

BP PLASTICS HOLDING BHD
[Registration No. 200401006398 (644902-V)]
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter			Cumulative Quarter		
		Current Year Quarter 31 Mar 2020 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31 Mar 2019 (Unaudited) RM'000		Current Year To Date 31 Mar 2020 (Unaudited) RM'000	Preceding Year Corresponding Period 31 Mar 2019 (Unaudited) RM'000	
			Change %	Change %		Change %	
Revenue	A.9	77,601	80,831	-4.00	77,601	80,831	-4.00
Cost of sales		(64,891)	(70,392)	-7.81	(64,891)	(70,392)	-7.81
Gross profit		12,710	10,439	21.75	12,710	10,439	21.75
Other income		1,244	387	221.45	1,244	387	221.45
Administration and general expenses		(3,418)	(3,033)	12.69	(3,418)	(3,033)	12.69
Selling and marketing expenses		(2,220)	(1,878)	18.21	(2,220)	(1,878)	18.21
Profit before taxation	B.5	8,316	5,915	40.59	8,316	5,915	40.59
Income tax expense	B.6	(2,094)	(1,500)	39.60	(2,094)	(1,500)	39.60
Profit after taxation, representing total comprehensive income for the period, attributable to the owners of the Company		6,222	4,415	40.93	6,222	4,415	40.93
Basic and diluted earnings per share attributable to the owners of the Company (sen):	B.16	3.32	2.35	41.28	3.32	2.35	41.28

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 Mar 2020	(Audited) As at Preceding Financial Year Ended 31 Dec 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	78,115	80,426
Investment property	1,005	1,010
Right-of-use of assets	5,467	5,508
	84,587	86,944
Current assets		
Inventories	45,213	63,843
Trade and other receivables	37,317	38,811
Short-term investments	48,442	37,540
Cash and bank balances	13,085	7,428
Current tax assets	-	1,180
	144,057	148,802
TOTAL ASSETS	228,644	235,746
Equity		
Share capital	98,773	98,773
Treasury shares	(21)	(21)
Retained earnings	94,857	92,388
	193,609	191,140
Non-current liability		
Deferred tax liabilities	10,313	10,399
Current liabilities		
Trade and other payables	24,196	34,163
Current tax liabilities	526	44
	24,722	34,207
TOTAL LIABILITIES	35,035	44,606
TOTAL EQUITY AND LIABILITIES	228,644	235,746
<i>Net assets per share attributable to the owners of the Company (RM)</i>	<i>1.03</i>	<i>1.02</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 2019 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 Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total RM'000
<i>For the period ended 31 March 2020</i>				
At 1 January 2020	98,773	(21)	92,388	191,140
Dividends paid to shareholders	-	-	(3,753)	(3,753)
Total comprehensive income for the period	-	-	6,222	6,222
At 31 March 2020	98,773	(21)	94,857	193,609
<i>For the period ended 31 March 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	-	-	4,415	4,415
At 31 March 2019	98,773	(21)	83,105	181,857

Remark

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months ended 31 Mar 2020 RM'000	Unaudited 3 months ended 31 Mar 2019 RM'000
OPERATING ACTIVITIES		
Profit before taxation	8,316	5,915
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	2,827	2,597
Depreciation of investment property	6	6
Depreciation of right-of-use assets	41	41
Interest income	(344)	(316)
Impairment loss on receivables	125	-
Reversal of impairment loss on receivables	(13)	(233)
(Gain)/loss on foreign exchange - unrealised	(268)	34
Operating cash flows before working capital changes	10,690	8,044
Decrease in inventories	16,601	10,377
Decrease in receivables	1,891	7,320
Decrease in payables	(8,362)	(16,854)
Cash flows from operations	20,820	8,887
Income taxes paid	(518)	(437)
Net cash flows from operating activities	20,302	8,450
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(516)	(1,279)
Interest received	344	316
Net cash flows used in investing activities	(172)	(963)
FINANCING ACTIVITIES		
Dividends paid	(3,753)	(3,753)
Net cash flows used in financing activities	(3,753)	(3,753)
Net increase in cash and cash equivalents	16,377	3,734
Cash and cash equivalents at 1 January	44,968	50,187
Effects of exchange differences	182	42
Cash and cash equivalents at 31 March	61,527	53,963
<u>Notes :</u>		
Cash and cash equivalents in the statement of cash flows comprise of :-		
Cash and bank balances	13,085	20,404
Repository deposits with a licensed bank	-	460
Short term deposits with financial institutions	48,442	33,099
	61,527	53,963

Remark

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes to the interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

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 14 May 2020.

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 2019.

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 2019, except for the adoption of the following as below, effective for 1 January 2020:

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

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, there is no known new amendment to MFRSs which are applicable to the Group.

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.

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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 March 2020, 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 3 months period ended 31 March 2020:

	RM'000
In respect of the financial year ended 31 December 2019:	
- Third Single Tier interim dividend of 2 sen per share, paid on 26 March 2020	3,753
Total dividends paid as at 31 March 2020	<u>3,753</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		3 months ended		3 months ended		3 months ended	
	31 Mar		31 Mar		31 Mar		31 Mar	
	2020		2019		2020		2019	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Asia countries	47,358	61%	47,316	59%	47,358	61%	47,316	59%
Malaysia	23,001	30%	22,742	28%	23,001	30%	22,742	28%
Others	7,242	9%	10,773	13%	7,242	9%	10,773	13%
Total operating revenue	<u>77,601</u>	100%	<u>80,831</u>	100%	<u>77,601</u>	100%	<u>80,831</u>	100%

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A.10 Material events subsequent to the reporting date

The impact of COVID-19 outbreak on public life and the industry in Malaysia and the broader region has significantly disrupted the Group's business activities. While this is expected to have an adverse impact on the Group's performance for the coming periods, the Group will continue to pay close attention to the development of COVID-19 pandemic, and mitigate against the impact on the financial position and operating results of the Group moving forward.

