



南源塑膠控股有限公司
BP PLASTICS HOLDING BHD.
(644902-V)

BPPLAS

ANNUAL REPORT 2016



STRETCHING *beyond*





VISION

To be the plastics packaging specialist of choice in Asian Region.

MISSION

To produce reliable and high quality packaging products for industries.

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BPPLAS is a progressive Polyethylene (PE) Film and Bag manufacturer deploying the latest state-of-the-art machinery with advanced multi-layer co-extrusion technology that is capable to produce high quality primary, secondary and tertiary packaging solutions for various market segment needs. We specialise in premium grade Cast Stretch Machine Rolls and high quality thin gauge "Infinity" Hand Rolls that offer superior holding force, and better load rigidity, used primarily to protect and enhance palletised goods' product safety handling in warehousing and transportation. BPPLAS also produces premier quality Blown PE Form-Fill-Seal film, Lamination Base film, Collation Shrink film for food packaging, and various customised PE bags targeted for different industrial packaging applications to improve packaging integrity and/or shelf life.

CORPORATE DATA

BOARD OF DIRECTORS

Lim Kim Hock (Chairman)

Independent Non-Executive Director

Lim Chun Yow

Managing Director

Tan See Khim

Executive Director

Hey Shioh Hoe

Executive Director

Tan Ming-Li

Senior Independent

Non-Executive Director

Tan Hock Hin

Independent Non-Executive Director

COMPANY SECRETARIES

Chua Siew Chuan

(MAICSA 0777689)

Tan Ley Theng

(MAICSA 7030358)

SHARE REGISTRAR

Securities Services (Holdings)

Sdn Bhd (36869-T)

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel: 03-2084 9000

Fax: 03-2094 9940

REGISTERED OFFICE

5A, Jalan Wawasan 2

Kawasan Perindustrian Sri Gading

83300 Batu Pahat

Johor Darul Takzim

Tel: 07-455 7633

Fax: 07-455 7699

Email: enquiry@bpplas.com

HEAD/MANAGEMENT OFFICE

5A, Jalan Wawasan 2

Kawasan Perindustrian Sri Gading

83300 Batu Pahat

Johor Darul Takzim

Tel: 07-455 7633

Fax: 07-455 7699

Email: enquiry@bpplas.com

SALES & MARKETING OFFICE (KL)

8-01, Level 8, Menara MBMR

No. 1, Jalan Syed Putra

58000 Kuala Lumpur

Tel: 03-2276 4461

Email: enquiry@bpplas.com

WEBSITE

www.bpplas.com

AUDITORS

Crowe Horwath (AF 1018)

52, Jalan Kota Laksamana 2/15

Taman Kota Laksamana

Seksyen 2, 75200 Melaka

Tel: 06-282 5995

Fax: 06-283 6449

STOCK EXCHANGE LISTING

BPPLAS (5100)

Main Board of the Bursa Malaysia

Securities Berhad

(Listed on 23 February 2005)

