

BP PLASTICS HOLDING BHD.
(Company No. 644902-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Individual Quarter Current Year Quarter 31 Dec 2016	(Unaudited) Preceding Year Corresponding Quarter 31 Dec 2015	(Unaudited) Cumulative Quarter Current Year To Date 31 Dec 2016	(Audited) Preceding Year Corresponding Period 31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	80,787	81,073	324,358	283,458
Cost of sales	(71,973)	(69,479)	(284,486)	(245,225)
Gross profit	8,814	11,594	39,872	38,233
Other income	(1,872)	1,429	(1,530)	4,592
Finance income	389	398	1,883	1,154
Administration and general expenses	(1,441)	(1,589)	(7,095)	(7,724)
Selling and marketing expenses	(2,610)	(2,324)	(10,261)	(8,939)
Finance cost	-	-	-	(7)
Profit before taxation	3,280	9,508	22,869	27,309
Income tax expense	568	(1,210)	(5,002)	(5,475)
Profit after taxation, representing total comprehensive income for the period	3,848	8,298	17,867	21,834
Basic earnings per ordinary share (sen)	2.05	4.42	9.52	11.67
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at end of Current Quarter 31 Dec 2016	(Audited) As at Preceding Financial Year Ended 31 Dec 2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	75,065	67,452
Current assets		
Inventories	67,266	40,110
Trade and other receivables	47,521	41,873
Investment securities	19,040	50,112
Cash and bank balances	25,029	10,177
Tax recoverable	758	63
	159,614	142,335
TOTAL ASSETS	234,679	209,787
EQUITY AND LIABILITIES		
Equity		
Share capital	93,844	93,844
Share premium	4,929	4,929
Treasury share	(21)	(21)
Retained earnings	67,015	66,037
	165,767	164,789
Non-current liability		
Deferred tax liability	9,599	8,981
Current liabilities		
Trade and other payables	58,578	33,281
Derivative liabilities	735	-
Tax provision	-	2,736
	59,313	36,017
TOTAL LIABILITIES	68,912	44,998
TOTAL EQUITY AND LIABILITIES	234,679	209,787
<i>Net assets per share attributable to ordinary equity holders of the parent (RM)</i>	<i>0.88</i>	<i>0.88</i>

Remark

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Non-distributable ----->				Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Share RM'000	ESOS Reserve RM'000	Retained Earnings RM'000	
<i>For the period ended 31 Dec 2016</i>						
At 1 January 2016	93,844	4,929	(21)	-	66,037	164,789
Dividends paid to shareholders	-	-	-	-	(16,889)	(16,889)
Total comprehensive income for the period	-	-	-	-	17,867	17,867
At 31 December 2016	93,844	4,929	(21)	-	67,015	165,767
<i>For the period ended 31 Dec 2015</i>						
At 1 January 2015	92,040	3,898	(21)	129	59,086	155,132
Dividends paid to shareholders	-	-	-	-	(15,012)	(15,012)
Issue of ordinary shares pursuant to ESOS	1,804	1,031	-	-	-	2,835
Transferred to retained earnings	-	-	-	(129)	129	-
Total comprehensive income for the period	-	-	-	-	21,834	21,834
At 31 December 2015	93,844	4,929	(21)	-	66,037	164,789

Remark

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 12 months ended 31 Dec 2016 RM'000	Audited 12 months ended 31 Dec 2015 RM'000
OPERATING ACTIVITIES		
Profit before taxation	22,869	27,309
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	8,634	8,084
Loss/(gain) on disposal of property, plant and equipment	2	(26)
Gain on disposal of investment securities	-	(28)
Property, plant and equipment written off	3	3
Interest expense	-	7
Interest income	(1,883)	(1,154)
(Reversal)/provision for doubtful debt	(26)	62
Foreign exchange (gain)/loss - unrealised	(400)	(63)
Fair value loss on derivatives	735	-
Operating cash flows before working capital changes	29,934	34,194
(Increase)/decrease in inventories	(27,156)	4,761
Increase in receivables	(4,983)	(2,415)
Increase in payables	25,152	16,044
Cash flows from operations	22,947	52,584
Interest paid	-	(7)
Income taxes paid	(7,815)	(4,217)
Net cash flows from operating activities	15,132	48,360
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,258)	(10,389)
Proceeds from disposal of property, plant and equipment	7	26
Proceeds from disposal of investment securities	-	129
Interest received	1,883	1,154
Net cash flows used in investing activities	(14,368)	(9,080)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	2,834
Repayment of short term borrowings	-	(4,680)
Dividend paid	(16,889)	(15,012)
Net cash flows used in financing activities	(16,889)	(16,858)
Net (decrease)/increase in cash and cash equivalents	(16,125)	22,422
Cash and cash equivalents at 1 January	60,288	37,817
Effects of exchange differences	(94)	49
Cash and cash equivalents at 31 December	44,069	60,288
<u>Notes :</u>		
Cash and cash equivalents in the cash flow statement comprise of :-		
Cash and bank balances	25,029	10,176
Short term deposits with financial institutions	19,040	50,112
	44,069	60,288

Remark

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes to the interim financial statements.

