

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	%	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	%
		RM'000	RM'000		RM'000	RM'000	
Revenue	A.9	80,292	86,705	-7.40	157,893	167,536	-5.76
Cost of sales		(64,059)	(76,597)	-16.37	(128,950)	(146,989)	-12.27
Gross profit		16,233	10,108	60.60	28,943	20,547	40.86
Other income		418	799	-47.68	1,662	971	71.16
Administration and general expenses		(3,210)	(2,596)	23.65	(6,628)	(5,413)	22.45
Selling and marketing expenses		(2,126)	(2,126)	0.00	(4,346)	(4,005)	8.51
Profit before taxation	B.5	11,315	6,185	82.94	19,631	12,100	62.24
Income tax expense	B.6	(2,846)	(1,660)	71.45	(4,940)	(3,160)	56.33
Profit after taxation, representing total comprehensive income for the period, attributable to the owners of the Company		8,469	4,525	87.16	14,691	8,940	64.33
Basic and diluted earnings per share attributable to the owners of the Company (sen):	B.16	4.51	2.41	87.14	7.83	4.76	64.50

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 30 Jun 2020	(Audited) As at Preceding Financial Year Ended 31 Dec 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	75,529	80,426
Investment property	999	1,010
Right-of-use of assets	5,425	5,508
	81,953	86,944
Current assets		
Inventories	48,657	63,843
Trade and other receivables	33,827	38,811
Short-term investments	36,542	37,540
Cash and bank balances	42,343	7,428
Current tax assets	-	1,136
	161,369	148,758
TOTAL ASSETS	243,322	235,702
Equity		
Share capital	98,773	98,773
Treasury shares	(21)	(21)
Retained earnings	99,573	92,388
	198,325	191,140
Non-current liability		
Deferred tax liabilities	10,189	10,399
Current liabilities		
Trade and other payables	32,379	34,163
Current tax liabilities	2,429	-
	34,808	34,163
TOTAL LIABILITIES	44,997	44,562
TOTAL EQUITY AND LIABILITIES	243,322	235,702
<i>Net assets per share attributable to the owners of the Company (RM)</i>	<i>1.06</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 30 June 2020</i>				
At 1 January 2020	98,773	(21)	92,388	191,140
Dividends paid to shareholders	-	-	(7,506)	(7,506)
Total comprehensive income for the period	-	-	14,691	14,691
At 30 June 2020	98,773	(21)	99,573	198,325
<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

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

	Unaudited 6 months ended 30 Jun 2020 RM'000	Unaudited 6 months ended 30 Jun 2019 RM'000
OPERATING ACTIVITIES		
Profit before taxation	19,631	12,100
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	5,662	5,196
Depreciation of investment property	11	11
Depreciation of right-of-use assets	83	83
Interest income	(684)	(759)
Impairment loss on receivables	198	-
Bad debts written off	4	-
Reversal of impairment loss on receivables	(180)	(311)
(Gain)/loss on foreign exchange - unrealised	294	(37)
Operating cash flows before working capital changes	25,019	16,283
Decrease in inventories	15,185	5,290
Decrease in receivables	4,805	3,987
Decrease in payables	(1,557)	(3,876)
Cash flows from operations	43,452	21,684
Income taxes paid	(1,584)	(1,161)
Net cash flows from operating activities	41,868	20,523
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(764)	(1,500)
Interest received	684	759
Net cash flows used in investing activities	(80)	(741)
FINANCING ACTIVITIES		
Dividends paid	(7,506)	(3,753)
Net cash flows used in financing activities	(7,506)	(3,753)
Net increase in cash and cash equivalents	34,282	16,029
Cash and cash equivalents at 1 January	44,968	50,187
Effects of exchange differences	(365)	(109)
Cash and cash equivalents at 30 June	78,885	66,107
<u>Notes :</u>		
Cash and cash equivalents in the statement of cash flows comprise of :-		
Cash and bank balances	42,343	14,270
Repository deposits with a licensed bank	-	3,955
Short term deposits with financial institutions	36,542	47,882
	78,885	66,107

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 SECOND QUARTER ENDED 30 JUNE 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 10 August 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, the following new amendments to 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 2022

- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- Annual Improvements to MFRS Standards 2018 – 2020

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[Registration No. 200401006398 (644902-V)]

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 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 6 months period ended 30 June 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
In respect of the financial year ending 31 December 2020:	
- First Single Tier interim dividend of 2 sen per share, paid on 25 June 2020	3,753
Total dividends paid as at 30 June 2020	<u><u>7,506</u></u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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	
	2020		2019		2020		2019	
	RM'000		RM'000		RM'000		RM'000	
Operating revenue:								
Asia countries	50,059	62%	53,016	61%	98,152	62%	101,124	60%
Malaysia	19,223	24%	23,761	27%	42,224	27%	46,503	28%
Others	11,010	14%	9,928	12%	17,517	11%	19,909	12%
Total operating revenue	<u>80,292</u>	100%	<u>86,705</u>	100%	<u>157,893</u>	100%	<u>167,536</u>	100%

