifications to the questions raised from the shareholders during the AGM.

At the AGM of the Company, the Management of the Company presents an executive summary highlighting key financial, corporate information and achievement of the Group. Other than the annual report, the Company's website, www.bpplas.com also houses all other corporate and financial information that is made available to public, such as quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements of the Listing Requirements of Bursa Malaysia Securities Berhad for Main Market.

4. Extraordinary General Meeting

The Board will convene an Extraordinary General Meeting if a situation arises that require shareholders' approval. An appropriate notice of the meeting would be communicated to shareholders in providing explanation of the intended agenda to facilitate understanding and evaluation.

5. Investor Relations

The investor relations activities of the Company form an important channel of communications with shareholders, investors and the investment community broadly. As part of fulfilling its corporate governance obligations, the Company maintains extensive communication with its stakeholders with the provision of clear, comprehensive and timely information through the readily accessible channels such as annual report, quarterly reports and press releases, as well as through the Company's website. This is particularly important to shareholders and investors for informed investment decision making particularly in periods of extreme volatility in the market place.

The senior management personnel in charge of investor relations activity is Mr. Lim Chun Yow, the incumbent Chairman cum Managing Director of the Company. This greatly reflects the level of commitment and due importance placed by the Group to maintain investor relations as well as provides views and information on the Group that is appropriate and substantive to investors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

E. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company and the Group's financial positions, performance and prospects in all their reports to shareholders, investors, and relevant Regulatory Authorities.

Timely releases of announcements on the quarterly financial statements reflect the Board's commitment to give timely and up-to-date disclosures of the Group's performance.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of financial reporting. The Audit Committee also reviews the appropriateness of the Company's and the Group's accounting policies and the changes to these policies.

The Responsibility Statement by the Directors on the annual audited financial statements of the Company and its Group pursuant to paragraph 15.26(a) of The Listing Requirements is set out on page 33.

In order to uphold integrity in financial reporting, the Board is responsible to ensure the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved financial reporting standards in Malaysia.

2. Internal Controls

The Board acknowledges its responsibilities for maintaining a sound and reliable system of internal control within the Group, covering the financial controls, the operational and compliance controls, and risk management. The internal control system involves each business unit and its key management, including the Board, and is designed to meet the Group's needs and to manage risks. This is a continuing process which includes risk assessments, internal controls reviews, and internal audit checks on all companies in the Group. The purpose of this continuous process is to ensure that the Group's assets are safeguarded in the interest of preserving the investment of Shareholders.

The Company's and the Group's system of internal controls, by its nature are designed to provide reasonable but not absolute assurance against risk of material errors, misstatement, fraud, or losses occurring. The Risk Management Committee through their quarterly meeting ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Company and the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of the Company and the Group is reviewed by the Audit Committee during the quarterly meetings. The review covers the operational, financial and compliance controls. The Audit Committee assists the Board in its review of the effectiveness of internal control and risk management process of the Company and the Group. The Minutes of the Audit Committee meetings are circulated to the Directors for notation and for action by the Board where appropriate. The Board has through the Audit Committee reviewed the adequacy and integrity of the Group's system of internal controls and the Board's Statement on Risk Management and Internal Control are on pages 30 to 32 of this Annual reports.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

E. ACCOUNTABILITY AND AUDIT (CONT'D)

3. Relationships with the Auditors

The Group's independent external auditors is essential for all shareholders in ensuring the reliability of the Group's financial statements. From time to time, the external auditors will bring to the Audit Committee's attention on any significant deficiency in the Group's control system. In accordance with the terms of reference of the Audit Committee, the Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the financial statements of the Company. The Audit Committee met the external auditors twice during the financial year without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer to shareholders' queries on the conduct of the audit and the preparation and content of the audit report.

An appropriate relationship is maintained with the Group's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the external and internal auditors. A full Audit Committee Report and its Terms of Reference detailing its role in relation to the auditors, is set out in pages 27 to 29 of this Annual Report.

Terms of engagement for the services provided by the external auditors are reviewed by the Audit Committee and approved by the Board. In reviewing terms of engagement for the services to be provided by the external auditors, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

AUDIT COMMITTEE REPORT

The Audit Committee consists of the following members:

1. CHAIRMAN

Koh Chin Koon — *Independent Non-Executive Director*

MEMBERS

Boo Chin Liong — Senior *Independent Non-Executive Director*

Lim Kim Hock — *Independent Non-Executive Director*

2. SUMMARY OF THE TERMS OF REFERENCE

The summary of terms of reference of the Audit Committee are as follows:

AUTHORITY

The Audit Committee is empowered and authorised by the Board of Directors, and at the expense of the Company:

(a) to investigate any matters within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
(b) to have access to resources required to perform its duties as set out in its terms of reference;
(c) to have full and unlimited/unrestricted access to all information pertaining to the Company and the Group;
(d) to have direct communication channels with the external auditors and internal auditors;
(e) to obtain external legal or other independent professional advice where necessary;
(f) to invite outsiders with relevant experience to attend its meetings, whenever deemed necessary; and
(g) to convene meetings with the external auditors, the internal auditors or both, in the absence of other directors and employees of the Group, whenever necessary.

Notwithstanding anything stated above, the Committee does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Company and the Group.

DUTIES

The duties of the Committee are as follows:

a) To consider and report the same to the Board on the appointment, nomination, resignation and dismissal of external auditors and their respective audit fees;
b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, competency and resources of the external audit and ensure co-ordination where more than one audit firm is involved;
c) To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management);
d) To do the following and report the same to the Board, in relation to the internal audit function :-
    i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and whether it has the necessary authority to carry out its work;
    ii) review the internal audit programs, processes and results, procedures or investigation undertaken and, where necessary, ensure that appropriate action are taken on the recommendations of the internal audit function;
    iii) review any appraisal or assessment of the performance of the internal auditors and review their audit fees;
    iv) approve any appointment or termination of the internal auditors; and
    v) take cognisance of resignations of internal auditors and provide the resigning internal auditors an opportunity to submit his reasons for resigning.

AUDIT COMMITTEE REPORT (CONT'D)

2. Summary of the Terms of Reference (cont'd)

DUTIES (cont'd)

e) To review the effectiveness of the management information system;

f) To review the quarterly results and annual financial statements of the Company and the Group with both the external auditors and management and report the same to the Board, focusing particularly on :-
   i) any change in or implementation of accounting policies and practices;
   ii) significant adjustment arising from the audit;
   iii) any unusual events;
   iv) the going concern assumption; and
   v) compliance with accounting standards and other legal requirements.

g) To review the following and report the same to the Board:-
   i) with the external auditor, the audit plan;
   ii) with the external auditor, his evaluation of the system of internal controls;
   iii) with the external auditor, his audit report; and
   iv) the assistance given by the employees of the Group to the external auditor.

h) To review and discuss any management letter sent by the external auditors to the Company and the Group and the management's response to such letter;

i) To consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors;

j) To review all areas if significant financial risk and the arrangements in place to contain those risks to acceptance levels;

k) To consider and review any related-party transactions and potential conflict of interest situations that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

l) To review and report the same to the Board whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment;

m) To review the allocation of options pursuant to the Employees' Share Options Scheme and make such statement to be included in the annual report of the Company in relation to a share scheme for employees;

n) Any such other functions as may be agreed by the Committee and the Board.

RESPONSIBILITY

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad, or in the event of any serious offence involving fraud and dishonesty committed by the Company or the Group, the Committee has the responsibility to promptly report such matters to the Bursa Malaysia Securities Berhad or any other relevant authorities.

3. SUMMARY OF AUDIT COMMITTEE ACTIVITIES DURING THE YEAR

The Audit Committee held a total of five (5) meetings during the financial year ended 31 December, 2012. The Managing Director, Finance Manager, departmental heads and representatives from the external and internal auditors normally attend the Audit Committee meetings. Other Board members may attend meetings upon invitation by the Audit Committee. The Minutes of the Audit Committee meetings were circulated to all members of the Board and significant issues discussed at the Board Meetings.

