

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter			Cumulative Quarter		
		Current Year Quarter 30 Jun 2019 (Unaudited) RM'000	Preceding Year Corresponding Quarter		Current Year To Date 30 Jun 2019 (Unaudited) RM'000	Preceding Year Corresponding Period	
			30 Jun 2018 (Unaudited) RM'000	Change %		30 Jun 2018 (Unaudited) RM'000	Change %
Revenue	A.9	86,705	82,559	5.02	167,536	167,504	0.02
Cost of sales		(76,597)	(72,883)	5.10	(146,989)	(145,752)	0.85
Gross profit		10,108	9,676	4.46	20,547	21,752	-5.54
Other income		584	756	-22.75	971	366	165.30
Administration and general expenses		(1,832)	(1,811)	1.16	(4,306)	(3,978)	8.25
Selling and marketing expenses		(2,675)	(2,543)	5.19	(5,112)	(5,287)	-3.31
Profit before taxation	B.5	6,185	6,078	1.76	12,100	12,853	-5.86
Income tax expense	B.6	(1,660)	(1,327)	25.09	(3,160)	(3,489)	-9.43
Profit after taxation, representing total comprehensive income for the period, attributable to the owners of the Company		4,525	4,751	-4.76	8,940	9,364	-4.53
Basic and diluted earnings per share attributable to the owners of the Company (sen):	B.16	2.41	2.53	-4.74	4.76	4.99	-4.61

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at end of Current Quarter 30 Jun 2019	(Audited) As at Preceding Financial Year Ended 31 Dec 2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,510	84,288
Investment property	1,022	1,033
	81,532	85,321
Current assets		
Inventories	42,182	47,472
Trade and other receivables	38,264	42,342
Short-term investments	47,882	27,542
Cash and bank balances	18,225	22,645
Current tax assets	868	2,507
	147,421	142,508
TOTAL ASSETS	228,953	227,829
Equity		
Share capital	98,773	98,773
Treasury shares	(21)	(21)
Retained earnings	87,630	82,443
	186,382	181,195
Non-current liability		
Deferred tax liabilities	10,374	10,014
Current liabilities		
Trade and other payables	32,197	36,620
	32,197	36,620
TOTAL LIABILITIES	42,571	46,634
TOTAL EQUITY AND LIABILITIES	228,953	227,829
<i>Net assets per share attributable to the owners of the Company (RM)</i>	0.99	0.97

Remark

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

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 June 2019</i>					
At 1 January 2019	98,773	-	(21)	82,443	181,195
Dividends paid to shareholders	-	-	-	(3,753)	(3,753)
Total comprehensive income for the period	-	-	-	8,940	8,940
At 30 June 2019	98,773	-	(21)	87,630	186,382
<i>For the period ended 30 June 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	-	-	-	9,364	9,364
At 30 June 2018	98,773	-	(21)	74,201	172,953

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 2018 and the accompanying explanatory notes to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 30 Jun 2019 RM'000	Unaudited 6 months ended 30 Jun 2018 RM'000
OPERATING ACTIVITIES		
Profit before taxation	12,100	12,853
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	5,290	4,490
Gain on disposal of property, plant and equipment	-	(7)
Interest income	(759)	(482)
Impairment loss on receivables	-	35
Reversal of impairment loss on receivables	(311)	(64)
(Gain)/loss on foreign exchange - unrealised	(37)	(136)
Operating cash flows before working capital changes	16,283	16,689
Decrease in inventories	5,290	12,971
Decrease in receivables	3,987	3,429
Decrease in payables	(3,876)	(27,072)
Cash flows from/(used in) operations	21,684	6,017
Income taxes paid	(1,161)	(1,748)
Net cash flows from/(used in) operating activities	20,523	4,269
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,500)	(10,646)
Proceeds from disposal of property, plant and equipment	-	7
Interest received	759	482
Net cash flows (used in)/from investing activities	(741)	(10,157)
FINANCING ACTIVITIES		
Dividends paid	(3,753)	(3,753)
Net cash flows used in financing activities	(3,753)	(3,753)
Net increase/(decrease) in cash and cash equivalents	16,029	(9,641)
Cash and cash equivalents at 1 January	50,187	45,228
Effects of exchange differences	(109)	129
Cash and cash equivalents at 30 June	66,107	35,716
<u>Notes :</u>		
Cash and cash equivalents in the statement of cash flows comprise of :-		
Cash and bank balances	14,270	11,863
Repository deposits with a licensed bank	3,955	2,285
Short term deposits with financial institutions	47,882	21,568
	66,107	35,716

Remark

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes to the interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 8 August 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 2018.

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 2018, except for the adoption of the following as below, effective for 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 Standards 2015 – 2017 Cycles

The adoptions of the above accounting standards and interpretations (including the consequential amendments, if any) do not have any effect on the Group’s accounting policies and no financial impact on the financial performance of the Group.

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:

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

BP PLASTICS HOLDING BHD

(Company No. 644902-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

The adoption of the above amendments is expected to have no material impact on the 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 2019, 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

There was no dividend paid in the quarter under review.

