

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter			Cumulative Quarter		
		Current Year	Preceding Year	Change	Current Year	Preceding Year	Change
		Quarter	Corresponding		To Date	Corresponding	
30 Sep 2018 (Unaudited)	30 Sep 2017 (Unaudited)	%	30 Sep 2018 (Unaudited)	30 Sep 2017 (Audited)	%		
		RM'000	RM'000		RM'000	RM'000	
Revenue	A.9	80,593	84,875	-5.05	248,097	243,041	2.08
Cost of sales		(70,782)	(76,622)	-7.62	(216,534)	(219,497)	-1.35
Gross profit		9,811	8,253	18.88	31,563	23,544	34.06
Other income		785	226	247.35	1,152	468	146.15
Administration and general expenses		(1,741)	(2,093)	-16.82	(5,719)	(5,731)	-0.21
Selling and marketing expenses		(2,986)	(2,788)	7.10	(8,274)	(7,496)	10.38
Profit before taxation	B.5	5,869	3,598	63.12	18,722	10,785	73.59
Income tax expense	B.6	(534)	662	-180.66	(4,023)	(1,269)	217.02
Profit after taxation, representing total comprehensive income for the period, attributable to the owners of the Company		5,335	4,260	25.23	14,699	9,516	54.47
Basic and diluted earnings per share attributable to the owners of the Company (sen):	B.16	2.84	2.27	25.11	7.83	5.07	54.44

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at end of Current Quarter 30 Sep 2018	(Audited) As at Preceding Financial Year End 31 Dec 2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,480	68,867
Investment property	1,038	-
	<u>81,518</u>	<u>68,867</u>
Current assets		
Inventories	52,150	63,055
Trade and other receivables	38,638	43,830
Short-term investments	27,296	23,182
Cash and bank balances	7,630	22,047
Current tax assets	1,396	1,799
	<u>127,110</u>	<u>153,913</u>
TOTAL ASSETS	<u>208,628</u>	<u>222,780</u>
Equity		
Share capital	98,773	98,773
Treasury shares	(21)	(21)
Retained earnings	79,536	68,590
	<u>178,288</u>	<u>167,342</u>
Non-current liability		
Deferred tax liabilities	9,247	9,012
Current liabilities		
Trade and other payables	21,093	46,426
	<u>21,093</u>	<u>46,426</u>
TOTAL LIABILITIES	<u>30,340</u>	<u>55,438</u>
TOTAL EQUITY AND LIABILITIES	<u>208,628</u>	<u>222,780</u>
<i>Net assets per share attributable to the owners of the Company (RM)</i>	<u>0.95</u>	<u>0.89</u>

Remark

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	<--- Non-distributable ---> Share Premium RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total RM'000
<i>For the period ended 30 Sep 2018</i>					
At 1 January 2018	98,773	-	(21)	68,590	167,342
Dividends paid to shareholders	-	-	-	(3,753)	(3,753)
Total comprehensive income for the period	-	-	-	14,699	14,699
At 30 September 2018	98,773	-	(21)	79,536	178,288
<i>For the period ended 30 Sep 2017</i>					
At 1 January 2017	93,844	4,929	(21)	67,015	165,767
Transfer to share capital upon implementation of the Companies Act 2016	4,929	(4,929)	-	-	-
Dividends paid to shareholders	-	-	-	(7,506)	(7,506)
Total comprehensive income for the period	-	-	-	9,516	9,516
At 30 September 2017	98,773	-	(21)	69,025	167,777

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 2017 and the accompanying explanatory notes to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 9 months ended 30 Sep 2018 RM'000	Unaudited 9 months ended 30 Sep 2017 RM'000
OPERATING ACTIVITIES		
Profit before taxation	18,722	10,785
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	6,782	7,273
Gain on disposal of property, plant and equipment	(6)	-
Interest income	(761)	(593)
Impairment loss on receivables	306	78
Reversal of impairment loss on receivables	(64)	-
Fair value changes on financial instruments	-	(735)
(Gain)/loss on foreign exchange - unrealised	(162)	344
Operating cash flows before working capital changes	24,817	17,152
Decrease in inventories	10,905	26,875
Decrease in receivables	5,371	8,224
Decrease in payables	(25,629)	(34,028)
Cash flows from/(used in) operations	15,464	18,223
Income taxes paid	(3,385)	(3,308)
Net cash flows from/(used in) operating activities	12,079	14,915
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(19,433)	(848)
Proceeds from disposal of property, plant and equipment	6	-
Interest received	761	593
Net cash flows (used in)/from investing activities	(18,666)	(255)
FINANCING ACTIVITIES		
Dividends paid	(3,753)	(7,506)
Net cash flows used in financing activities	(3,753)	(7,506)
Net decrease in cash and cash equivalents	(10,340)	7,154
Cash and cash equivalents at 1 January	45,228	45,068
Effects of exchange differences	38	(302)
Cash and cash equivalents at 30 September	34,926	51,920
<u>Notes :</u>		
Cash and cash equivalents in the statement of cash flows comprise of :-		
Cash and bank balances	7,450	23,816
Repository deposits with a licensed bank	180	165
Short term deposits with financial institutions	27,296	27,939
	34,926	51,920

Remark

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 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 26 November 2018.

