

# BP PLASTICS HOLDING BHD.

(Company No. 644902-V)  
(Incorporated in Malaysia)

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

#### A.1 Corporate information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 12 August 2016.

#### A.2 Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134- *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with International Accounting Standard (“IAS”) 34- *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”).

The interim financial statements have been prepared on the basis of consolidating the results of the Group’s subsidiary companies for the period under review using the acquisition method. The interim financial statements are to be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31 December 2015.

The accounting policies and basis of computation/estimates adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2015.

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

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

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

- MFRS 107 Disclosure Initiative (Amendments to MFRS 107)
- MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

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

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
- MFRS 15 Revenue from Contracts with Customers and Clarifications to MFRS 15

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---

### **INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019*

- MFRS 16 Leases

*MFRSs, Interpretations and amendments deferred until further notice*

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

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

#### **A.4 Seasonal or cyclical factors**

The operations and performance of the Group during the current quarter under review have not been materially affected by any seasonal or cyclical factors.

#### **A.5 Unusual items affecting the assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

#### **A.6 Changes in estimates**

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

#### **A.7 Debt and equity securities**

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

As at 30 June 2016, the number of treasury shares held by the Company amounted to 35,000 shares. None of the treasury shares held were resold or cancelled during the current quarter under review.

#### **A.8 Dividend paid**

First interim single-tier dividend of 4% (2 sen per share) in respect of the financial year ending 31 December 2016 was paid on 24 June 2016.

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---

### INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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#### A.9 Segment information

The Group is principally involved in manufacturing of plastics packaging products which are carried out in Malaysia.

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

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	18,015	13,314	32,766	28,156
- Export	60,796	53,887	131,401	105,890
Total operating revenue	<u>78,811</u>	<u>67,201</u>	<u>164,167</u>	<u>134,046</u>

#### A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 30 June 2016 that have not been reflected in the interim financial statements as at the date of this report.

#### A.11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

#### A.12 Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual statements of financial position as at 31 December 2015.

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## **INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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

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

For the 6 months ended 30 June 2016, the Group achieved higher operating revenue of RM164.17 million, an increase of 22.47% compared to RM134.05 million in the corresponding period last year due to higher sales volume from export market.

The Group achieved a higher unaudited profit before tax (PBT) for the period under review of RM14.37 million, an increase of 45.74% compared to unaudited PBT of RM9.86 million in the same period last year due to better product mix and higher process efficiencies.

Unaudited profit after tax (PAT) for the period under review was also higher by 40.10% at RM10.97 million, compared to the unaudited PAT of RM7.83 million in the same corresponding period last year.

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

Operating revenue for the current quarter ended 30 June 2016 of RM78.81 million was lower by 7.67% compared to RM85.36 million in the preceding 1Q2016.

Unaudited profit before tax (PBT) of RM6.79 million for the quarter under review was lower by 10.42% compared with the unaudited PBT of RM7.58 million in the preceding quarter.

Unaudited profit after tax (PAT) for the quarter under review was RM5.19 million, a decrease of 10.21% compared to the unaudited PAT of RM5.78 million in the preceding 1Q2016.

The lower PBT and PAT for the quarter under review were mainly due to the lower average selling prices for export sales arising from the strengthened Ringgit Malaysia.

#### **B.3 Current year prospects**

Amidst the many challenges ahead arising from uneven global economic recovery, volatilities in foreign exchange rate and the sluggish domestic market while competition continues to intensify, the Group anticipates the global demand for manufacturing goods as well as polyethylene packaging products to remain resilient, especially in the still growing Asia-Pacific regions.

With its continuing efforts to improve on cost management, internal process efficiencies and productivity in the face of the rising operating costs environment whilst seeking opportunities for machine and product innovations, and implementing strategies to achieve higher export sales, the Group endeavours to deliver a satisfactory performance in the financial year ending 31 December 2016.

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---

### INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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#### B.4 Variance of actual profit from profit forecast

This note is not applicable as the Group did not issue nor publish any profit forecast for the current year under review.

#### B.5 Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Interest income	(536)	(231)	(1,036)	(469)
Interest expense	-	-	-	7
Depreciation of property, plant and equipment	2,129	1,870	4,252	3,743
Gain on disposal of property, plant and equipment	(5)	-	(5)	(11)
Provision for doubtful debt	-	130	-	130
Reversal of impairment loss on receivables	-	-	(26)	-
Foreign exchange (gain)/loss – realised	(62)	(279)	650	(724)
Foreign exchange (gain)/loss – unrealised	(233)	-	(233)	-

#### B.6 Taxation

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Income tax	1,600	2,243	3,400	2,679
Deferred tax	-	(1,404)	-	(650)
	<u>1,600</u>	<u>839</u>	<u>3,400</u>	<u>2,029</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group's effective tax rate for the current quarter under review was 23.55%, which is higher than the previous corresponding period's effective tax rate of 15.97% as a result of recognition on deferred tax difference.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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

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

**B.8 Quoted investments**

There were no purchases or disposal of quoted investments for the current quarter under review.

**B.9 Status on corporate proposals**

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

**B.10 Group borrowings**

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

**B.11 Financial derivatives**

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

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### INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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#### B.12 Realised and unrealised earnings disclosure

The breakdown of the retained earnings of the Group as at 30 June 2016 and 31 December 2015 into realised and unrealised earnings is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010, and prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements*, as issued by the Malaysian Institute of Accountants.

	Current quarter ended 30 Jun 2016 RM'000 ( <i>unaudited</i> )	Previous financial year ended 31 Dec 2015 RM'000 ( <i>audited</i> )
Total retained earnings of BP Plastics Holding Bhd. and its subsidiaries:		
- Realised	112,308	110,684
- Unrealised	(8,981)	(8,947)
	<u>103,327</u>	<u>101,737</u>
Less: Consolidation adjustments	(35,700)	(35,700)
Total Group retained earnings as per consolidated accounts	<u>67,627</u>	<u>66,037</u>

#### B.13 Capital commitment

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

	30 Jun 2016 RM'000 ( <i>Unaudited</i> )	31 Dec 2015 RM'000 ( <i>Audited</i> )
Approved and contracted for	8,932	-

#### B.14 Material litigation

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

#### B.15 Dividend

The Board of Directors of the Company proposed a second interim dividend (Single-tier) of 4% (2 sen per share) in respect of the financial year ending 31 December 2016. The entitlement date is fixed on 9 September 2016 and payment will be made on 22 September 2016.

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### B.16 Auditors' report on preceding annual financial statements

The auditors' report of the Group in respect of the annual financial statements for the year ended 31 December 2015 was not subject to any audit qualification.

### B.17 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and weighted average number of shares outstanding as follows:-

		3 months ended		6 months ended	
		30 Jun	30 Jun	30 Jun	30 Jun
		2016	2015	2016	2015
Net profit for the period	RM('000)	5,194	4,416	10,973	7,828
Weighted average number of ordinary shares in issue	('000)	187,688	187,688	187,688	186,626
Basic earnings per share	(sen)	2.77	2.35	5.85	4.19

**By Order of the Board**

**Company Secretary**

DATED: 12 August 2016