PRINCIPAL BANKERS

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

AUDIT COMMITTEE

– **Lim Kim Hock (Chairman)**

Independent Non-Executive

Director

– **Tan Ming-Li (Member)**

Senior Independent

Non-Executive Director

– **Tan Hock Hin (Member)**

Independent Non-Executive

Director

NOMINATING COMMITTEE

– **Tan Ming-Li (Chairperson)**

Senior Independent

Non-Executive Director

– **Lim Kim Hock (Member)**

Independent Non-Executive

Director

– **Tan Hock Hin (Member)**

Independent Non-Executive

Director

REMUNERATION COMMITTEE

– **Tan Hock Hin (Chairman)**

Independent Non-Executive

Director

– **Lim Kim Hock (Member)**

Independent Non-Executive

Director

– **Tan Ming-Li (Member)**

Senior Independent

Non-Executive Director

– **Hey Shioh Hoe (Member)**

Executive Director

RISK MANAGEMENT COMMITTEE

– **Hey Shioh Hoe (Chairman)**

Executive Director

– **Lim Chun Yow (Member)**

Managing Director

– **Tan See Khim (Member)**

Executive Director

– **Lam Jin Fatt (Member)**

Adviser

– **Chua Yi Fon (Member)**

Financial Controller

– **Lee Kuan Hock (Member)**

Head of Finance

– **Gavin Tan Siau Hui (Member)**

Head of Corporate Planning and Risk Governance

– **Foo See Boon (Member)**

Head of Operations

– **Joe Choe Hung Huak (Member)**

Head of Operations

– **Tan Chai Tyug (Member)**

Head of Human Resource

– **Jason Chiam Tze Aun (Member)**

Accounts Manager

– **Pek Chee Hau (Member)**

Head of Technical

– **Tay Hui Hiang (Member)**

Head of Purchasing

INVESTOR RELATIONS

– **Lim Chun Yow**

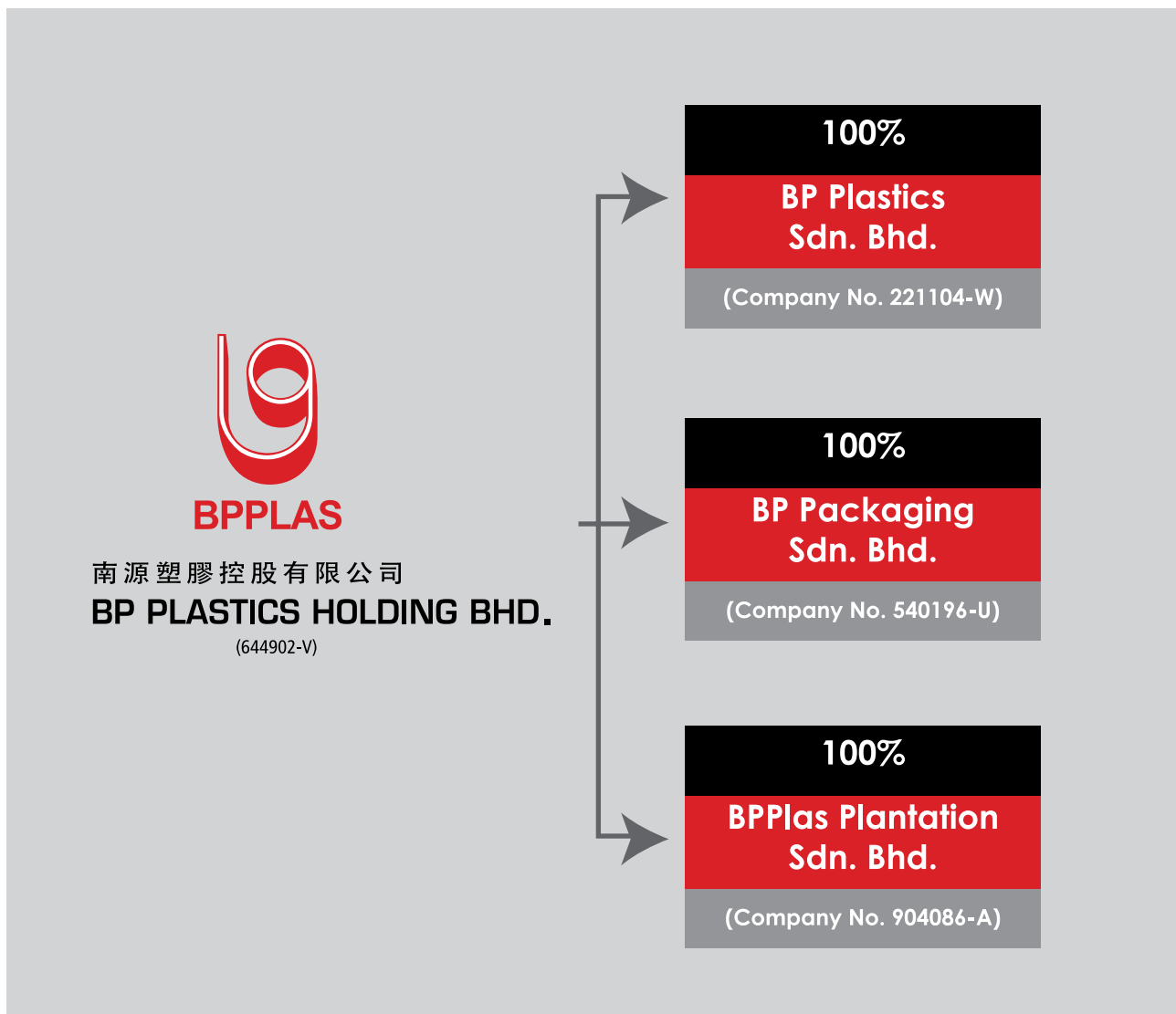
(Managing Director)