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 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 2017.

The accounting policies and method of computation adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2017, except for the adoption of the following as below, effective for 1 January 2018:

- MFRS 9, Financial Instruments
- MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 15: Clarifications to MFRS 15
- Amendments to MFRS 140: Transfers of Investment Property

The adoptions of the Amendments to MFRS 140 and IC Interpretations 22 do not have any effect on the Group’s accounting policies and no financial impact on the financial performance of the Group.

MFRS 9, Financial Instruments

This is to replace MFRS 139 that relates to recognition, classifications and measurements of financial assets and financial liabilities, recognition of financial instruments and impairment of financial assets.

The main impact of adopting the above on the Group’s accounting policies is as follows:

From 1 January 2018, the Group classifies its financial assets into those to be measured subsequently at fair value (either through other comprehensive income or profit or loss) and those to be measured at amortised costs.

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A.2 Basis of preparation (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, financial assets are measured at fair value plus transactions costs for those financial assets not at fair value through profit or loss. Transactions costs relating to financial assets at fair value through profit and loss are expensed to profit or loss.

For trade receivables, the Group assesses on a forward looking basis using the expected lifetime credit losses for impairment.

The accounting policy is adopted retrospectively with no financial impact from its adoption.

MFRS 15, Revenue from contracts with customers

This is to replaced MFSR 118, Revenue and MFRS 111, Constructions contracts.

The main impact of adopting the above on the Group's accounting policies is as follows:

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days.

The accounting policy is adopted retrospectively with no financial impact from its adoption.

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 which are applicable to the Group, were issued but not yet effective, and have not been applied by the Group:

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

- MFRS 16, Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to MFRS Standard 2015-2017 Cycles

Amendments to References to the Conceptual Framework in MFRS Standards are effective for annual period beginning on or after 1 January 2020.

The adoption of the above MFRS, ICs and amendments is expected to have no material impact on the financial statements of the Group in the period of initial application except as the Group is in the midst for studying the effect for MFRS 16.

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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 September 2018, 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

The following dividend payments were made during the current quarter and 9 months period ended 30 September 2018:

	RM'000
In respect of the financial year ending 31 December 2018:	
- First Single Tier interim dividend of 2 sen per share, paid on 27 June 2018	<u>3,753</u>
Total dividends paid as at 30 September 2018	<u>3,753</u>

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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 geographical segments as follows:

	Current quarter				Cumulative quarter			
	3 months ended				9 months ended			
	30 Sep 2018		30 Sep 2017		30 Sep 2018		30 Sep 2017	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Asia countries	46,236	57%	52,078	61%	147,976	60%	151,224	62%
Malaysia	24,673	31%	20,900	25%	69,903	28%	59,599	25%
Others	9,684	12%	11,897	14%	30,218	12%	32,218	13%
Total operating revenue	<u>80,593</u>	100%	<u>84,875</u>	100%	<u>248,097</u>	100%	<u>243,041</u>	100%

A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 30 September 2018 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 2017.

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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 ("3Q18") and 9-month period ended 30 September 2018 ("9MFY18") compared with last financial year's corresponding quarter ("3Q17") and 9-month period ("9MFY17") are as follows:

Description	Unaudited 3Q18 RM'000	Unaudited 3Q17 RM'000	Change %	Unaudited 9MFY18 RM'000	Unaudited 9MFY17 RM'000	Change %
Revenue	80,593	84,875	-5.05	248,097	243,041	+2.08
PBT	5,869	3,598	+63.12	18,722	10,785	+73.59
PAT	5,335	4,260	+25.23	14,699	9,516	+54.47

Quarter Review (3Q18 vs 3Q17)

For the current quarter, the Group achieved lower operating revenue of RM80.59 million, a decrease of 5.05% compared to RM84.88 million in 3Q17 mainly due to lower export sales.

The Group achieved a higher unaudited profit before tax (PBT) for the quarter under review of RM5.87 million, an increase of 63.12% compared to unaudited PBT of RM3.60 million in 3Q17.

Unaudited profit after tax (PAT) for the quarter under review was higher by 25.23% at RM5.34 million, compared to the unaudited PAT of RM4.26 million in 3Q17.

The higher PBT and PAT were mainly due to better product mix and cost savings achieved from better production efficiencies.

