

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter			Cumulative Quarter		
		Current Year Quarter 31 Dec 2018 (Unaudited) RM'000	Preceding Year		Current Year To Date 31 Dec 2018 (Unaudited) RM'000	Preceding Year	
			Corresponding Quarter 31 Dec 2017 (Unaudited) RM'000	Change %		Corresponding Period 31 Dec 2017 (Audited) RM'000	Change %
Revenue	A.9	85,681	85,515	0.19	333,778	328,557	1.59
Cost of sales		(74,710)	(75,886)	-1.55	(291,244)	(295,670)	-1.50
Gross profit		10,971	9,629	13.94	42,534	32,887	29.33
Other income		489	(812)	-160.22	1,641	(334)	-591.32
Administration and general expenses		(2,045)	(1,614)	26.70	(7,763)	(7,024)	10.52
Selling and marketing expenses		(3,076)	(2,478)	24.13	(11,350)	(10,013)	13.35
Profit before taxation	B.5	6,339	4,725	34.16	25,062	15,516	61.52
Income tax expense	B.6	47	(1,413)	-103.33	(3,976)	(2,682)	48.25
Profit after taxation, representing total comprehensive income for the period, attributable to the owners of the Company		6,386	3,312	92.81	21,086	12,834	64.30
Basic and diluted earnings per share attributable to the owners of the Company (sen):	B.16	3.40	1.76	93.18	11.23	6.84	64.18

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 31 Dec 2018	(Audited) As at Preceding Financial Year Ended 31 Dec 2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	84,290	68,867
Investment property	1,033	-
	85,323	68,867
Current assets		
Inventories	47,473	63,055
Trade and other receivables	38,919	43,830
Short-term investments	27,531	23,182
Cash and bank balances	21,645	22,047
Current tax assets	2,289	1,799
	137,857	153,913
TOTAL ASSETS	223,180	222,780
Equity		
Share capital	98,773	98,773
Treasury shares	(21)	(21)
Retained earnings	82,170	68,590
	180,922	167,342
Non-current liability		
Deferred tax liabilities	10,100	9,012
Current liabilities		
Trade and other payables	32,158	46,426
	32,158	46,426
TOTAL LIABILITIES	42,258	55,438
TOTAL EQUITY AND LIABILITIES	223,180	222,780
<i>Net assets per share attributable to the owners of the Company (RM)</i>	0.96	0.89

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 31 Dec 2018</i>					
At 1 January 2018	98,773	-	(21)	68,590	167,342
Dividends paid to shareholders	-	-	-	(7,506)	(7,506)
Total comprehensive income for the period	-	-	-	21,086	21,086
At 31 December 2018	98,773	-	(21)	82,170	180,922
<i>For the period ended 31 Dec 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	-	-	-	(11,259)	(11,259)
Total comprehensive income for the period	-	-	-	12,834	12,834
At 31 December 2017	98,773	-	(21)	68,590	167,342

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

	Unaudited 12 months ended 31 Dec 2018 RM'000	Audited 12 months ended 31 Dec 2017 RM'000
OPERATING ACTIVITIES		
Profit before taxation	25,062	15,516
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	9,209	9,635
Gain on disposal of property, plant and equipment	(109)	(50)
Interest income	(1,064)	(879)
Impairment loss on receivables	665	64
Reversal of impairment loss on receivables	(64)	-
Fair value changes on financial instruments	-	(735)
(Gain)/loss on foreign exchange - unrealised	226	358
Operating cash flows before working capital changes	33,925	23,909
Decrease in inventories	15,583	9,643
Decrease in receivables	4,547	4,321
Decrease in payables	(14,522)	(19,490)
Cash flows from/(used in) operations	39,533	18,383
Income taxes paid	(3,378)	(4,310)
Net cash flows from/(used in) operating activities	36,155	14,073
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,666)	(3,438)
Proceeds from disposal of property, plant and equipment	109	51
Interest received	1,064	879
Net cash flows (used in)/from investing activities	(24,493)	(2,508)
FINANCING ACTIVITIES		
Dividends paid	(7,506)	(11,259)
Net cash flows used in financing activities	(7,506)	(11,259)
Net increase in cash and cash equivalents	4,156	306
Cash and cash equivalents at 1 January	45,228	45,068
Effects of exchange differences	(208)	(145)
Cash and cash equivalents at 31 December	49,176	45,229
<u>Notes :</u>		
Cash and cash equivalents in the statement of cash flows comprise of :-		
Cash and bank balances	18,215	21,472
Repository deposits with a licensed bank	3,430	575
Short term deposits with financial institutions	27,531	23,182
	49,176	45,229

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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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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 28 February 2019.

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 replace MFSR 118, Revenue and MFRS 111, Construction 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.

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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 31 December 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 12 months period ended 31 December 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	3,753
- Second Single Tier interim dividend of 2 sen per share, paid on 28 December 2018	3,753
Total dividends paid as at 31 December 2018	<u>7,506</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		3 months ended		12 months ended		12 months ended	
	31 Dec 2018		31 Dec 2017		31 Dec 2018		31 Dec 2017	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Asia countries	52,674	62%	53,266	63%	200,650	60%	204,581	63%
Malaysia	20,727	24%	20,942	24%	90,630	27%	80,541	24%
Others	12,280	14%	11,307	13%	42,498	13%	43,435	13%
Total operating revenue	<u>85,681</u>	100%	<u>85,515</u>	100%	<u>333,778</u>	100%	<u>328,557</u>	100%

A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 31 December 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 ("4Q18") and 12-month period ended 31 December 2018 ("12MFY18") compared with last financial year's corresponding quarter ("4Q17") and 12-month period ("12MFY17") are as follows:

Description	Unaudited 4Q18 RM'000	Unaudited 4Q17 RM'000	Change %	Unaudited 12MFY18 RM'000	Audited 12MFY17 RM'000	Change %
Revenue	85,681	85,515	+0.19	333,778	328,557	+1.59
PBT	6,339	4,725	+34.16	25,062	15,516	+61.52
PAT	6,386	3,312	+92.81	21,086	12,834	+64.30

Quarter Review (4Q18 vs 4Q17)

For the current quarter, the Group's operating revenue of RM85.68 million, was marginally higher compared to the RM85.52 million in last year's corresponding 4Q17.