Tel: 07-455 7633

Fax: 07-455 6799

Email: ir@bpplas.com

CORPORATE STRUCTURE



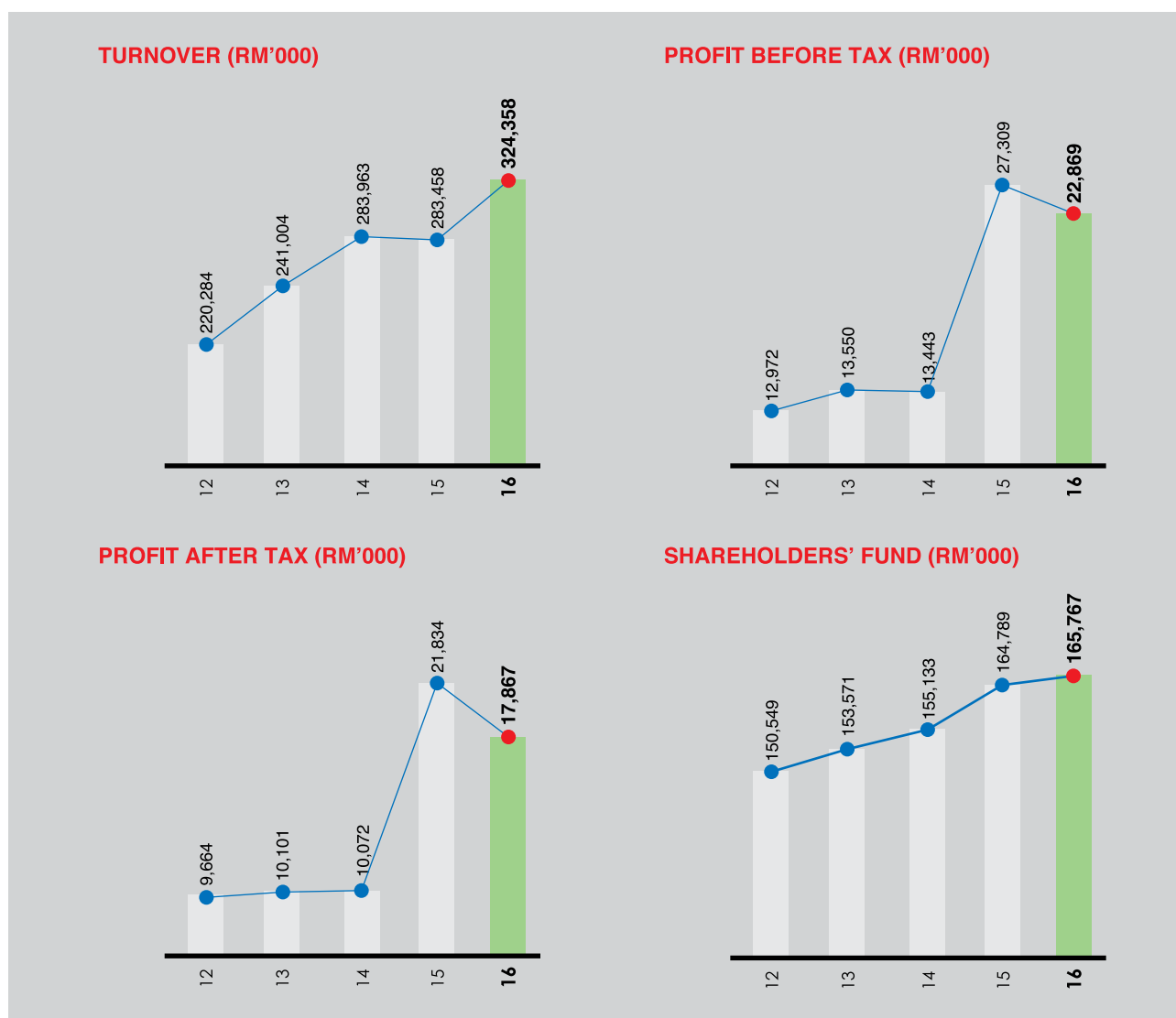
CORPORATE PROFILE

BP Plastics Holding Bhd., an investment holding and provision of management services company, was incorporated in Malaysia under the Companies Act 2016 on 9 March 2004.