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 2019.

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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 performance for the current quarter ("1Q20") compared with the corresponding period last year ("1Q19") is as follows:

Description	Unaudited 1Q20 RM'000	Unaudited 1Q19 RM'000	Change %
Revenue	77,601	80,831	-3.99
PBT	8,316	5,915	+40.59
PAT	6,222	4,415	+40.93

Quarter Review (1Q20 vs 1Q19)

For the current quarter, the Group's operating revenue of RM77.60 million was marginally lower compared to RM80.83 million in 1Q19. The decline was attributable to lower product prices and Movement Control Order (MCO) implemented by the government on 18 March 2020.

The Group recorded a higher unaudited profit before tax (PBT) and profit after tax (PAT) for the quarter under review of RM8.32 million and RM6.22 million respectively, representing an increase of 40.59% and 40.93% compared to unaudited PBT and PAT of RM5.92 million and RM4.42 million respectively in 1Q19.

The increase in the unaudited PBT and PAT for the quarter under review were mainly due to better product mix, improved production efficiencies, and favorable foreign exchange rates.

B.2 Variation of results against last quarter

The Group's performance for the current quarter ("1Q20") compared with the preceding quarter ("4Q19") is as follows:

Description	Unaudited 1Q20 RM'000	Unaudited 4Q19 RM'000	Change %
Revenue	77,601	83,274	-6.81
PBT	8,316	7,306	+13.82
PAT	6,222	6,650	-6.44

Operating revenue for the current quarter of RM77.60 million was lower by 6.81% compared to RM83.27 million in 4Q19. The decline was attributable to lower product prices and MCO implemented by the government on 18 March 2020.

The Group recorded a higher unaudited PBT for the quarter under review of RM8.32 million representing an increase of 13.82% compared to unaudited PBT of RM7.31 million in 4Q19. The increase in the unaudited PBT for the quarter under review were mainly due to better product mix and production efficiencies.

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The Group recorded a lower unaudited PAT for the quarter under review of RM6.22 million representing a decrease of 6.44% compared to unaudited PAT of RM6.65 million in 4Q19 due to tax savings from green investment tax allowance claimed by a wholly-owned subsidiary in 4Q19 which contributed to lower taxation in the preceding quarter.

B.3 Current year prospects

The impact of the COVID-19 outbreak on public life and industries in Malaysia as well as the broader region have disrupted the Group's operation activities. At this juncture, the Group is unable to quantify the magnitude and duration of such impact as the outbreak continues to evolve, creating unpredictable conditions. Despite sales order flows from customers remaining healthy and sustained, they remain uncertain in the coming months/quarters even after the Conditional MCO (CMCO) is lifted, due to the extent and reach of the COVID-19 which have affected global trade activities. As the majority of our local and export customers are also currently in various stages of lockdown, supply side disruptions might take some time to recover, and we may be exposed to higher credit risks.

Notwithstanding the above, the Group is optimistic that the overall demand for plastic packaging remains intact, but probably subdued in view that the global impact of COVID-19 can and might extend to end of FY2020. Backed by a strong balance sheet, the Group will focus on credit risk management, securing various supply sources to minimize supply chain disruption, continuous innovations to maintain product quality and enhancing production efficiencies to mitigate against the increase in operating costs and uncontrollable external factors such as economic downturns.

Despite the challenging headwinds expected, the Group remains committed to deliver a satisfactory and profitable performance for financial year ending 31 December 2020.

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 3 Months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Interest income	(344)	(316)	(344)	(316)
Rental income	(10)	(10)	(10)	(10)
Depreciation of property, plant and equipment	2,827	2,597	2,827	2,597
Depreciation of investment property	6	6	6	6
Depreciation of right-of-use assets	41	41	41	41
Impairment loss on receivables	125	-	125	-
Reversal of impairment loss on receivables	(13)	(233)	(13)	(233)
Foreign exchange (gain)/loss – Realised	(527)	298	(527)	298
Foreign exchange (gain)/loss – Unrealised	(268)	34	(268)	34

B.6 Taxation

	Current Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Income tax	2,180	1,500	2,180	1,500
Deferred tax	(86)	-	(86)	-
	<u>2,094</u>	<u>1,500</u>	<u>2,094</u>	<u>1,500</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 3 months period under review was 25.18%, which is slightly higher than the statutory tax rate due mainly to certain non-deductible expenses.

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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 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 Mar 2020	31 Dec 2019
	RM'000	RM'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Approved and contracted for	286	275

B.14 Proposed dividend

The Board of Directors of the Company proposed a first single tier interim dividend of 2 sen per share in respect of the financial year ending 31 December 2020. The entitlement date is fixed on 11 June 2020 and payment will be made on 25 June 2020.

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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 2019 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	
		31 Mar	31 Mar
		2020	2019
Net profit for the period	(RM'000)	6,222	4,415
Weighted average number of ordinary shares	('000)	187,688	187,688
Basic earnings per share	(sen)	3.32	2.35

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: 14 May 2020