A.10 Material events subsequent to the reporting date

There were no other material events subsequent to the quarter ended 30 June 2020 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 2019.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 ("2Q20") and 6 months period ended 30 June 2020 ("6M FY20") compared with last financial year's corresponding quarter ("2Q19") and 6-month period ("6M FY19") are as follow:

Description	Unaudited 2Q20 RM'000	Unaudited 2Q19 RM'000	Change %	Unaudited 6M FY20 RM'000	Unaudited 6M FY19 RM'000	Change %
Revenue	80,292	86,705	-7.40	157,893	167,536	-5.76
PBT	11,315	6,185	+82.94	19,631	12,100	+62.24
PAT	8,469	4,525	+87.16	14,691	8,940	+64.33

Quarter Review (2Q20 vs 2Q19)

For the current quarter, the Group's operating revenue of RM80.29 million was lower compared to RM86.71 million in 2Q19. The decline was attributable to lower product prices due to suppressed commodities pricing environment.

The Group recorded a historical high for the unaudited profit before tax (PBT) and profit after tax (PAT) for the quarter under review of RM11.32 million and RM8.47 million respectively, representing an increase of 82.94% and 87.16% compared to unaudited PBT and PAT of RM6.19 million and RM4.53 million respectively in 2Q19.

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

Year-to-date Review (6M FY20 vs 6M FY19)

For the 6 months ended 30 June 2020, the Group's operating revenue of RM157.89 million, was lower compared to RM167.54 million in 6M FY19 mainly due to lower product prices, as a result of low commodities pricing environment and Movement Control Order (MCO) implemented by the government since 18 March 2020.

The Group recorded a higher unaudited PBT and PAT for the period under review of RM19.63 million and RM14.69 million respectively, representing an increase of 62.24% and 64.33% compared to the unaudited PBT and PAT of RM12.10 million and RM8.94 million respectively in 6M FY19.

The increase in the unaudited PBT and PAT for the period under review were mainly due to better product mix and improved production efficiencies.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

B.2 Variation of results against last quarter

The Group's performance for the current quarter ("2Q20") compared with the preceding quarter ("1Q20") is as follows:

Description	Unaudited 2Q20 RM'000	Unaudited 1Q20 RM'000	Change %
Revenue	80,292	77,601	+3.47
PBT	11,315	8,316	+36.06
PAT	8,469	6,222	+36.11

Operating revenue for the current quarter of RM80.29 million was higher by 3.47% compared to RM77.60 million in 1Q20 due to improved sales demand in 2Q20. A subsidiary of the Group received approval since the beginning of Movement Control Order (MCO), thus able to operate to deliver stronger sales performance because food packaging film, stretch film and customised film products produced by the Group are part of the critically required packaging for Food and other Essential Goods.

The Group recorded a historical high for the unaudited PBT and PAT for the quarter under review of RM11.32 million and RM8.47 million respectively, representing an increase of 36.06% and 36.11% compared to unaudited PBT and PAT of RM8.32 million and RM6.22 million respectively in 1Q20.

The increase in the unaudited PBT and PAT for the quarter under review were mainly due to better product mix and production efficiencies.

B.3 Current year prospects

Bank Negara Malaysia (BNM) has cut its overnight policy rate (OPR) for the fourth time this year by 0.25% on 7 July 2020 to a record low of 1.75% as the impact of COVID-19 pandemic on the global economy is severe and global economic conditions and growth likely to remain weak for the year.

Backed by a strong financial position, 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 uncertainties ahead, 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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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Interest income	(340)	(443)	(684)	(759)
Rental income	(11)	(11)	(21)	(21)
Depreciation of property, plant and equipment	2,835	2,599	5,662	5,196
Depreciation of investment property	5	5	11	11
Depreciation of right-of-use assets	42	42	83	83
Impairment loss on receivables	61	-	198	-
Bad debts written off	4	-	4	-
Reversal of impairment loss on receivables	(167)	(78)	(180)	(311)
Foreign exchange (gain)/loss – Realised	(312)	(179)	(1,107)	154
Foreign exchange (gain)/loss – Unrealised	294	(37)	294	(37)

B.6 Taxation

	Current Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Income tax	2,970	1,300	5,150	2,800
Deferred tax	(124)	360	(210)	360
	<u>2,846</u>	<u>1,660</u>	<u>4,940</u>	<u>3,160</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 25.16%, 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:

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Approved and contracted for	194	275

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 2020. The entitlement date is fixed on 3 September 2020 and payment will be made on 25 September 2020.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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		6 months ended	
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Net profit for the period	(RM'000)	8,469	4,525	14,691	8,940
Weighted average number of ordinary shares	('000)	187,688	187,688	187,688	187,688
Basic earnings per share	(sen)	4.51	2.41	7.83	4.76

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: 10 August 2020