The principal activities of its subsidiaries are as follows:

Company	Date and Country of Incorporation	Equity Interest (%)	Principal Activities
BP Plastics Sdn. Bhd. (Company No: 221104-W)	18 July 1991/ Malaysia	100	Manufacturing
BP Packaging Sdn. Bhd. (Company No: 540196-U)	23 February 2001/ Malaysia	100	Dormant
BPPlas Plantation Sdn. Bhd. (Company No: 904086-A)	10 June 2010/ Malaysia	100	Dormant

FINANCIAL HIGHLIGHTS



	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
TURNOVER	220,284	241,004	283,963	283,458	324,358
EBITDA	21,413	21,859	21,676	35,401	31,503
PROFIT BEFORE TAX	12,972	13,550	13,443	27,309	22,869
PROFIT AFTER TAX	9,664	10,101	10,072	21,834	17,867
SHAREHOLDERS' FUNDS	150,549	153,571	155,133	164,789	165,767
ROE	6.47%	6.64%	6.53%	13.65%	10.81%
NON CURRENT ASSET	71,681	67,978	65,149	67,452	75,065
ROA	13.48%	14.86%	15.46%	32.37%	23.80%
EPS	5.37	5.61	5.55	11.67	9.52
Net Div (sen)	4	5	6	8	8
NTA per share (RM)	0.84	0.85	0.85	0.88	0.88

BOARD OF DIRECTORS



From Left to Right

Mr. Hey Shioh Hoe

Mr. Tan Hock Hin

Mr. Tan See Khim

Mr. Lim Kim Hock

Mr. Lim Chun Yow

Ms. Tan Ming-Li



BOARD OF DIRECTORS (CONT'D)

LIM KIM HOCK

Age: 51 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Chairman and Independent Non-Executive Director

Qualification: Member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation, and Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW). He holds a Bachelor Degree in Accountancy in the United Kingdom in 1988 and Chartered Accountancy (Institute of Chartered Accountants in England and Wales) qualification in 1992.



Working Experience and Occupation: He started his articleship at Garners, Chartered Accountants, United Kingdom in 1988 until 1992. He joined Price Waterhouse in 1992 and was promoted to the position of Senior Consultant before he left the firm 3 years later to head the Finance Division of a subsidiary of Arab-Malaysian Development Berhad. Subsequently, he joined the Rashid Hussain Berhad Group and his employment stint with the group included a 2½ years overseas posting as the Director and Head of Finance and Administration for the group's subsidiary in Indonesia. He is currently in public practice as a Chartered Accountant and the Managing Director of Alliance Corporate Taxation Services Sdn. Bhd., a tax advisory and consulting company. He was appointed as the Independent Non-Executive Director of the Company on 22 February 2008. On 29 May 2013, he was appointed concurrently as the Chairman and Senior Independent Non-Executive Director of the Company. He was then re-designated as the Chairman and Independent Non-Executive Director of the Company on 12 August 2016 to be in line with the Malaysian Code on Corporate Governance 2012. He also sits on the Board of several private limited companies.

Other Directorship in Public/Listed Companies: None.

Details of Any Board Committee to which He Belongs: He is a member of the Nominating and the Remuneration Committees of the Company. He is also the Chairman of the Audit Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5

LIM CHUN YOW

Age: 54 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Managing Director

Qualification: Holds a degree in Bachelor of Science in Business Administration from The Ohio State University, United States of America in 1985.



Working Experience: He started his career as a Marketing Executive with a plastic bag manufacturing company in 1986. In 1990, he set up the business with the two co-founders of BP Plastics Sdn. Bhd. He was appointed as the Managing Director and Chairman of the Company on 3 September 2004 and 23 November 2005, respectively. He retired as Chairman of the Company on 29 May 2013 in line with the recommendation of the Malaysian Code on Corporate Governance 2012 to separate the roles of the Chairman and Managing Director. He also sits on the Board of several private limited companies.

Other Directorship in Public/Listed Companies: None.

Details of Any Board Committee to which He Belongs: He is a member of the Risk Management Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5

BOARD OF DIRECTORS (CONT'D)

TAN SEE KHIM

Age: 53 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Executive Director

Qualification: Holds a Certificate in Senior Middle Three from Chung Hwa High School in Muar in 1982.

Working Experience: He was appointed as an Executive Director of the Company on 3 September 2004. He is a co-founder of BP Plastics Sdn. Bhd. He was involved in the sales, trading, marketing, distribution, resource planning and training in consumer products between 1983 and 1990, prior to the establishment of BP Plastics Sdn. Bhd. in 1991. His experience and knowledge in sales have been very instrumental in the growth of the Company. He is responsible for the sales and marketing operations of the Company. He also sits on the Board of several private limited companies.

Other Directorship in Public/Listed Companies: None.

Details of Any Board Committee to which He Belongs: He is a member of the Risk Management Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5



HEY SHIOW HOE

Age: 54 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Executive Director

Qualification: Holds a degree in Bachelor of Science in Industrial and Systems Engineering from the Ohio State University, United States of America in 1986.