BP PLASTICS HOLDING BHD

(Company No. 644902-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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		6 months ended		6 months ended	
	30 Jun		30 Jun		30 Jun		30 Jun	
	2019		2018		2019		2018	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Asia countries	53,016	61%	50,183	61%	101,124	60%	101,740	61%
Malaysia	23,761	27%	22,356	27%	46,503	28%	45,229	27%
Others	9,928	12%	10,020	12%	19,909	12%	20,535	12%
Total operating revenue	<u>86,705</u>	100%	<u>82,559</u>	100%	<u>167,536</u>	100%	<u>167,504</u>	100%

A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 30 June 2019 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 2018.

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(Company No. 644902-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 performance for the current quarter ("2Q19") and 6 months period ended 30 June 2019 ("6MFY19") compared with last financial year's corresponding quarter ("2Q18") and 6-month period ("6MFY18") are as follows:

Description	Unaudited 2Q19 RM'000	Unaudited 2Q18 RM'000	Change %	Unaudited 6MFY19 RM'000	Unaudited 6MFY18 RM'000	Change %
Revenue	86,705	82,559	+5.02	167,536	167,504	+0.02
PBT	6,185	6,078	+1.76	12,100	12,853	-5.86
PAT	4,525	4,751	-4.76	8,940	9,364	-4.53

Quarter Review (2Q19 vs 2Q18)

For the current quarter, the Group's operating revenue of RM86.71 million was higher compared to RM82.56 million in last year's corresponding 2Q18 mainly due to higher sales.

The Group recorded a higher unaudited profit before tax (PBT) for the quarter under review of RM6.19 million, an increase of 1.76% compared to unaudited PBT of RM6.08 million in 2Q18 due to higher sales.

Unaudited profit after tax (PAT) for the quarter under review was lower by 4.76% at RM4.53 million compared to the unaudited PAT of RM4.75 million in 2Q18 due to higher effective tax rate compared to last year.

Year-to-date Review (6MFY19 vs 6MFY18)

For the 6 months ended 30 June 2019, the Group's operating revenue of RM167.54 million, was marginally higher compared to RM167.50 million in 6MFY18 mainly due to sustained and resilient sales.

The Group recorded a lower unaudited PBT and PAT for the period under review of RM12.10 million and RM8.94 million respectively, representing a decrease of 5.86% and 4.53% compared to the unaudited PBT and PAT of RM12.85 million and RM9.36 million respectively in 6MFY18.

The decline in PBT and PAT for the period under review were mainly due to higher electricity tariff and additional machinery upkeep costs compared to last year's corresponding 6MFY18.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B.2 Variation of results against last quarter

The Group's performance for the current quarter ("2Q19") compared with the preceding quarter ("1Q19") is as follows:

Description	Unaudited 2Q19 RM'000	Unaudited 1Q19 RM'000	Change %
Revenue	86,705	80,831	+7.27
PBT	6,185	5,915	+4.56
PAT	4,525	4,415	+2.49

Operating revenue for the current quarter of RM86.71 million was higher by 7.27% compared to RM80.83 million in 1Q19 due to higher sales.

Unaudited PBT of RM6.19 million for the quarter under review was higher by 4.56% compared with the unaudited PBT of RM5.92 million in 1Q19.

Unaudited PAT of RM4.53 million for the quarter under review was higher by 2.49% compared with the unaudited PAT of RM4.42 million in 1Q19.

The increase in PBT and PAT were mainly due to improved sales.

B.3 Current year prospects

The protracted and escalating trade war between USA and China and Brexit concerns has resulted in moderation of both global and Malaysian economic growth due to continued inter-regional trade uncertainties as well as volatility in forex and commodities pricing.

Notwithstanding the above, the Group is cautiously optimistic that the overall demand for plastic packaging remains intact and sustained, and will continue to focus on product innovations and enhancing production efficiencies 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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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Interest income	(443)	(241)	(759)	(482)
Rental income	(11)	(5)	(21)	(5)
Depreciation of property, plant and equipment	2,646	2,227	5,290	4,490
Gain on disposal of property, plant and equipment	-	-	-	(7)
Impairment loss on receivables	-	3	-	35
Reversal of impairment loss on receivables	(78)	(15)	(311)	(64)
Foreign exchange loss/(gain) – Realised	(179)	(227)	154	502
Foreign exchange loss/(gain) – Unrealised	(37)	(136)	(37)	(136)

B.6 Taxation

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Income tax	1,300	1,500	2,800	3,600
Deferred tax	360	(173)	360	(111)
	<u>1,660</u>	<u>1,327</u>	<u>3,160</u>	<u>3,489</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 6 months period under review was 26.12%, which is slightly higher than the statutory tax rate due mainly to certain non-deductible expenses and deferred tax liabilities.

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.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 Jun 2019	31 Dec 2018
	RM'000	RM'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Approved and contracted for	7,858	5,207

B.14 Proposed dividend

No dividend was recommended for the current quarter under review.

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 2018 was not subject to any audit qualification.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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		6 months ended	
		30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
Net profit for the period	(RM'000)	4,525	4,751	8,940	9,364
Weighted average number of ordinary shares	('000)	187,688	187,688	187,688	187,688
Basic earnings per share	(sen)	2.41	2.53	4.76	4.99

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: 8 August 2019