Details of the attendance of each Audit Committee member are as follows:

Audit Committee Member	Total No. of Meetings Held During the Year	Meetings Attended
Mr. Koh Chin Koon	5	5
Mr. Boo Chin Liong	5	5
Mr. Lim Kim Hock	5	5

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF AUDIT COMMITTEE ACTIVITIES DURING THE YEAR (CONT'D)

During the financial year, the activities undertaken by the Audit Committee included:

a. reviewed the quarterly unaudited financial statements of the Company and the Group prior to making the recommendations to the Board for approval;
b. reviewed inter-company transactions and/or any related party transaction or conflict of interest situations that arose within the Company or the Group;
c. discussion and reviewed the semi-annual returns pursuant to the Paragraph 8.10 of Chapter 8 of the Listing Requirements of the Bursa Malaysia Securities Berhad;
d. discussed and reviewed the annual audited financial statements of the Company and the Group and made recommendations to the Board for approval;
e. discussed and reviewed the external auditors' scope of work and the audit planning memorandum;
f. evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration;
g. reviewed with the external auditors the results and findings of the annual audit, their management letter together with management's response to the findings of the external auditors;
h. discussed and reviewed the staffing requirements of the internal auditors, skills and the core competencies of the internal auditors and made recommendations to the Board on the appointment of internal auditors;
i. discussion and reviewed the internal auditors' scope of work and the audit planning memorandum;
j. discussed and reviewed internal auditors' audit methodology in assessing and rating risks of auditable areas;
k. discussed and reviewed the audit findings from the internal auditors; and
l. discussed and reviewed the risk management report from Risk Management Committee which were tabled during the year, the recommendations made and management response to these recommendations.

4. REVIEW OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the year, no options were being offered under the ESOS.

5. INTERNAL AUDIT FUNCTION

The Audit Committee recognizes the fact that an independent and adequately resourced internal audit function is essential to the Board in assisting to obtain the assurance it requires on the adequacy and effectiveness of the Group's system of internal controls. The Audit Committee is supported by the internal auditors of the Group in the discharge of its duties and responsibilities.

The Group engaged external consultants to carry out the internal audit function of the Group for the financial year ended 31 December 2012. The primary function of the internal audit is to independently carry out a review of the existing systems, controls and procedures and thereafter provide such recommendations that would further enhance the existing internal control. During the year, the Risk Management Committee conducted risk assessment review which includes the evaluation of processes where significant risks are identified, assessed and managed to ensure that the balance scorecard objectives of the Group are achieved. The Risk Management Committee has been established to carry out the ongoing process of monitoring the effectiveness of controls, policies and activities implemented in relation to risk management and corporate governance processes. Instituted controls are monitored to ensure that they are appropriately and effectively applied according to the Group's risk management policies. The Audit Committee will report to the Board on significant findings and results.

The total costs incurred for the internal function of the Company and the Group for 2012 amounted to RM32,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets. Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), directors of a listed company are to include in its annual report a Statement on Risk Management and Internal Control. This Statement on Risk Management and Internal Control has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia and in accordance with the guidance in the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Issuers ("Internal Control Guidelines").

BOARD RESPONSIBILITY

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the BP Plastics Group ("the Group") system of risk management and internal controls. The system is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives. Accordingly, the system of internal controls of the Group can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Monitoring Mechanisms and Management Style

The Board entrusts the daily running of the business to the Managing Director ("MD") and his management team. The MD and his management team receive timely information pertaining to performance and profitability of the Group through timely reports which include quantitative and qualitative trends and analyses through its fully computerized information system.

The MD plays a pivotal role in communicating the Board's expectations of the system of internal controls to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as his attendance at various scheduled management committee meetings. The management committee, which comprises Heads of Department, meets timely to discuss on Manufacturing, Sales & Marketing, Finance and Human Resource issues. These meetings represent the platform by which the Group's activities are monitored to ensure timely identification and resolution of any critical issues. The MD monitors the progress of these issues through daily interaction with the management committee and the reviews of the management committee minutes.

The Group practices an "open door" policy whereby Executive Directors, Senior Management and Executives are encouraged to voice out any matters to the Managing Director for prompt response. This culture provides opportunity for every employee of the Group to solve matters quickly and efficiently by drawing experience and knowledge from all levels of staff within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Internal Audit

The Group has outsourced its internal audit function to an independent professional service provider to assist the Audit Committee as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seeks to add value and improve the operations by considering:

- the existence of processes to monitor the effectiveness and efficiency of operations and the achievement of business objectives;
- the adequacy and effectiveness of internal control systems for safeguarding of assets and providing consistent, accurate financial and operational data;
- risk awareness and the value and nature of an effective internal control system;
- compliance with laws, regulations, corporate policies and procedures; and
- the effectiveness of risk management, control and governance processes within the Group's operations.

The internal audit function has adopted a risk-based approach and prepared its audit strategy and plan based on the risk profiles of the major business function of the Group and in accordance with the internal audit plan approved by the Audit Committee. The internal audit independently reviews the system of internal controls implemented by Management within the Group and reports to the Audit Committee the outcome of the internal audit thereof.

In addition, as part of the requirements of the ISO 9001:2008 certification accredited to the Group, a scheduled internal quality audit is conducted each year by personnel independent of the processes being audited. Results of the audit are reported to the MD.

The Group is also accredited with certification for ISO14001:2004 and OHSAS 18001:2007. With this certification, the Group will ensure that all environmental aspect and impact as well as safety and health issues are appropriately addressed. Each year, there will be a surveillance audit being carried out and the report of the audit reported to the MD.

Risk Management Framework

The Board recognizes that effective risk management is part of good business management practice. The Board also acknowledges that all areas of the Group's activities do involve some degree of risk and is committed to ensure that the Group has an effective risk management framework which allows the Group to identify, evaluate, and manage risks within defined risk parameters that affect the achievement of the Group's business objectives.

The Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritized, owners identified with proper response time set and allowed for continuous improvement. To carry out an effective risk management framework, the Board has established a Risk Advisory Committee, which is chaired by an Executive Director. The Risk Advisory Committee will meet with the audit committee on a yearly basis to report on the processes, findings and actions taken by management. The Risk Advisory Committee will continuously identify new risks by taking into consideration the Groups' business objective, strategies and targets and external environmental factors. This covers matters such as, responses to significant risks identified, output from monitoring processes, and changes made to the system of internal controls. The Audit Committee or Risk Advisory Committee then reports to the Board on any significant changes in the business and the external environment.

The Board considers that the risk management framework is robust, but the framework will be subjected to continuous improvement, taking into consideration better practices and the changing business environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Other Internal Control Processes

Apart from risk management and internal audit, the Group's system of internal controls also comprises the following key elements:

- Well defined lines of responsibility, delegation of authority, segregation of duties and flow of information in the organization structure. Besides the predominantly non-executive Board committees, such as, the Audit, the Remuneration, the Nomination and the Option Committees, the Executive and Management Committees will support the Board. These committees convene regular committee and management meetings to assess performance and controls in all facets of operations;

- The ISO 9001:2008 Quality Management System is in place to monitor and ensure the quality of the Group's products and services meet customers' expectations;

- Training and development programmes are conducted to enhance staff competencies;

- The public release of quarterly reports is made on time after the review by the Audit Committee and the approval of the Board;

- The ISO 14001:2004 Environmental Management System for monitoring of environmental aspect and impact;

- The OHSAS 18001:2007 Occupational Health and Safety Management System for monitoring of safety and health;

- Monthly monitoring of results against budget with major variances being followed up and action taken by management, where necessary; and

- Monitoring mechanism in the form of scheduled Management Committee meetings on reviewing the Group's operations, financial performance and human resource matters.

THE BOARD'S COMMITMENT

To ensure that the Group achieves its corporate objectives successfully, the Board is determined to establish an effective risk management and a proactive internal control and is committed in keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. Cognizant of this fact, the Board, in striving for continuous improvement, will put in place appropriate measures, when necessary, to further enhance the Group's system of internal control.

The Board has received assurance from the Managing Director and Finance Manager that the Group's risk management and internal control are operating adequately and effectively, in all material aspects, based on risk management and internal control system of the Group.

For the financial year under review, the Board confirms that is has reviewed the effectiveness of the system of risk management and internal control and there is no occurrence of fundamental deficiency or material losses incurred during the current financial year as a result of weaknesses in the risk management framework or internal control.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

The Companies Act, 1965 requires the Directors to prepare financial statements which give a true and fair view of the financial position of the Company and the Group for each financial year. In preparing those statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue its business; and
- ensure that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are also responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time, thus enabling the financial statements to be complied with the Companies Act, 1965. They are also responsible for taking reasonable steps to safeguard the assets of the Group through prevention of fraud and other irregularities.

The Directors confirmed that they have complied with these requirements and have a reasonable expectation that the Group has adequate resources to continue its operation for the future and will continue to adopt a going concern basis in preparing the financial statements.