Working Experience: He was appointed as an Executive Director of the Company on 3 September 2004. He is a co-founder of BP Plastics Sdn. Bhd. He started his career in a plastic manufacturing company upon his graduation in 1986. He is responsible for the strategic planning and total management of the manufacturing operations, infrastructure upgrading and development, technical improvement and support to the production team. He also sits on the Board of several private limited companies.

Other Directorship in Public/Listed Companies: None.

Details of Any Board Committee to which He Belongs: He is a member of the Remuneration Committee of the Company. He is also the Chairman of the Risk Management Committee of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5



BOARD OF DIRECTORS (CONT'D)

TAN MING-LI

Age: 48 **Gender:** Female **Nationality:** Malaysian

Position in the Company: Senior Independent Non-Executive Director

Qualification: Graduate from University of Melbourne, Australia with a double degree in Law (Hons) and Science.

Working Experience and Occupation: She is currently a partner in the legal firm of Messrs. Cheang & Ariff and has been in active legal practice since 1994. She specialises in the area of corporate and securities law where she is principally involved in advising on capital market transactions, mergers and acquisitions, corporate restructuring as well as corporate finance related work. She was appointed as the Independent Non-Executive Director of the Company on 29 May 2013 and was re-designated as the Senior Independent Non-Executive Director on 12 August 2016.

Other Directorship in Public/Listed Companies: She is an Independent Non-Executive Director of Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad) and Tune Insurance Malaysia Berhad. She is also an Independent Non-Executive Director of Ikhmas Jaya Group Berhad.

Details of Any Board Committee to which She Belongs: She is the Chairperson of the Nominating Committee of the Company. She is also a member of the Audit and the Remuneration Committees of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5



TAN HOCK HIN

Age: 52 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Independent Non-Executive Director

Qualification: Graduate from University of Malaya, Kuala Lumpur with Bachelor of Science in Chemistry Degree (Honours).

Working Experience and Occupation: He is currently a Business Development Director, Global Hygiene, SEA of H.B. Fuller Adhesives Malaysia Sdn. Bhd.

He has a wide experience in technical and commercial field. He has held various senior positions such as Senior Chemist at Loytape Ind. Sdn. Bhd. in 1988 and successfully led start up teams at new investments in Shanghai, Shenyang and Changchun, China in 1992-1994, QA Manager at CPC/AJI Sdn. Bhd. from 1995-1997, QA Manager at Great Wall Plastics Industries Berhad from 1997 before being promoted as Technical Manager in 2000. In 2004-2007, he was the Chief Representative Officer for Innovia Films Commercial Ltd., leading the South East Asia and Indian Sub-Continent commercial team. Subsequently, he headed a Product Development Department at SCA Hygiene Malaysia Sdn. Bhd. He was appointed as the Independent Non-Executive Director of the Company on 30 September 2014.

Other Directorship in Public/Listed Companies: None.

Details of Any Board Committee to which He Belongs: He is the Chairman of the Remuneration Committee of the Company. He is also a member of the Audit and the Nominating Committees of the Company.

Number of Board Meetings Attended in the Financial Year: 5/5



KEY SENIOR MANAGEMENT

LAM JIN FATT

Age: 58 **Gender:** Male **Nationality:** Malaysian

Position in the Company: Adviser

Qualification: Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Chartered Accountant of the Malaysian Institute of Accountants. Holds a Diploma in Accountancy from the City of London Polytechnic in United Kingdom in 1980.

Working Experience: 33 years of working experience in the fields of internal/external auditing, risk management and internal control, corporate governance, and system and process re-engineering with broad exposure in various industries covering manufacturing, trading and retailing, life and general insurance, property development and management, investment banking, stock-broking, futures and options trading, asset and wealth management, and private equity. He was appointed as an Independent Non-Executive Director of the Company on 29 May 2013 before retiring on 1 July 2014, to be re-appointed as General Manager of BP Plastics Sdn. Bhd. (subsidiary of the Company). On 1 March 2015, he was re-designated as the Adviser of BP Plastics Sdn. Bhd.

Other Directorship in Public/Listed Companies: None



CHUA YI FON

Age: 37 **Gender:** Female **Nationality:** Malaysian

Position in the Company: Financial Controller

Qualification: Bachelor of Commerce (Accounting & Finance) from University of Melbourne, Australia.

Working Experience: She was attached with Deloitte KassimChan (Melaka) as Audit Assistant in 2002 and subsequently with Ernst & Young (Melaka) as Senior Audit Assistant in 2006. She joined BP Plastics Sdn. Bhd. (BPPLAS) as Accountant in 2009, and was later recruited to join Melaka Straits Medical Centre Sdn. Bhd. (Oriental Hospital) under the Healthcare division of Oriental Holdings Berhad, as Head of Finance in 2014. She rejoined BPPLAS on 3 May 2016 as a Financial Controller.