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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 24 February 2017.

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 12 Disclosure of Interests in Other Entities (Amendments to MFRS 12)
- MFRS 107 Disclosure Initiative (Amendments to MFRS 107)
- MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

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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 2018

- MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Amendments to MFRS 1)
- MFRS 2 Classification and Measurements of Share-based Payment Transactions (Amendments to MFRS 2)
- 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
- MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)
- MFRS 140 Transfer of Investment Property (Amendments to MFRS 140)

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

- MFRS 16 Leases

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 31 December 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.

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A.8 Dividend paid

The following dividend payments were made during the current quarter and 12 months period ended 31 December 2016:

	RM'000
In respect of the financial year ended 31 December 2015:	
- Second interim Single-Tier dividend of 3 sen per share, paid on 17 March 2016	<u>5,630</u>
In respect of the financial year ended 31 December 2016:	
- First interim Single-Tier dividend of 2 sen per share, paid on 24 June 2016	3,753
- Second interim Single-Tier dividend of 2 sen per share, paid on 22 September 2016	3,753
- Third interim Single-Tier dividend of 2 sen per share, paid on 22 December 2016	<u>3,753</u>
	<u>11,259</u>
Total dividend paid as at 31 December 2016	<u><u>16,889</u></u>

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 geographical segments as follows:

	Current quarter				Cumulative quarter			
	3 months ended				12 months ended			
	31 Dec		31 Dec		31 Dec		31 Dec	
	2016		2015		2016		2015	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Malaysia	18,983	24%	15,957	20%	68,452	21%	59,649	21%
South Korea	15,745	19%	13,031	16%	66,920	21%	41,873	15%
Japan	11,680	14%	17,527	22%	54,265	17%	57,788	20%
Singapore	9,180	11%	9,649	11%	34,753	11%	34,529	12%
Other Asean Countries	6,060	8%	7,018	9%	26,041	8%	24,036	8%
Australasia	6,447	8%	7,329	9%	28,450	9%	27,867	10%
Other Far East Countries	8,326	10%	7,312	9%	27,831	8%	23,918	9%
Other countries	4,366	6%	3,250	4%	17,646	5%	13,798	5%
Total operating revenue	<u>80,787</u>	100%	<u>81,073</u>	100%	<u>324,358</u>	100%	<u>283,458</u>	100%

A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 31 December 2016 that have not been reflected in the interim financial statements as at the date of this report.

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

B.1 Review of performance

The Group's performances for the current quarter ("4Q16") and 12 months period ended 31 December 2016 ("12MFY16") compared with last financial year's corresponding quarter ("4Q15") and 12-month period ("12MFY15") are as follows:

Description	Unaudited 4Q16 RM'000	Unaudited 4Q15 RM'000	Change %	Unaudited 12MFY16 RM'000	Audited 12MFY15 RM'000	Change %
Revenue	80,787	81,073	-0.35	324,358	283,458	+14.43
PBT	3,280	9,508	-65.49	22,869	27,309	-16.26
PAT	3,848	8,298	-53.62	17,867	21,834	-18.17

Quarter Review (4Q16 vs 4Q15)

For the 3 months ended 31 December 2016, the Group registered slightly lower operating revenue of RM80.79 million, a decrease of 0.35% compared to RM81.07 million in 4Q15.

The Group achieved a lower profit before tax ("PBT") for the quarter under review of RM3.28 million, a decrease of 65.49% compared to RM9.51 million in 4Q15 mainly due to margin compression arising from higher operating costs and resin prices driven by weakening Ringgit Malaysia against US dollar, and lag-on effect in selling price adjustment. In addition, RM2.03 million foreign exchange loss and fair value loss of foreign exchange forward contracts was incurred in 4Q16 as compared to RM1.31 million foreign exchange gain in 4Q15.

Profit after tax ("PAT") for the quarter under review was lower by 53.62% at RM3.85 million, compared to PAT of RM8.30 million in 4Q15 mainly due to reasons as highlighted above.

Year-to-date Review (12MFY16 vs 12MFY15)

For the 12 months ended 31 December 2016, the Group registered a historical highest operating revenue of RM324.36 million, an increase of 14.43% compared to RM283.46 million in the corresponding period last year mainly due to production capacity increased.

The Group achieved a lower PBT for the period under review of RM22.87 million, a decrease of 16.26% compared to PBT of RM27.31 million in the same period last year.

PAT for the period under review was lower by 18.17% at RM17.87 million, compared to the PAT of RM21.83 million in the same period last year.

The lower PBT and PAT for the period under review were due to RM2.08 million foreign exchange loss and fair value loss of foreign exchange forward contracts incurred in 12MFY16 compared to RM4.24 million foreign exchange gain in 12MFY15 as the result of the extraordinary weakening of Ringgit Malaysia.

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B.2 Variation of results against last quarter

The Group's performance for the current quarter ("4Q16") compared with the preceding quarter ("3Q16") is as follows:

Description	Unaudited 4Q16 RM'000	Unaudited 3Q16 RM'000	Change %
Revenue	80,787	79,404	+1.74
PBT	3,280	5,215	-37.09
PAT	3,848	3,045	+26.40

Operating revenue for the current quarter ended 31 December 2016 of RM80.79 million was higher by 1.74% compared to RM79.40 million in the preceding quarter.