STRETCHING

beyond

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULT

	Group RM	Company RM
Profit net of tax, attributable to owners of the parent	9,664,174	1,242,981

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

	RM
In respect of financial year ended 31 December 2011 Second interim tax exempt dividend of 4% (2 sen per share), on 180,085,750 ordinary shares paid on 28 March 2012	3,601,715
In respect of financial year ended 31 December 2012 First interim tax exempt dividend of 4% (2 sen per share), on 180,085,750 ordinary shares paid on 12 December 2012	3,601,715
	7,203,430
In respect of financial year ended 31 December 2012 Second interim tax exempt dividend of 4% (2 sen per share), on 180,085,750 ordinary shares paid on 3 April 2013	3,601,715

The second interim tax exempt dividend in respect of the financial year ended 31 December 2012 amounting to RM3,601,715 (2 sen per share) has not been reflected in the current year financial statements. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The directors do not recommend any final dividend to be paid in respect of the current financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Lim Chun Yow
Tan See Khim
Hey Shiow Hoe
Boo Chin Liong
Koh Chin Koon
Lim Kim Hock

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares options granted under the Employee Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Direct interest				
Lim Chun Yow	10,500,003	6,500,000	-	17,000,003
Tan See Khim	10,499,999	6,500,000	-	16,999,999
Hey Shiow Hoe	10,499,998	6,500,000	-	16,999,998
Boo Chin Liong	27,000	-	-	27,000
Koh Chin Koon	167,000	-	-	167,000
Indirect interest #				
Lim Chun Yow	81,165,000	-	-	81,165,000
Tan See Khim	81,165,000	-	-	81,165,000
Hey Shiow Hoe	81,165,000	-	-	81,165,000

	Number of options over ordinary shares of RM0.50 each			
	1.1.2012	**Granted**	**Exercised**	**31.12.2012**
Lim Chun Yow	1,280,000	-	-	1,280,000
Tan See Khim	1,280,000	-	-	1,280,000
Hey Shiow Hoe	1,280,000	-	-	1,280,000
Boo Chin Liong	100,000	-	-	100,000
Koh Chin Koon	100,000	-	-	100,000

 # 165,000 shares were deemed interested by virtue of Section 134(12) of the Companies Act, 1965.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (cont'd)

Lim Chun Yow, Tan See Khim and Hey Shiow Hoe by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

The other director in office at the end of the financial year had no interest in shares in the Company during the financial year.

TREASURY SHARES

As at 31 December 2012, the Company held as treasury shares a total of 35,000 of its 180,120,750 issued ordinary shares. Such treasury shares are held at a carrying amount of RM20,740 and further relevant details are disclosed in Note 24 to the financial statements.

EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 10 January 2005. The ESOS was implemented on 15 February 2005 and is to be in force for a period of 5 years from the date of implementation.

On 8 February 2010, the Board of Directors of the Company has approved the duration of the ESOS be extended for a further period of 5 years. Hence, the ESOS is to be in force until 13 February 2015.

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

During the year, no options were granted to eligible employees and directors.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, who have been granted options to subscribe for less than 100,000 ordinary shares. The names of option holder, other than directors, who have been granted options to subscribe for 100,000 or more ordinary shares during the year are as follows:

	Number of options over ordinary shares of RM0.50 each			
	1.1.2012	**Granted**	**Exercised**	**31.12.2012**
Chia Shau Yann	105,000	-	-	105,000
Guek Yeow Hong	125,000	-	-	125,000
Johar Bin Leb	100,000	-	-	100,000
Kaw (Foo) See Boon	244,000	-	-	244,000
Koh Chu How	205,000	-	-	205,000
Koh Yuet Lee	113,000	-	-	113,000
Lee Kuan Hock	196,000	-	-	196,000
Ng Phay Chern	114,000	-	-	114,000
Ng Wee Cheat	122,000	-	-	122,000
Tan Siau Hui	131,000	-	-	131,000
Zamri Bin Saman	115,000	-	-	115,000

The details of options granted to directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2013.

Lim Chun Yow

Tan See Khim

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Lim Chun Yow and Tan See Khim, being two of the directors of BP Plastics Holding Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 43 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 35 to the financial statements have been prepared in accordance with the 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2013.

Lim Chun Yow

Tan See Khim

Johor, Malaysia

STATUTORY DECLARATION

Pursuant to Section 169 (16) of the Companies Act, 1965

I, Lim Chun Yow, being the director primarily responsible for the financial management of BP Plastics Holding Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 89 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Lim Chun Yow at Batu Pahat
in the State of Johor
on 26 April 2013.

Lim Chun Yow

Before me,

Rahini a/p Nagappan (J130)
Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of BP Plastics Holding Bhd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of BP Plastics Holding Bhd., which comprise statements of financial position as at 31 December 2012, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 88.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)
To the Members of BP Plastics Holding Bhd.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in Note 2.1 to the financial statements, BP Plastics Holding Bhd. adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/13(J)
Chartered Accountant

Melaka, Malaysia
Date: 26 April 2013

STATEMENTS OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	4	220,283,820	222,161,474	800,000	6,610,000
Cost of sales		(195,076,040)	(192,209,198)	-	-
Gross profit		25,207,780	29,952,276	800,000	6,610,000
Other items of income					
Other income	5	2,644,164	2,061,137	1,210,541	1,365,146
Other items of expense					
Administrative and general expenses		(7,612,975)	(7,463,287)	(614,537)	(633,716)
Selling expenses		(7,230,346)	(7,047,343)	-	-
Finance costs		(36,676)	(43,597)	-	-
Profit before tax	6	12,971,947	17,459,186	1,396,004	7,341,430
Income tax expense	9	(3,307,773)	(1,929,935)	(153,023)	(416,000)
Profit net of tax		9,664,174	15,529,251	1,242,981	6,925,430
Other comprehensive income:					
Foreign currency translation, representing other comprehensive income for the year, net of tax		221	(1,443)	-	-
Total comprehensive income for the year		9,664,395	15,527,808	1,242,981	6,925,430
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	5.37	8.62		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2012

Group	Note	31.12.2012 RM	31.12. 2011 RM	01.01. 2011 RM
Assets				
Non-current assets				
Property, plant and equipment	12	71,681,067	76,103,979	67,143,663
Current assets				
Inventories	14	47,840,910	21,935,030	22,245,431
Trade and other receivables	15	32,914,379	31,234,943	31,752,227
Other current assets	16	438,612	416,265	16,559
Investment securities	17	100,800	100,800	100,800
Derivatives		-	-	139,835
Cash and cash equivalents	18	39,819,317	60,051,150	58,216,697
Tax recoverable		249,882	882,140	158,167
		121,363,900	114,620,328	112,629,716
Total assets		193,044,967	190,724,307	179,773,379
Equity and liabilities				
Current liabilities				
Loans and borrowings	19	-	9,555,900	-
Trade and other payables	20	30,807,497	21,719,410	23,999,760
Tax payable		803,758	-	1,450,364
		31,611,255	31,275,310	25,450,124
Net current assets		89,752,645	83,345,018	87,179,592
Non-current liabilities				
Deferred tax liabilities	21	10,884,750	11,361,000	10,944,624
Total liabilities		42,496,005	42,636,310	36,394,748
Net assets		150,548,962	148,087,997	143,378,631
Equity attributable to equity holders of the Company				
Share capital	22	90,060,375	90,060,375	90,060,375
Share premium	23	3,492,762	3,492,762	3,492,762
Treasury shares	24	(20,740)	(20,740)	(8,243)
Other reserve	25	(1,222)	(1,443)	-
Retained earnings	26	57,017,787	54,557,043	49,833,737
Total equity		150,548,962	148,087,997	143,378,631
Total equity and liabilities		193,044,967	190,724,307	179,773,379

STATEMENTS OF FINANCIAL POSITION (CONT'D)
As At 31 December 2012

Company	Note	31.12.2012 RM	31.12. 2011 RM	01.01. 2011 RM
Assets				
Non-current assets				
Investment in subsidiaries	13	57,279,171	38,279,171	38,279,171
Current assets				
Trade and other receivables	15	-	18,889,891	16,696,712
Other current assets	16	5,600	5,600	2,000
Cash and cash equivalents	18	37,726,960	43,850,587	49,876,345
Tax recoverable		240,118	193,141	206,641
		37,972,678	62,939,219	66,781,698
Total assets		95,251,849	101,218,390	105,060,869
Equity and liabilities				
Current liabilities				
Trade and other payables	20	301,302	307,394	256,861
Net current assets		37,671,376	62,631,825	66,524,837
Net assets		94,950,547	100,910,996	104,804,008
Equity attributable to equity holders of the Company				
Share capital	22	90,060,375	90,060,375	90,060,375
Share premium	23	3,492,762	3,492,762	3,492,762
Treasury shares	24	(20,740)	(20,740)	(8,243)
Retained earnings	26	1,418,150	7,378,599	11,259,114
Total equity		94,950,547	100,910,996	104,804,008
Total equity and liabilities		95,251,849	101,218,390	105,060,869