Other Directorship in Public/Listed Companies: None



Note: Save as disclosed, none of the Directors and Key Senior Management has:

1. any conflict of interest with the Company;
2. any convictions for offences within the past 5 years other than traffic offences, if any;
3. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year; and
4. any family relationship with any Director or substantial shareholder of the Company, except the following:
Mr. Lim Chun Yow and Mr. Tan See Khim are the brothers-in-law of Mr. Hey Shioh Hoe. They are all Directors and substantial shareholders of the Company. Mr. Hey Shioh Hoe, Mr. Lim Chun Yow and Mr. Tan See Khim are also Directors and substantial shareholders of LG Capital Sdn. Bhd. (a substantial shareholder of the Company).

CORPORATE SOCIAL RESPONSIBILITY



Blood Donation 2016



Recycle Bins Donation 2016 – SJK (C) Chong Hwa (Kangkar Senangar)



Team Building 2016



Internship 2016



Leadership Training 2016





Form-Fill-Seal (FFS) Film



R-Edge Stretch Film



Collation Shrink Film



Priority Machine Roll



Stretch Film



Lamination Base Film



INFINITY Stretch Film



BPPLAS



ADDITIONAL COMPLIANCE INFORMATION

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the External Auditors and their affiliates by the Group and the Company during the financial year ended 31 December 2016 are as below:

	Group RM	Company RM
Audit services rendered	65,000	28,000
Non-audit services rendered		
1. Review of the Statement on Risk Management and Internal Control	5,000	5,000
2. Tax Consultancy	23,200	7,800

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests, during the financial year ended 31 December 2016.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no material recurrent related party transactions of a revenue or trading nature during the financial year other than those disclosed in Note 28 to the financial statements. Those recurrent related party transactions did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

UTILISATION OF PROCEEDS

The Company did not undertake any corporate proposals during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS

For the Financial Year Ended 31 December 2016 (“FY2016”)

Riding on the Group’s aspiration to become a progressive and sustainable Company with targeted annual revenue exceeding RM400 million by FY2018, BPPLAS has embarked on Product Innovation, Market Expansion, Capacity Addition, Skills Set and Competencies Upgrading in FY2016. Our strategic state-of-the-art equipment investment and capacity expansion in FY2015 have allowed us to record our highest ever Annual Revenue of RM324.36 million in FY2016.

Amidst an uneven global economic recovery, and subdued growth across major economies in United States of America (“US”), China and Eurozone, BPPLAS continued on its growth strategies of capacity building. Its range of innovative and quality products continue to be expanded to cater to the resilient and increasing packaging demand from a rising global population, and urbanisation of existing and new customers in the Asia-Pacific region.

GROUP BUSINESS OVERVIEW

Located in the Sri Gading Industrial Estate of Batu Pahat in Johor, BPPLAS has a combined land size of 15.5 acres, and operates at 2 manufacturing locations within the same vicinity with a total built-up area of 295,000 square feet. One manufacturing plant houses BP1 to BP8, while the other plant houses BP9 and BP10. With the successful commissioning start-up of its 6th new 3-meter Cast Stretch Film machine at the end of FY2016, BPPLAS currently has a combined name plate production capacity of 7,300 metric tons (MTs) per month.

The new Cast Stretch Film machine capacity addition allows the Group to supply a wider range of Innovative and Competitive High Quality Cast Stretch Film products to cater for different market segmentation needs. The Group would focus on supplying premium grade Machine Roll stretch films and High Quality Thin Gauge “Infinity” Hand Roll Films that would secure palletised goods with good holding force and load rigidity to reduce accidents, mitigate product damages and life casualties during transportation and warehousing activities. In addition, the Group has also successfully supplied Blown Polyethylene (PE) Film products for high-speed fully automated Form-Fill-Seal packaging lines. The Group is confident that it is capable to meet its worldwide customers’ stringent quality requirements.