PBT of RM3.28 million for the quarter under review was lower by 37.09% compared with the PBT of RM5.22 million in the preceding quarter mainly due to RM2.03 million net foreign exchange loss and fair value loss of foreign exchange contracts incurred in 4Q16 compared to RM366,000 net foreign exchange gain in the preceding quarter.

PAT of RM3.85 million for the quarter under review was higher by 26.40% compared to the PAT of RM3.05 million in the preceding quarter mainly due to the availability of reinvestment allowance of a subsidiary has been claimed in the current quarter.

B.3 Current year prospects

The Malaysian Ringgit has seen a reduction in volatility since the sharp adjustments experienced towards the end of 2016. However, increasing trend towards protectionist economics are gaining strength and influence in Europe zone and USA. This could impede an inexorable course toward greater globalisation. Uncertain geopolitical developments may result in bouts of volatility in the regional financial and foreign exchange markets. Despite severe weakening of Malaysian Ringgit temporarily improving export competitiveness, unfortunately it increased import costing and reduced domestic consumption.

Given the above scenario, the Group remains focused on internal ongoing improvement throughout the manufacturing process to deliver better quality products and services to all customers, to further enhance on our supplies of innovative products and market position.

The Board is pleased to inform that a brand new Cast Stretch Film machine was successfully commissioned in December 2016. With the expansion of additional production capacity and on-going cost management and rationalisation measures coupled with progressive quality and efficiency enhancements, the Group remains focused to deliver a satisfactory performance in the financial year ending 31 December 2017.

B.4 Financial estimate, forecast, projection / profit guarantee

There were no financial estimate, forecast or projection and profit guarantee issued by the Group.

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B.5 Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Interest income	(389)	(398)	(1,883)	(1,154)
Interest expense	-	-	-	7
Depreciation of property, plant and equipment	2,247	2,160	8,634	8,084
Loss/(gain) on disposal of property, plant and equipment	2	(15)	2	(26)
Property, plant and equipment written off	-	3	3	3
(Reversal)/provision for doubtful debt	-	-	(26)	62
Fair value loss on derivatives	735	-	735	-
Foreign exchange (gain)/loss – realised	1,695	(1,245)	1,745	(4,177)
Foreign exchange (gain)/loss – unrealised	(400)	(63)	(400)	(63)

B.6 Taxation

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Income tax:				
- Current year	(1,186)	1,310	3,214	5,866
- Underprovided in prior year	-	-	1,170	-
Deferred tax	618	(100)	618	(391)
	<u>(568)</u>	<u>1,210</u>	<u>5,002</u>	<u>5,475</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 12 months period under review was 21.87% against the statutory tax rate of 24% due to the availability of tax incentive for a subsidiary. However, the group current tax rate of 21.87%, which is higher than the previous corresponding period's effective tax rate of 20.05% due to additional tax adjustment of RM1.17 million arising from the reversal of Automation Capital Allowance as the Gazette Order of this tax mechanism has yet to be finalised as at date of this quarterly report.

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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

During the quarter under review, the Group entered into foreign exchange forward contracts as follows:

Foreign exchange forward contracts	Contract value (RM'000)	Fair value (RM'000)	Fair value changes (RM'000)
United States Dollar – less than one year	12,723	13,458	(735)

Foreign exchange forward contracts are used to hedge the Group's sales denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates on foreign exchange forward contracts range between January to February 2017 after the end of the reporting period.

The Group has recognised a loss of RM735,000 arising from fair value changes of derivatives during the financial year. The fair value changes were attributed to changes in the foreign exchange spot and forward rates.

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B.12 Realised and unrealised earnings disclosure

The breakdown of the retained earnings of the Group as at 31 December 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 31 Dec 2016 RM'000 (unaudited)	Previous financial year ended 31 Dec 2015 RM'000 (audited)
Total retained earnings of BP Plastics Holding Bhd. and its subsidiaries:		
- Realised	112,314	110,684
- Unrealised	(9,599)	(8,947)
	102,715	101,737
Less: Consolidation adjustments	(35,700)	(35,700)
Total Group retained earnings as per consolidated accounts	67,015	66,037

B.13 Capital commitment

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

	31 Dec 2016 RM'000 (Unaudited)	31 Dec 2015 RM'000 (Audited)
Approved and contracted for	-	-

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 fourth interim dividend (Single-Tier) of 2 sen per share in respect of the financial year ended 31 December 2016. The entitlement date is fixed on 17 March 2017 and payment will be made on 30 March 2017.

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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		12 months ended	
		31 Dec	31 Dec	31 Dec	31 Dec
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net profit for the period	RM('000)	3,849	8,298	17,867	21,834
Weighted average number of ordinary shares in issue	('000)	187,688	187,688	187,688	187,161
Basic earnings per share	(sen)	2.05	4.42	9.52	11.67

By Order of the Board

Company Secretary

DATED: 24 February 2017