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2012

	Note	Share capital RM	← Share premium RM	Non-distributable Treasury shares RM	→ Foreign currency translation reserve RM	Distributable Retained earnings RM	Total RM
2012							
Group							
Opening balance at 1 January 2012		90,060,375	3,492,762	(20,740)	(1,443)	54,557,043	148,087,997
Total comprehensive income		-	-	-	221	9,664,174	9,664,395
Transactions with owners							
Dividends	11	-	-	-	-	(7,203,430)	(7,203,430)
Total transactions with owners		-	-	-	-	(7,203,430)	(7,203,430)
Closing balance at 31 December 2012		90,060,375	3,492,762	(20,740)	(1,222)	57,017,787	150,548,962
2011							
Group							
Opening balance at 1 January 2011		90,060,375	3,492,762	(8,243)	-	49,833,737	143,378,631
Total comprehensive income		-	-	-	(1,443)	15,529,251	15,527,808
Transactions with owners							
Purchase of treasury shares		-	-	(12,497)	-	-	(12,497)
Dividends	11	-	-	-		(10,805,945)	(10,805,945)
Total transactions with owners		-	-	(12,497)	-	(10,805,945)	(10,818,442)
Closing balance at 31 December 2011		90,060,375	3,492,762	(20,740)	(1,443)	54,557,043	148,087,997

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
For the Financial Year Ended 31 December 2012

	Note	Share capital RM	Non-distributable Share premium RM	Non-distributable Treasury shares RM	Distributable Retained earnings RM	Total RM
2012						
Company						
Opening balance at 1 January 2012		90,060,375	3,492,762	(20,740)	7,378,599	100,910,996
Total comprehensive income		-	-	-	1,242,981	1,242,981
Transactions with owners						
Dividends	11	-	-	-	(7,203,430)	(7,203,430)
Total transactions with owners		-	-	-	(7,203,430)	(7,203,430)
Closing balance at 31 December 2012		90,060,375	3,492,762	(20,740)	1,418,150	94,950,547
2011						
Company						
Opening balance at 1 January 2011		90,060,375	3,492,762	(8,243)	11,259,114	104,804,008
Total comprehensive income		-	-	-	6,925,430	6,925,430
Transactions with owners						
Purchase of treasury shares		-	-	(12,497)	-	(12,497)
Dividends	11	-	-	-	(10,805,945)	(10,805,945)
Total transactions with owners		-	-	(12,497)	(10,805,945)	(10,818,442)
Closing balance at 31 December 2011		90,060,375	3,492,762	(20,740)	7,378,599	100,910,996

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 December 2012

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Operating activities				
Profit before tax	12,971,947	17,459,186	1,396,004	7,341,430
Adjustments for:				
Bad debts written off	25,494	-	-	-
Impairment loss on trade and other receivables	48,786	-	-	-
Depreciation of property, plant equipment	8,404,614	6,972,755	-	-
Gain on disposal of property, plant and equipment	(136,230)	(141,536)	-	-
Dividend income	-	-	(800,000)	(6,610,000)
Interest expense	36,676	43,597	-	-
Interest income	(1,332,478)	(1,559,325)	(1,210,541)	(1,365,146)
Operating cash flows before changes in working capital	20,018,809	22,774,677	(614,537)	(633,716)
(Increase)/decrease in inventories	(25,905,880)	310,401	-	-
(Increase)/decrease in trade and other receivables	(1,753,495)	655,676	-	-
Increase in other current assets	(22,347)	(399,706)	-	(3,600)
Increase/(decrease) in trade and other payables	9,088,087	(2,280,350)	(6,092)	50,533
Cash flows from/(used in) operations	1,425,174	21,060,698	(620,629)	(586,783)
Interest paid	(36,676)	(43,597)	-	-
Income taxes paid	(3,171,074)	(3,700,443)	-	-
Income taxes refunded	823,067	12,547	-	-
Net cash flows (used in)/from operating activities	(959,509)	17,329,205	(620,629)	(586,783)
Investing activities				
Interest received	1,332,478	1,559,325	1,210,541	1,365,146
Proceeds from disposal of property, plant and equipment	138,800	191,518	-	-
Purchase of property, plant and equipment	(3,984,272)	(15,983,053)	-	-
Dividends received	-	-	600,000	6,207,500
Net cash flows (used in)/from investing activities	(2,512,994)	(14,232,210)	1,810,541	7,572,646

STATEMENTS OF CASH FLOWS (CONT'D)
For the Financial Year Ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financing activities				
Purchase of treasury shares	-	(12,497)	-	(12,497)
(Decrease)/increase in loans and borrowings	(9,555,900)	9,555,900	-	-
Dividends paid	(7,203,430)	(10,805,945)	(7,203,430)	(10,805,945)
Advance to a subsidiary	-	-	(110,109)	(2,193,179)
Net cash flows used in financing activities	(16,759,330)	(1,262,542)	(7,313,539)	(13,011,621)
Net (decrease)/increase in cash and cash equivalents	(20,231,833)	1,834,453	(6,123,627)	(6,025,758)
Cash and cash equivalents at 1 January	60,051,150	58,216,697	43,850,587	49,876,345
Cash and cash equivalents at 31 December (Note 18)	39,819,317	60,051,150	37,726,960	43,850,587

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2012

1. CORPORATE INFORMATION

BP Plastics Holding Bhd. ("the Company") is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. Refer to Note 2.2 for detailed information on how the Company adopted MFRS.

The financial statements of the Group and the Company have also been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

2.2 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS")

For periods up to and including the year ended 31 December 2011, the Group and the Company had previously prepared financial statements in accordance with Financial Reporting Standards ("FRS").

These financial statements are the first the Group and the Company have prepared in accordance with MFRS. Accordingly, the Group and Company has prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's and the Company's opening statement of financial position was prepared as at 1 January 2011, being the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statement of financial position as at 1 January 2011 and the financial statements as at and for the year ended 31 December 2011.

MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain MFRS and the Group and the Company have applied the following exemptions:

(a) Business Combinations

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. 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 recognised under FRS is not adjusted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(b) Property, Plant and Equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded land and buildings at revalued amounts and had adopted a revaluation policy and continued to carry those buildings on the basis of its basis previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the costs 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 building 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 (31.12.2011: 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) Estimates

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

No adjustment were required to be made to its previously published FRS statement of comprehensive income for the year ended 31 December 2011. Hence, a reconciliation of comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

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:

	FRS as at 1 January 2011 RM	Property, plant and equipment RM	MFRS as at 1 January 2011 RM	FRS as at 31 December 2011 RM	Property, plant and equipment RM	MFRS as at 31 December 2011 RM
Assets						
Non-current assets						
Property, plant and equipment	67,143,663		67,143,663	76,103,979		76,103,979
Current assets						
Inventories	22,245,431		22,245,431	21,935,030		21,935,030
Trade and other receivables	31,752,227		31,752,227	31,234,943		31,234,943
Other current assets	16,559		16,559	416,265		416,265
Investment securities	100,800		100,800	100,800		100,800
Derivatives	139,835		139,835	-		-
Cash and cash equivalents	58,216,697		58,216,697	60,051,150		60,051,150
Tax recoverable	158,167		158,167	882,140		882,140
	112,629,716		112,629,716	114,620,328		114,620,328
Total Assets	179,773,379		179,773,379	190,724,307		190,724,307
Equity and liabilities						
Current liabilties						
Loans and borrowings	-		-	9,555,900		9,555,900
Trade and other payables	23,999,760		23,999,760	21,719,410		21,719,410
Tax payable	1,450,364		1,450,364	-		-
	25,450,124		25,450,124	31,275,310		31,275,310
Net Current Assets	87,179,592		87,179,592	83,345,018		83,345,018
Non-current liabilities						
Deferred tax liabilities	10,944,624		10,944,624	11,361,000		11,361,000
Total Liabilities	36,394,748		36,394,748	42,636,310		42,636,310
Net Assets	143,378,631		143,378,631	148,087,997		148,087,997
Equity attributable to equity holders of parent						
Share capital	90,060,375		90,060,375	90,060,375		90,060,375
Share premium	3,492,762		3,492,762	3,492,762		3,492,762
Treasury shares	(8,243)		(8,243)	(20,740)		(20,740)
Other reserves	2,826,895	(2,826,895)	-	2,825,452	(2,826,895)	(1,443)
Retained Earnings	47,006,842	2,826,895	49,833,737	51,730,148	2,826,895	54,557,043
Total Equity	143,378,631		143,378,631	148,087,997		148,087,997
Total Equity and Liabilities	179,773,379		179,773,379	190,724,307		190,724,307

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for financial periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards Issued but Not Yet Effective (cont'd)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

(a) MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and to the Company.

(b) MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(c) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when:

(i) the investor has power over an investee,

(ii) the investor has exposure, or rights, to variable returns from its involvement with the investee, and

(iii) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

(d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards Issued but Not Yet Effective (cont'd)

(e) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

(f) MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at the reporting date. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Business Combinations and Goodwill (cont'd)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Foreign Currency Translation

(a) Functional and Presentation Currency

The Group's and the Company's financial statements are presented in Ringgit Malaysian which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(c) Group Companies

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Foreign Currency Translation (cont'd)

(c) Group Companies (cont'd)

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2011 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Prior to 1 January 2011, the date of transition to MFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

2.7 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent. The Group and Company has concluded that they are acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(c) Dividend Income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

2.8 Employee Benefits

(a) Defined Contribution Plans

The Group make contributions to the Employee Provident Fund in Malaysia ("EPF"), a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Employee Benefits (cont'd)

(b) Employee Share Option Plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.9 Taxes

(a) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Taxes (cont'd)

(b) Deferred Tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.11 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3).