BPPLAS has transformed from a simple mono-layer extrusion to multi-layer state-of-the-art machinery, and by combining this with the world’s most advanced grades of resins to produce high quality Primary, Secondary and Tertiary Packaging Products. We supply a wide range of High Quality PE Products such as:

1. Cast Stretch Film (Hand Rolls, Machine Rolls, Jumbo Rolls and Mini/Bundle Rolls),
2. Collation Shrink Film,
3. Lamination Base Film,
4. Form-Fill-Seal (FFS) Food Packaging Film with printing,
5. Protective Base Film,
6. Builder Film & Air Cargo Sheets,
7. Mattress Covers, and
8. General PE Bags and Films.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

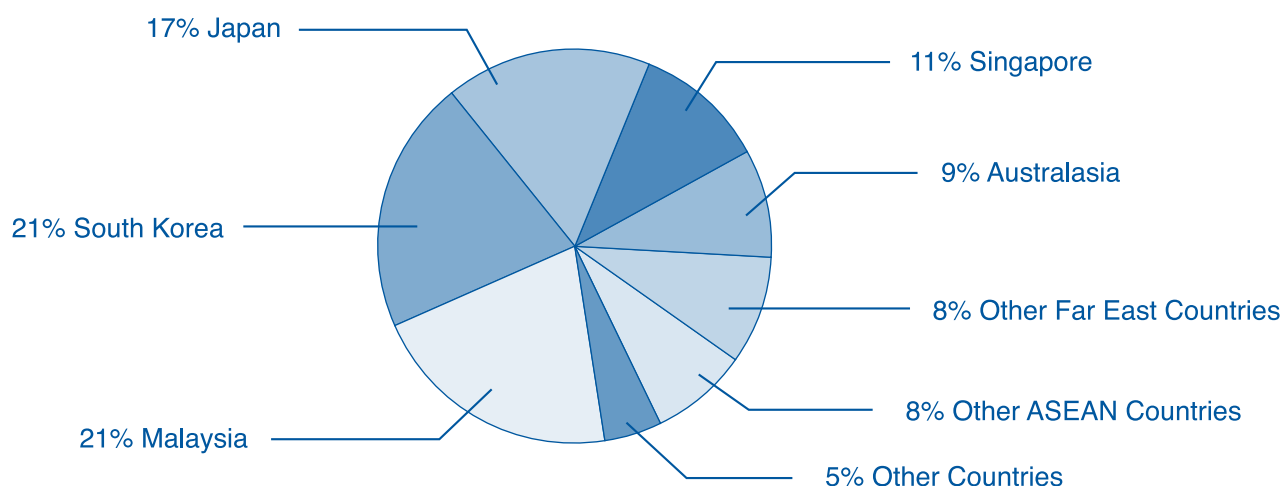
For the Financial Year Ended 31 December 2016 ("FY2016")

GROUP BUSINESS OVERVIEW (cont'd)

Stretch Film is a 100% fully recyclable packaging film solution and is the most cost-effective, versatile to utilise and secure load rigidity, mitigate palletised goods from toppling over during transportation to prevent road accidents and save lives. It helps to secure, protect and improve the handling of loose palletised goods in warehouse storage and logistic activities. Essentially, Stretch Film helps to save cost, improve operational efficiency, productivity and reduce workplace hazards.

Blown flexible PE films are customised and tailor-made technical packaging films to cater for fast production and highly efficient packaging lines. PE Based Form-Fill-Seal film helps to enhance modern lifestyle by churning out high quantities of small individual packaging to keep food fresh, hygienic and safe to consume along with longer shelf life. In addition, it helps Food suppliers to promote their house brands and keep their customers informed about its ingredient and content.

During FY2016, 79% of our total revenue comprised of export sales to more than 54 countries worldwide, with major strategic business partners located mainly in South Korea, Japan and ASEAN countries. Other export destinations in which BPPLAS has presence include Australasia, Europe, South Asia, Middle East, and the African and South American countries.



For the Group's past 5 years' Financial Highlights and information, please refer to page 3 of the Annual Report.

BPPLAS SHARE PERFORMANCE FY2016

Year High:	RM2.02 on 15 January 2016
Year Low:	RM1.39 on 23 December 2016
Year Close:	RM1.40
Daily Average Trading Volume:	257,000 shares
Market Capitalisation as at Financial Year End:	RM262.76 million

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For the Financial Year Ended 31 December 2016 ("FY2016")

FINANCIAL PERFORMANCE

In line with the Group's continuous expansion plans, BPPLAS has invested into a brand new 3-meter 6th Cast Stretch Film machine in 2016 to increase its production capacity. The Group achieved sustainable revenue growth from the additional capacity and capability of thin gauge stretch film sales from the 5th Cast Stretch Film Machine commissioned in FY2015. The Group achieved a breakthrough to record the highest quarter operating revenue of RM85.36 million in 1st Quarter 2016, and also registered a historic highest annual operating revenue since its listing on Bursa Malaysia.