Year-to-date Review (9MFY18 vs 9MFY17)

For the 9 months ended 30 September 2018, the Group registered operating revenue of RM248.10 million, an increase of 2.08% compared to RM243.04 million in 9MFY17 due to higher sales volume.

The Group achieved a higher unaudited PBT and PAT for the period under review of RM18.72 million and RM14.70 million respectively, representing an increase of 73.59% and 54.47% compared to the unaudited PBT and PAT of RM10.79 million and RM9.52 million respectively in 9MFY17.

The higher PBT and PAT were mainly due to better product mix and cost savings achieved from better production efficiencies.

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B.2 Variation of results against last quarter

The Group's performance for the current quarter ("3Q18") compared with the preceding quarter ("2Q18") is as follows:

Description	Unaudited 3Q18 RM'000	Unaudited 2Q18 RM'000	Change %
Revenue	80,593	82,559	-2.38
PBT	5,869	6,078	-3.44
PAT	5,335	4,751	+12.29

Operating revenue for the current quarter of RM80.59 million was slightly lower by 2.38% compared to RM82.56 million in 2Q18 mainly due to lower export sales.

Unaudited PBT of RM5.87 million for the quarter under review was slightly lower by 3.44% compared with the unaudited PBT of RM6.08 million in 2Q18.

Unaudited PAT of RM5.34 million for the quarter under review was higher by 12.29% compared with the unaudited PAT of RM4.75 million in 2Q18 mainly due to the recognition of tax incentive in the current quarter for one of the subsidiary.

B.3 Current year prospects

During the recent Budget 2019 announcement, the projected GDP growth rate for Malaysia was revised downwards from the previously announced 5.0-5.5% to 4.8% for 2018, in line with the International Monetary Fund (IMF)'s global growth projections and also in view of global headwinds from rising prospects of a full blown US-China trade war, as well as forex volatility from hawkish US monetary policy, which has already precipitated massive capital outflows from the Emerging Markets into the US.

International trade growth should be sustained, albeit at slower pace with IMF revising downwards the global economic growth forecast from 3.9% to 3.7% in 2018. Next year, the global growth is expected to remain at 3.7%. The global trade growth forecast has also been reduced from 4.8% to 4.2% for 2018 and 4% in 2019.

Moving into the last quarter of FY2018, the Group believes that the overall demand for plastic packaging remains intact despite the challenging business environment and stiff competition within the industry.

With additional capacities added on for greater production flexibility and faster product turn-around times, the Group remains focused to deliver a profitable performance for the financial year ending 31 December 2018.

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.

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Included in the profit before tax are the following items:

	Current quarter 3 Months ended		Cumulative quarter 9 Months ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Interest income	(279)	(251)	(761)	(593)
Rental income	(11)	-	(16)	-
Depreciation of property, plant and equipment	2,292	2,416	6,782	7,273
Gain on disposal of property, plant and equipment	-	-	(6)	-
Impairment loss on receivables	271	78	306	78
Reversal of impairment loss on receivables	-	-	(64)	-
Foreign exchange loss/(gain) – Realised	(361)	(5)	141	227
Foreign exchange loss/(gain) – Unrealised	(26)	344	(162)	344

B.6 Taxation

	Current Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Income tax	203	1,200	3,803	3,500
Overprovided in prior year	(15)	(1,644)	(15)	(1,644)
	188	(444)	3,788	1,856
Deferred tax	(9)	(218)	(120)	(587)
Underprovided in prior year	355	-	355	-
	346	(218)	235	(587)
	534	(662)	4,023	1,269

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 9 months period under review was 19.67%, which is lower than last year's same corresponding period effective tax rate of 27% mainly due to the availability of tax incentive in one of the subsidiary.

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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

There were no outstanding derivatives as at the end of the reporting period.

B.12 Material litigation

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

B.13 Capital commitment

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

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Approved and contracted for	<u>3,608</u>	<u>16,404</u>

B.14 Proposed dividend

The Board of Directors of the Company proposed a second single tier interim dividend of 2 sen per share in respect of the financial year ending 31 December 2018. The entitlement date is fixed on 12 December 2018 and payment will be made on 28 December 2018.

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B.15 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 2017 was not subject to any audit qualification.

B.16 Earnings per share

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

		3 months ended		9 months ended	
		30 Sep	30 Sep	30 Sep	30 Sep
		2018	2017	2018	2017
Net profit for the period	(RM'000)	5,335	4,260	14,699	9,516
Weighted average number of ordinary shares	('000)	187,688	187,688	187,688	187,688
Basic earnings per share	(sen)	2.84	2.27	7.83	5.07

The basic and diluted earnings per share are the same as at the end of the reporting period.

By Order of the Board

Company Secretary

DATED: 26 November 2018