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Factory buildings: 50 years
- Plant and machinery: 10 to 15 years
- Tools and equipment: 10 years
- Office equipment, furniture and fittings: 2 to 10 years
- Motor vehicles: 5 years

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.12 Leases – As Lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Leases – As Lessee (cont'd)

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.13 Investment in Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of Non-financial Assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.17 Financial Instruments

(a) Financial Assets

(i) Initial Recognition and Measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established, by regulation or convention in the market place (regular way trades) are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(ii) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group did not have any financial assets at fair value to profit or loss during the years ended 31 December 2011 and 2012.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(ii) Subsequent Measurement (cont'd)

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 December 2011 and 2012.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of Financial Assets

The Group assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(b) Impairment of Financial Assets (cont'd)

Financial Assets Carried at Amortised Cost (cont'd)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Available-for-Sale Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(c) Financial Liabilities

(i) Initial Recognition and Measurement

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(c) Financial Liabilities (cont'd)

(ii) Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial Instruments (cont'd)

(d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(e) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

2.18 Derivative Financial Instruments

(a) Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

(b) Current Versus Non-current Classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.21 Treasury Shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.22 Dividend Distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in statement of comprehensive income.

2.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements Made in Applying Accounting Policies

The management did not make any critical judgment in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful Lives of Plant and Machinery

The cost of plant and machinery for the manufacture of plastic products is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 15 years. These are common life expectancies applied in the manufacturing of plastic products' industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Loans and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 15. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase/decrease by RM1,354,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

4. REVENUE

Revenue of the Group and of the Company represents the following:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Gross dividends from subsidiaries	-	-	800,000	6,610,000
Sale of goods	220,283,820	222,161,474	-	-
	220,283,820	222,161,474	800,000	6,610,000

5. OTHER INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest income	1,332,478	1,559,325	1,210,541	1,365,146
Gain on foreign currency exchange	915,839	72,199	-	-
Gain on disposal of property, plant and equipment	136,230	141,536	-	-
Miscellaneous	259,617	288,077	-	-
	2,644,164	2,061,137	1,210,541	1,365,146

6. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Auditors' remuneration				
– current year	52,500	50,500	23,000	21,000
– under provision in prior year	-	1,000	-	-
Bad debts written off	25,494	-	-	-
Depreciation of property, plant and equipment (Note 12)	8,404,614	6,972,755	-	-
Impairment loss on trade and other receivables	48,786	-	-	-
Non-executive directors' fees (Note 8)	97,500	97,500	97,500	97,500
Operating leases:				
– minimum lease payments for buildings	73,290	70,340	-	-
Employee benefits expense (Note 7)	11,820,028	11,486,887	187,500	187,500

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

7. EMPLOYEE BENEFITS EXPENSE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Wages and salaries	10,157,713	10,154,553	187,500	187,500
Social security contribution	80,521	77,264	-	-
Contributions to defined contribution plan	989,351	906,553	-	-
Other staff related expenses	592,443	348,517	-	-
	11,820,028	11,486,887	187,500	187,500

Included in the staff costs of the Group are executives directors' remuneration amounting to RM2,335,176 (2011: RM2,186,776) as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors of the Company				
Executive directors' remuneration:				
Salaries and other emoluments	1,804,688	1,680,000	-	-
Fees	187,500	187,500	187,500	187,500
Defined contribution plan	342,988	319,276	-	-
Estimated money value of benefits-in-kind	73,104	58,715	-	-
	2,408,280	2,245,491	187,500	187,500
Non-executive directors' remuneration:				
Fees	90,000	90,000	90,000	90,000
Allowances	7,500	7,500	7,500	7,500
	97,500	97,500	97,500	97,500
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 7)	2,335,176	2,186,776	187,500	187,500
Total non-executive directors' remuneration (Note 6)	97,500	97,500	97,500	97,500
Total directors' remuneration	2,432,676	2,284,276	285,000	285,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

9. INCOME TAX EXPENSE

Major Components of Income Tax Expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current income tax:				
Tax expense for the year	3,784,000	1,520,550	153,000	416,000
Under/(over) provision in prior years	23	(6,991)	23	-
	3,784,023	1,513,559	153,023	416,000
Deferred tax (Note 21):				
Relating to origination of temporary differences	(664,871)	377,456	-	-
Under provision in prior years	188,621	38,920	-	-
	(476,250)	416,376	-	-
Income tax expense recognised in profit or loss	3,307,773	1,929,935	153,023	416,000

Reconciliation Between Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	12,971,947	17,459,186	1,396,004	7,341,430
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	3,242,987	4,364,797	349,001	1,835,358
Effect of income not subject to tax	(355,283)	(518,908)	(302,635)	(1,559,730)
Effect of expenses not deductible for tax purposes	231,425	206,114	106,634	140,372
Effect of utilisation of current year's reinvestment allowance	-	(2,153,997)	-	-
(Over)/under provision of income tax expense in prior years	23	(6,991)	23	-
Under/(over) provision of deferred tax in prior years	188,621	38,920	-	-
Income tax expense recognised in profit or loss	3,307,773	1,929,935	153,023	416,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2012 RM	2011 RM
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	9,664,174	15,529,251
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic earnings per share computation *	180,093,175	180,093,175
Basic earnings per share (sen)	5.37	8.62

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.*

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares as at the year end.

The share options granted under the Company's Employee Share Option Scheme could potentially dilute basic earnings per share in the future but have not been included in the calculation of diluted earnings per share because they are antidilutive during the current financial year.

11. DIVIDENDS

	Group and Company	
	2012 RM	2011 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
– First interim tax exempt dividend for 2010: 4 sen per share	-	7,204,230
– First interim tax exempt dividend for 2011: 2 sen per share	-	3,601,715
– Second interim tax exempt dividend for 2011: 2 sen per share	3,601,715	-
– First interim tax exempt dividend for 2012: 2 sen per share	3,601,715	-
	7,203,430	10,805,945

A second interim tax exempt dividend in respect of the financial year ended 31 December 2012 of 4% (2 sen per share), on 180,085,750 ordinary shares amounting to RM3,601,715 was paid on 3 April 2013. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

12. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM	Plant and machinery, tools and equipment RM	Office equipment, furniture fittings and motor vehicles RM	Capital work-in-progress RM	Total RM
Group					
Cost					
At 1 January 2011	25,349,122	81,461,963	6,424,011	88,480	113,323,576
Additions	6,226	14,359,980	774,658	842,189	15,983,053
Reclassification	-	-	88,480	(88,480)	-
Disposals	-	(55,668)	(428,407)	-	(484,075)
At 31 December 2011 and 1 January 2012	25,355,348	95,766,275	6,858,742	842,189	128,822,554
Additions	2,758,170	345,032	881,070	-	3,984,272
Reclassification	842,189	-	-	(842,189)	-
Disposals	-	(4,100)	(484,518)	-	(488,618)
At 31 December 2012	28,955,707	96,107,207	7,255,294	-	132,318,208
Accumulated depreciation:					
At 1 January 2011	3,137,867	38,444,217	4,597,829	-	46,179,913
Depreciation charge for the year	490,145	5,857,613	624,997	-	6,972,755
Disposals	-	(6,045)	(428,048)	-	(434,093)
At 31 December 2011 and 1 January 2012	3,628,012	44,295,785	4,794,778	-	52,718,575
Depreciation charge for the year	528,468	7,099,190	776,956	-	8,404,614
Disposals	-	(1,530)	(484,518)	-	(486,048)
At 31 December 2012	4,156,480	51,393,445	5,087,216	-	60,637,141
Net carrying amount					
At 31 December 2011	21,727,336	51,470,490	2,063,964	842,189	76,103,979
At 31 December 2012	24,799,227	44,713,762	2,168,078	-	71,681,067

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

* **Land and buildings**

	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
Cost:				
At 1 January 2011	1,089,647	8,017,903	16,241,572	25,349,122
Additions	-	-	6,226	6,226
At 31 December 2011 and 1 January 2012	1,089,647	8,017,903	16,247,798	25,355,348
Additions	-	-	2,758,170	2,758,170
Reclassification	-	-	842,189	842,189
At 31 December 2012	1,089,647	-	19,848,157	28,955,707
Accumulated depreciation:				
At 1 January 2011	-	1,023,092	2,114,775	3,137,867
Depreciation charge for the year	-	165,192	324,953	490,145
At 31 December 2011 and 1 January 2012	-	1,188,284	2,439,728	3,628,012
Depreciation charge for the year	-	165,191	363,277	528,468
At 31 December 2012	-	1,353,475	2,803,005	4,156,480
Net carrying amount				
At 31 December 2011	1,089,647	6,829,619	13,808,070	21,727,336
At 31 December 2012	1,089,647	6,664,428	17,045,152	24,799,227