The Group achieved a higher unaudited profit before tax (PBT) for the quarter under review of RM6.34 million, an increase of 34.16% compared to unaudited PBT of RM4.73 million in 4Q17 mainly due to better product mix and cost savings achieved from improved production efficiencies.

Unaudited profit after tax (PAT) for the quarter under review was higher by 92.81% at RM6.39 million, compared to the unaudited PAT of RM3.31 million in 4Q17 mainly due to the availability of reinvestment allowance tax incentives which was claimed by a subsidiary in 4Q18.

Year-to-date Review (12MFY18 vs 12MFY17)

For the 12 months ended 31 December 2018, the Group registered operating revenue of RM333.78 million, an increase of 1.59% compared to RM328.56 million in 12MFY17, supported mainly by sustained and resilient local domestic consumption.

The Group achieved a higher unaudited PBT for the period under review of RM25.06 million, an increase of 61.52% compared to audited PBT of RM15.52 million in 12MFY2017 mainly due to better product mix and production efficiency costs savings.

Unaudited PAT for the period under review was also higher at RM21.09 million, an increase of 64.30% compared to the audited PAT of RM12.83 million in 12MFY17, due to the improved profit performance as mentioned above, and lower effective tax arising from reinvestment allowance tax incentives claimed by a subsidiary.

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B.2 Variation of results against last quarter

The Group's performance for the current quarter ("4Q18") compared with the preceding quarter ("3Q18") is as follows:

Description	Unaudited 4Q18 RM'000	Unaudited 3Q18 RM'000	Change %
Revenue	85,681	80,593	+6.31
PBT	6,339	5,869	+8.01
PAT	6,386	5,335	+19.70

Operating revenue for the current quarter of RM85.68 million was higher by 6.31% compared to RM80.59 million in 3Q18 mainly due to normalisation of export sales in 4Q18.

Unaudited PBT of RM6.34 million for the quarter under review was higher by 8.01% compared with the unaudited PBT of RM5.87 million in 3Q18, due to improved economies of scale and better production efficiencies.

Unaudited PAT of RM6.39 million for the quarter under review was higher by 19.70% compared with the unaudited PAT of RM5.34 million in 3Q18 mainly due to the recognition of further reinvestment allowance tax incentive in the current quarter for a subsidiary, for additional machineries commissioned in the quarter.

B.3 Current year prospects

With the international trade growth anticipated to be at slower rate in 2019, and on-going headwinds arising from the yet to be concluded US-China trade war and Brexit in Europe, the road ahead for manufacturers in Emerging Markets (EM) is potentially challenging and bumpy, with ever increasing operating costs as well as volatile forex environment due to capital inflows and outflows within the EM region arising from uncertain US monetary policy.

Notwithstanding the above, the Group is cautiously optimistic that the overall demand for plastic packaging remains intact and sustained, despite the challenging business environment and stiff competition within the industry. The Group will continue to focus on product innovations and enhancing existing production efficiencies to mitigate against increase in operating costs such as increase in minimum wage and electricity rate hikes in FY2019.

In view of the above, the Group remains committed to deliver a profitable performance for the financial year ending 31 December 2019.

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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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 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Interest income	(303)	(274)	(1,064)	(868)
Rental income	(11)	-	(26)	-
Depreciation of property, plant and equipment	2,427	2,362	9,209	9,635
Gain on disposal of property, plant and equipment	(103)	(50)	(109)	(50)
Impairment loss on receivables	360	-	665	64
Reversal of impairment loss on receivables	-	(2)	(64)	-
Foreign exchange loss/(gain) – Realised	(393)	918	(252)	1,489
Foreign exchange loss/(gain) – Unrealised	388	358	226	358

B.6 Taxation

	Current Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Income tax	(900)	1,300	2,903	4,800
Overprovided in prior year	-	113	(15)	(1,531)
	(900)	1,413	2,888	3,269
Deferred tax	1,033	-	913	(587)
Underprovided in prior year	(180)	-	175	-
	853	-	1,088	(587)
	(47)	1,413	3,976	2,682

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 15.23%, which is lower than last year's same corresponding period effective tax rate of 27.15% mainly due to the availability of reinvestment allowance tax incentive claimed by a 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:

	31 Dec 2018	31 Dec 2017
	RM'000	RM'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Approved and contracted for	6,386	16,404

B.14 Proposed dividend

The Board of Directors of the Company proposed a third single tier interim dividend of 2 sen per share in respect of the financial year ended 31 December 2018. The entitlement date is fixed on 15 March 2019 and payment will be made on 28 March 2019.

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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		12 months ended	
		31 Dec	31 Dec	31 Dec	31 Dec
		2018	2017	2018	2017
Net profit for the period	(RM'000)	6,386	3,312	21,086	12,834
Weighted average number of ordinary shares	('000)	187,688	187,688	187,688	187,688
Basic earnings per share	(sen)	3.40	1.76	11.23	6.84

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: 28 February 2019