All the assets of the Group have been charged under a negative pledge to banks for banking facilities granted to the Group.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2012 RM	31.12.2011 RM
Unquoted shares, at cost	57,279,171	38,279,171

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest (%) 2012	2011	Principal activities
Held by the Company:				
BP Plastics Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic products
BP Packaging Sdn. Bhd.	Malaysia	100	100	Trading of plastic products
BPPlas Plantation Sdn. Bhd.	Malaysia	100	100	Dormant
Held through BPPlas Plantation Sdn. Bhd.:				
Baoman Rubber Limited	Cambodia	100	100	Dormant

14. INVENTORIES

	Group 31.12.2012 RM	31.12.2011 RM
At cost:		
Raw materials	36,359,594	15,003,724
Work-in-progress	3,404,401	2,565,843
Spare parts	875,069	762,555
Finished good	7,201,846	3,602,908
	47,840,910	21,935,030

15. TRADE AND OTHER RECEIVABLES

	Group 31.12.2012 RM	31.12.2011 RM	Company 31.12.2012 RM	31.12.2011 RM
Current				
Trade receivables				
Third parties	31,955,169	30,727,293	-	-
Less: Allowance for impairment	(48,786)	-	-	-
	31,906,383	30,727,293	-	-
Other receivables				
Sundry receivables	1,007,996	507,650	-	-
Amount due from a subsidiary	-	-	-	18,889,891
	1,007,996	507,650	-	18,889,891
	32,914,379	31,234,943	-	18,889,891
Total trade and other receivables	32,914,379	31,234,943	-	18,889,891
Add: Cash and cash equivalents (Note 18)	39,819,317	60,051,150	37,726,960	43,850,587
Total loans and receivables	72,733,696	91,286,093	37,726,960	62,740,478

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

15. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2011: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing Analysis of Trade Receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	31.12.2012 RM	31.12.2011 RM
Neither past due nor impaired	15,171,684	13,739,459
1 to 30 days past due not impaired	8,140,091	8,140,115
31 to 60 days past due not impaired	5,551,222	6,358,842
61 to 90 days past due not impaired	2,446,692	2,232,526
91 to 120 days past due not impaired	191,961	224,630
More than 120 days past due not impaired	404,733	31,721
	16,734,699	16,987,834
Impaired	48,786	-
	31,955,169	30,727,293

Receivables that are Neither Past Due Nor Impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are Past Due but Not Impaired

The Group has trade receivables amounting to RM16,734,699 (2011: RM16,987,834) that are past due at the reporting date but not impaired.

Receivables that are Impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	31.12.2012 RM	31.12.2011 RM
Trade receivable - nominal amounts	48,786	-
Less: Allowance for impairment	(48,786)	-
	-	-
Movement in allowance accounts:		
At 1 January	-	-
Charge for the year (Note 6)	48,786	-
At 31 December	48,786	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

15. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Related Party Balances

Amount due from a subsidiary is non-interest bearing, unsecured and repayable on demand.

16. OTHER CURRENT ASSETS

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Prepaid operating expenses	5,600	5,600	5,600	5,600
Advances to suppliers of raw materials	433,012	410,665	-	-
	438,612	416,265	5,600	5,600

17. INVESTMENT SECURITIES

	Group			
	31.12.2012 RM		31.12.2011 RM	
	Carrying amout	Market value of quoted investments	Carrying amount	Market value of quoted investments
Available-for-sale financial assets – Equity instrument (quoted in Malaysia)	100,800	128,000	100,800	124,000

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Cash on hand and at banks	1,410,272	2,815,015	41,500	9,981
Repository deposits with licensed banks	723,585	13,395,528	-	-
Money market funds	37,685,460	43,840,607	37,685,460	43,840,606
Cash and cash equivalents	39,819,317	60,051,150	37,726,960	43,850,587

The weighted average effective interest rates at the statement of financial position date were as follows:

	Group		Company	
	31.12.2012 %	31.12.2011 %	31.12.2012 %	31.12.2011 %
Repository deposits with licensed banks	1.30	2.63	-	-
Money market funds	3.03	3.00	3.03	3.00

The average maturities of deposits as at the end of the financial year were as follows:

	Group	
	31.12.2012 Days	31.12.2011 Days
Repository deposits with licensed banks	1	1

There is no maturity period for money market funds as these money are callable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

19. LOANS AND BORROWINGS

	Maturity	Group 31.12.2012 RM	Group 31.12.2011 RM
Current			
Unsecured:			
1.60% p.a. fixed rate USD bank loan	2012	-	9,555,900

20. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2012 RM	31.12.2011 RM	31.12.2012 RM	31.12.2011 RM
Current				
Trade payables				
Third parties	26,500,387	16,594,077	-	-
Other payables				
Sundry payables	1,548,352	893,117	-	-
Accrued operating expenses	2,758,758	2,304,850	301,302	307,394
Amount due to suppliers of property, plant and equipment	-	1,927,366	-	-
	4,307,110	5,125,333	301,302	307,394
	30,807,497	21,719,410	301,302	307,394

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2011: 30 to 60 days) terms.

(b) Sundry Payables, Accrued Operating Expenses and Amount Due to Suppliers of Property, Plant and Equipment

These amounts are non-interest bearing and normally settled within twelve months (2011: twelve months).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

21. DEFERRED TAX LIABILITIES

	Group 31.12.2012 RM	Group 31.12.2011 RM
At 1 January	11,361,000	10,944,624
Recognised in profit or loss (Note 9)	(476,250)	416,376
At 31 December	10,884,750	11,361,000

Deferred income tax as at 31 December relates to the following:

	Property, plant and equipment RM	Others RM	Total RM
At 1 January 2011	11,207,124	(262,500)	10,944,624
Recognised in profit or loss	299,197	117,179	416,376
At 31 December 2011	11,506,321	(145,321)	11,361,000
Recognised in profit or loss	(621,571)	145,321	(476,250)
At 31 December 2012	10,884,750	-	10,884,750

22. SHARE CAPITAL

	Group and Company			
	Number of shares of RM0.50 each		Amount	
	31.12.2012	31.12.2011	31.12.2012 RM	31.12.2011 RM
Authorised				
At 1 January/31 December	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid				
At 1 January/31 December	180,120,750	180,120,750	90,060,375	90,060,375

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

23. SHARE PREMIUM

This non-distributable capital reserve arose from the issue of shares at a premium in previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

24. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 20,000 shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the last financial year. The total amount paid to acquire the shares was RM12,497 and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

25. OTHER RESERVE

Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

26. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM20,866,000 (2011: RM20,886,000) out of its retained earnings. If the balance of the retained earnings were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

27. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 10 January 2005. The ESOS was implemented on 15 February 2005 and is to be in force for a period of 5 years from the date of implementation.

On 8 February 2010, the Board of Directors of the Company extended the duration of the ESOS for further period of 5 years. Hence, the ESOS is to be in force until 13 February 2015.

The salient features of the ESOS are as follows:

(a) The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

(b) The total number of shares to be issued under the ESOS shall not exceed 15% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares to be offered are allotted to eligible employees who are Executive Directors and members of the Senior Management of the Group. In addition, not more than 10% of the shares to be offered are allotted to eligible employees who, either singly or collectively through his associates, holds 20% or more of the issued and paid-up share capital of the Company.

(c) The option price for each share shall be:

Before 30 December 2009

5-days weighted average market price of the underlying shares at the time the ESOS Options are granted, with a discount of not more than ten percent (10%) if deemed appropriate, or the par value of the ordinary shares of the Company of RM0.50, whichever is the higher.

After 30 December 2009

(i) RM0.80 per share for all outstanding options as at 31 December 2009.

(ii) second allocation of 3,080,000 ESOS options were granted to eligible employees and directors at an exercise price of RM0.62 per share.

(d) No option shall be granted for less than 100 shares to any eligible employee.

(e) An option granted under the ESOS shall be capable of being accepted by the grantee by notice in writing to the Company before the expiry of 30 days period from the date of offer.

(f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respect with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

(g) The options shall not carry any right to vote at a general meeting of the Company.

(h) The persons to whom the options have been granted have no rights to participate by virtue of the options in any share issue of any other company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

27. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (cont'd)

The following table illustrates the number of and weighted average exercise price ("WAEP") of, and movements in, share options during the year:

	Number of shares options		Weighted average exercise price	
	31.12.2012	31.12.2011	31.12.2012 RM	31.12.2011 RM
Outstanding at 1 January	8,779,000	9,047,000	0.74	0.74
Granted during the year	-	-	-	-
Forfeited during the year	(175,000)	(268,000)	0.71	0.65
Outstanding at 31 December	8,604,000	8,779,000	0.74	0.74
Exercisable at 31 December	8,604,000	8,779,000	0.74	0.74

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.12 years (2011: 3.12 years).

28. RELATED PARTY DISCLOSURES

(a) Transactions with Related Parties

The Company had the following transactions with related parties during the financial year:

	Company	
	31.12.2012 RM	31.12.2011 RM
Gross dividend income from subsidiaries	800,000	6,610,000

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on negotiated and mutually agreed terms.

(b) Compensation of Key Management Personnel

The remuneration of key management personnel comprising solely executive directors are as disclosed in Note 8.

Executive directors of the Group and the Company have been granted the following number of options under the Employee Share Options Scheme ("ESOS").

	Group and Company	
	31.12.2012 RM	31.12.2011 RM
At 1 January/31 December	3,840,000	3,840,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 27).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

29. COMMITMENTS

	Group 31.12.2012 RM	31.12.2011 RM
Capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	2,595,688	1,963,440

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Financial Instruments that are not Carried at Fair Value and Whose Carrying Amounts are Reasonable Approximation of Fair Value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	15
Trade and other payables (current)	20
Loans and borrowings (current)	19

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

B. Fair Value Hierarchy

The Company use the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs that are based on observable market data, either directly or indirectly

Level 3: Inputs that are not based on observable market data

As at reporting date, the Company held the following financial instruments that are measured at fair value:

	Level 1 2012 RM	2011 RM
Assets measured at fair value		
Investment securities (quoted shares in Malaysia)	100,800	100,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit risk arising from export sales trade receivables and first-time customers are mitigated through settlements via letters of credit issued by reputable banks in countries where the customers are based. The Group also impose deposit payments from export sales trade receivables in the event that letters of credit are not issued.

Exposure to Credit Risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position, with positive fair values.

Credit Risk Concentration Profile

At the reporting date, the Group does not have any significant exposure to any individual customer or counterparty.

Financial Assets that are Neither Past Due Nor Impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial Assets that are Either Past Due Or Impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

All financial liabilities are due either on demand or within one year.

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily respective through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Singapore Dollars ("SGD"), Indonesia Rupiah ("IDR"), Japanese Yen ("Yen") and Euro. Such transactions are kept to an acceptable level.

Approximately 69% (2011: 67%) of the Group's sales are denominated in foreign currencies whilst almost 94% (2011: 91%) of purchases are denominated in the foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

Sensitivity Analysis for Foreign Currency Risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, SGD, Yen, IDR and Euro exchange rate at the reporting date against the functional currency of the Group, with all other variables held constant.

		Group	
		31.12.2012 RM	31.12.2011 RM
		Profit before tax	
USD/RM	– strengthened 3%	(420,164)	(492,942)
	– weakened 3%	420,164	492,942
SGD/RM	– strengthened 3%	199,314	227,072
	– weakened 3%	(199,314)	(227,072)
Yen/RM	– strengthened 3%	7,568	7,242
	– weakened 3%	(7,568)	(7,242)
Rupiah/RM	– strengthened 3%	33,573	78,940
	– weakened 3%	(33,573)	(78,940)
Euro/RM	– strengthened 3%	426	30,776
	– weakened 3%	(426)	(30,776)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings, less cash and bank balances.

As at 31 December 2012, the Group have sufficient current assets to settle the current liabilities in full and have no non-current liabilities.

33. SEGMENT INFORMATION

The segmental information is not prepared as the Group is principally involved in manufacturing and trading of plastic products which is predominantly carried out in Malaysia.

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 26 April 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
For the Financial Year Ended 31 December 2012

35. SUPPLEMENTARY INFORMATION – BREAKDOWN OF REALISED AND UNREALISED RETAINED EARNINGS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 and 2011 into realised and unrealised earnings are presented in accordance with the directive 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.

	Group		Company	
	RM 31.12.2012	RM 31.12.2011	RM 31.12.2012	RM 31.12.2011
Total retained earnings of the BP Plastics Holding Bhd. and its subsidiaries				
– Realised	103,505,765	99,304,941	740,796	6,840,754
– Unrealised	(10,207,397)	(10,823,155)	677,354	537,845
	93,298,368	88,481,786	1,418,150	7,378,599
Less: Consolidation adjustments	(36,280,581)	(33,924,743)	-	-
Total Group's retained earnings as per consolidated accounts	57,017,787	54,557,043	1,418,150	7,378,599

ANALYSIS OF SHAREHOLDINGS
As At 9 April 2013

Authorised Share Capital	: RM200,000,000.00 divided into 400,000,000 Ordinary Shares of RM0.50 each
Issued and Paid-up Share Capital	: RM90,060,375 divided into 180,120,750 Ordinary Shares of RM0.50 each *(including 35,000 treasury shares)*
Class of Shares	: Ordinary shares of RM0.50 each
Voting Rights	: One vote per Ordinary Shares
Number of Shareholders	: 1,743

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
1 - 99	34	1.95	1,604	0.00
100 – 1,000	65	3.73	31,083	0.02
1,001 - 10,000	1,038	59.55	4,374,848	2.43
10,001 – 100,000	541	31.04	16,436,915	9.13
100,001 – 9,004,286*	61	3.50	27,241,300	15.12
9,004,287 and above **	4	0.23	132,000,000	73.30
Total	**1,743**	**100.00**	**180,085,750**	**100.00**

Note :
(*) means less than 5% of issued and paid-up share capital
(**) means 5% and above of issued and paid-up share capital

SUBSTANTIAL SHAREHOLDERS AS AT 9 APRIL 2013

The substantial shareholders of BP Plastics Holding Bhd (holding 5% or more of the capital) based on the Register of Substantial shareholdings of the Company and their respective shareholdings are as follows:

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares Held	% [1]	No. of Shares Held	% [1]
LG Capital Sdn. Bhd.	81,000,000	44.98	-	-
Lim Chun Yow	17,000,003	9.44	81,000,000*	44.98
Tan See Khim	16,999,999	9.44	81,000,000*	44.98
Hey Shiow Hoe	16,999,998	9.44	81,000,000*	44.98

Note :
(*) Deemed interested by virtue of his shareholding of more than 15% in LG Capital Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965
([1]) excluding a total of 35,000 ordinary shares of RM0.50 each bought-back by the Company and retained as treasury shares as at 9 April 2013

ANALYSIS OF SHAREHOLDINGS (CONT'D)
As At 9 April 2013

DIRECTORS' SHAREHOLDINGS AS AT 9 APRIL 2013

The respective shareholdings of the Directors of BP Plastics Holding Bhd based on the Register of Directors' Shareholdings are as follows:

Name of Directors	No. of Options Granted over Shares of RM0.50 each	No. of Options Exercised	Direct Interest		Indirect Interest	
			No. of Shares Held	% [1]	No. of Shares Held	% [1]
Lim Chun Yow	1,280,000	-	17,000,003	9.44	81,165,000*	45.06
Tan See Khim	1,280,000	-	16,999,999	9.44	81,165,000*	45.06
Hey Shiow Hoe	1,280,000	-	16,999,998	9.44	81,165,000*	45.06
Boo Chin Liong	100,000	-	27,000	0.01	-	-
Koh Chin Koon	100,000	-	167,000	0.09	-	-
Lim Kim Hock	-	-	-	-	-	-

Note:

(*) Deemed interested by virtue of:

i) His shareholding of more than 15% in LG Capital Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965; and

ii) His shareholding through his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

([1]) excluding a total of 35,000 ordinary shares of RM0.50 each bought-back by the Company and retained as treasury shares as at 9 April 2013

THIRTY (30) LARGEST SHAREHOLDERS AS AT 9 APRIL 2013

No.	Shareholders	No. of Shares	% [1]
1	LG Capital Sdn Bhd	81,000,000	44.98
2	Lim Chun Yow	17,000,003	9.44
3	Tan See Khim	16,999,999	9.44
4	Hey Shiow Hoe	16,999,998	9.44
5	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Jamaludin Bin Che Murad (29001 KMBG)*	6,165,900	3.42
6	Tay Khiang Puang	3,789,400	2.10
7	Gan Hong Liang	1,196,250	0.66
8	Lim Chin Siong	1,148,000	0.64
9	Chang Yee Fong	1,000,000	0.56
10	Lim Kew Seng	993,650	0.55

ANALYSIS OF SHAREHOLDINGS (CONT'D)
As At 9 April 2013

THIRTY (30) LARGEST SHAREHOLDERS AS AT 9 APRIL 2013 (cont'd)

No.	Shareholders	No. Of Shares	% [1]
11	Chong Kok Fah	598,000	0.33
12	Kejemel Sdn Bhd	548,800	0.30
13	Tan Soon Lan	545,150	0.30
14	ECML Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Hong Kim Fook*	451,200	0.25
15	Abd. Hamid Bin Ibrahim	450,000	0.25
16	Quah Lake Jen	404,950	0.22
17	Permodalan Peladang Berhad	375,000	0.21
18	Leo Seu Haa	349,000	0.19
19	Siow Kin Leong	334,500	0.19
20	Er Hock Lai	328,600	0.18
21	Quah Peng Chin @ Quah Paik Sze	320,000	0.18
22	Lee Choo Gan	300,000	0.17
23	Public Invest Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Sai Lim (M)*	300,000	0.17
24	See Leong Chye @ Sze Leong Chye	292,500	0.16
25	Maybank Nominees (Tempatan) Sdn Bhd Ng Ha Chin	291,000	0.16
26	Ng Ming Tiong	278,500	0.15
27	Tang Theng Kow	268,000	0.15
28	Chai Chai Yee @ Chye Chai San	260,000	0.14
29	See Ewe Beng	255,000	0.14
30	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ooi Choi Kiat*	250,700	0.14

Note :

([1]) excluding a total of 35,000 ordinary shares of RM0.50 each bought-back by the Company and retained as treasury shares as at 9 April 2013.

LIST OF GROUP PROPERTIES

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built Up Area	Description/ (Existing Use)	Estimated Age of Buildings (Years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)	The date of last revaluation/ (Acquisition)
No P.T.D. : 30911 No H.S.(D) : 32035 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 10, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 21,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Warehouse)	9	19.11.2003	1,855	31-Dec-09
No P.T.D. : 31030 No H.S.(D) : 32034 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 26,120 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory and Double-Storey Office Building (Office)	Single-Storey Detached Factory – 18 years	08.06.1994	1,878	31-Dec-09
5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.				Double-Storey Office Building – 16 years	28.08.1996		
No P.T.D. : 31039 No H.S.(D) : 32031 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 15,000 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory an-annex with Double-Storey Office and Single-Storey Detached Factory (Factory)	15	29.04.1997	1,663	31-Dec-09

LIST OF GROUP PROPERTIES (CONT'D)

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built Up Area	Description/ (Existing Use)	Estimated Age of Buildings (Years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)	The date of last revaluation/ (Acquisition)
No P.T.D. : 31031 No H.S.(D) : 32033 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5B, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 23,100 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory)	9	28.05.2003	2,229	31-Dec-09
No P.T.D. : 35099 No H.S.(D) : 38296 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 8, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 05.10.2057	1.5 Acres/ 39,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory)	11	07.11.2001	3,105	31-Dec-09
No Hakmilik : GM 1359 Lot No.: 2408 Daerah : Batu Pahat Mukim : Linau Negeri : Johor	Freehold	3.2687 Acres	A parcel of Agricultural Land (Vacant)	NA	NA	410	31-Dec-09
No P.T.D. : 29032 No H.S.(D) : 28431 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 1, Jln Wawasan 3, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 21.09.2052	10 Acres/ 169,250 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory) and Single-Storey Detached Factory (Warehouse)	7	07.04.2006	12,979	31-Dec-09
No Hakmilik : GRN 23703 Lot No.: 2897 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor	Freehold	2 Acres/ 87,120 sq ft	A parcel of Agricultural Land (Vacant)	NA	NA	680	15-Sep-10

NOTICE OF ANNUAL GENERAL MEETING
For The Year Ended 31 December 2012

NOTICE IS HEREBY GIVEN that the NINTH ANNUAL GENERAL MEETING of the Company will be held at Emerald Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 29th day of May 2013 at 10:30 a.m. or at any adjournment thereof for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Report of the Directors' and the Auditor's thereon. **Resolution 1**

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2012. **Resolution 2**

3. To re-elect Mr. Lim Kim Hock who is retiring pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **Resolution 3**

4. To appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked 'Annexure A' in the Annual Report had been received by the Company for the nomination of Messrs. Crowe Horwath for appointment as Auditors of the Company and the intention to propose the following ordinary resolution:-

   "THAT subject to their consent to act, Messrs. Crowe Horwath be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

5. **As Special Business**

   To consider and, if thought fit, with or without any modification, to pass the following Ordinary and Special Resolutions:-

   ORDINARY RESOLUTION
   – AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 **Resolution 5**

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)
For The Year Ended 31 December 2012

6. **SPECIAL RESOLUTION**
– PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY **Resolution 6**

THAT the Company's Articles of Association be amended as follows and THAT the Directors and Secretary be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments of the Company's Articles of Association:

Article No	Existing Articles	Proposed Articles
2	New Interpretation	**"Exempt Authorised Nominee" – refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.**
84	<u>*Proxy to be in writing*</u> The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b), (c) and (d) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	<u>*Proxy to be in writing*</u> The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b), (c) and (d) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. **There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting**
83A	-	<u>*Appointment of more than one proxy*</u> **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)
For The Year Ended 31 December 2012

7. To transact any other ordinary business for which due notice has been given.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN *(MAICSA 0777689)*
Company Secretary

Kuala Lumpur
7 May 2013

Explanatory Notes to Special Business:

1. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act 1965 at the Ninth AGM of the Company (hereinafter referred to as the "General Mandate").

   The purpose of the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company during the preceding twelve (12) months for the time being.

   The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/ or acquisitions.

   The Company had been granted a General Mandate by its shareholders at the Eighth AGM of the Company held on 28 May 2012 (hereinafter referred to as the "Previous Mandate"). As at the date of this Notice, no new shares were issued pursuant to the Previous Mandate.

   This General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

2. Proposed amendments to the Articles of Association of the Company

   The Special Resolution is to comply with the recent amendments made to the Bursa Malaysia Securities Berhad's Listing Requirements.

Notes:
In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2013 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy shall be deposited at the Company's Registered Office at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time appointed of holding the above meeting or at any adjournment thereof.

Pursuant to Recommendation 3.2 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") which states that the tenure of an independent director should not exceed a cumulative term of nine years, Mr. Koh Chin Koon who retires by rotation in accordance with Article 92 of the Company's Articles of Association and has served the Company for more than nine years, has expressed his intention not to seek re-election. Hence, he will retain office until the close of the Ninth AGM.

Mr. Boo Chin Liong who has served the Company for more than nine years, has also expressed his intention to retire at the conclusion of the Ninth AGM to observe the recommendation of the MCCG 2012. Hence, he will retain office until the close of the Ninth AGM.

Annexure A

LG Capital Sdn Bhd

No. 5A, Jalan Wawasan 2,
Kawasan Perindustrian Sri Gading,
83300 Batu Pahat,
Johor Darul Takzim

Date: 24 April 2013

The Board of Directors
BP PLASTICS HOLDING BERHAD
5A, Jalan Wawasan 2,
Kawasan Perindustrian Sri Gading,
83300 Batu Pahat,
Johor Darul Takzim

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

We, the undersigned, being the registered shareholder of BP Plastics Holding Berhad ("the Company"), hereby nominate Messrs. Crowe Horwath, for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young at the forthcoming Annual General Meeting of the Company, pursuant to Section 172(11) of the Companies Act, 1965.

Therefore, we propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:

"That subject to their consent to act, Messrs. Crowe Horwath be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully,
For and on behalf of
LG CAPITAL SDN BHD

Lim Chun Yow
Director

PROXY FORM

Number of Shares Held	

南源塑膠控股有限公司
BP PLASTICS HOLDING BHD
(644902-V)
BPPLAS

*I/We, (full name in capital letters) ______________________________

of (full address) ______________________________ being a *member/members of

BP PLASTICS HOLDING BHD ("the Company"), hereby appoint (full name in capital letters) ______________

____

of(full address) ______________________________

or failing *him/her, (full name in capital letters) ______________________________

of (full address) ______________________________

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Ninth Annual General Meeting of the Company to be held at Emerald Room, Level 2, Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 29th day of May 2013 at 10:30 a.m. and at any adjournment thereof.

The Proportion of *my/our holding to be represented by *my/our proxies are as follows:

First Proxy (1) ______________ %
Second Proxy (2) ______________ %

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	AGENDA / RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Report of the Directors' and the Auditor's thereon.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2012.		
3.	To re-elect Mr. Lim Kim Hock who is retiring pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election.		
4.	To appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
5.	**SPECIAL BUSINESS** Ordinary Resolution – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
6.	Special Resolution – Proposed Amendments to the Articles of Association of the Company		

** Strike out whichever not applicable (unless otherwise instructed, the proxy may vote as he/she thinks fit)*

As witness my/our hand(s) this __________ day of __________ 2013

____
Signature of Member /Common Seal

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To:

BP PLASTICS HOLDING BHD (644902-V)
5A Jalan Wawasan 2
Kawasan Perindustrian Sri Gading
83300 Batu Pahat
Johor Darul Takzim

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