	FY2012 RM'000	FY2013 RM'000	FY2014 RM'000	FY2015 RM'000	FY2016 RM'000
Q1	53,169	51,519	72,429	66,845	85,356
Q2	56,400	55,622	75,484	67,143	78,811
Q3	53,044	68,503	66,368	68,397	79,404
Q4	57,671	65,360	69,682	81,073	80,787
Total annual operating revenue	220,284	241,004	283,963	283,458	324,358

The Group registered a historic highest operating revenue of RM324.36 million in FY2016, an increase of 14.43% as compared to RM283.46 million in FY2015, mainly due to increased production capacity and higher contribution from export sales of RM255.91 million (FY2015: RM223.81 million). This was despite the intense competition and pricing pressure within the plastics packaging film industry, as other major producers similarly increased their capacity. Based on the Malaysian Plastics Manufacturers Association ("MPMA") report on performance of the Malaysian Plastics Industry 2016, the overall plastics industry in Malaysia registered an estimated total turnover of RM27.32 billion in year 2016, representing an increase of 10.30% from RM24.77 billion in year 2015. The Packaging sector contributed 47% of the total plastics industry turnover, whereby the Plastic Films and Sheets segment recorded export sales growth of 3.31% to RM4.99 billion, compared to RM4.83 billion in year 2015. On the other hand, the Plastic Bags segment recorded a decline in export sales to RM4.11 billion, a decrease of 3.29% compared to RM4.25 billion in year 2015.

Description	FY2016 RM'000	FY2015 RM'000	Change %
Revenue	324,358	283,458	+14.43
EBITDA	31,503	35,401	-11.01
PBT	22,869	27,309	-16.26
PAT	17,867	21,834	-18.17
EBITDA margin	9.71%	12.49%	-22.26
PBT margin	7.05%	9.63%	-26.79
PAT margin	5.51%	7.70%	-28.44

The Group achieved a lower Profit Before Tax ("PBT") of RM22.87 million, a decrease of 16.26% as compared to PBT of RM27.31 million in FY2015. Profit After Tax ("PAT") was also lowered by 18.17% at RM17.87 million, compared to the PAT of RM21.83 million FY2015. The lower PBT and PAT were due to RM2.08 million foreign exchange ("forex") loss and fair value loss on forex forward contracts incurred in FY2016 as compared to RM4.24 million forex gain in FY2015. This was a result of the extraordinary weakening of Ringgit Malaysia ("RM") as we experienced an unprecedented financial and currency markets' volatility due to uncertainties over the US Federal Reserve interest rate hikes, geopolitical risks arising from the Brexit referendum and the US Presidential Election.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For the Financial Year Ended 31 December 2016 ("FY2016")

FINANCIAL PERFORMANCE (cont'd)

Notably, despite sustained sales growth (compared to FY2015), the Group's PBT and profit margins particularly in the 2nd Half 2016, were affected by margin compression arising from higher operating costs and increase in resin prices (due to the weaker RM against US Dollar), along with the lag-on effect in selling price adjustment.

As at 31 December 2016, the Group's Statement of Financial Position remained healthy with Cash and Cash Equivalents of RM45.07 million (FY2015: RM60.29 million) despite hefty investment in advanced machinery and attractive dividend payout totalling approximately RM32 million. The Group has no loans and borrowings as at this financial year end.

Total shareholders' equity was RM165.77 million and Net Tangible Assets ("NTA") per share stood at RM0.88 as at this financial year end.

There was a significant increase in year-end closing inventories of RM72.70 million, from RM40.11 million in the previous financial year. This was mainly due to higher stock holdings of raw materials of RM55.71 million, an increase of RM26.84 million, from RM28.87 million last year. This was to ensure consistent resin supply and to mitigate against potential resin shortage due to the advanced notifications of resin suppliers' PE plant shutdowns in 1st Half 2017. The higher stock purchased has led to higher forex requirement and contributed to higher realised and unrealised forex losses in 4th Quarter 2016.

OPERATIONAL REVIEW

With the outcome of the Brexit referendum in June 2016, Donald Trump's Presidential win in November 2016, withdrawal of US from the Trans-Pacific Partnership Agreement and its growing tendencies towards protectionist economic policies which could adversely impact on intra-regional trade, these have given rise to uncertainties that have affected overall consumer sentiment and risks on global growth outlook. Geopolitical instability and heightened forex volatility as a result of capital outflows from emerging markets back to US, and the subsequent implementation of Bank Negara Malaysia ("BNM") new Foreign Exchange Administration rulings in November 2016 to stabilise forex flows in and out from Malaysia, have also been a challenging experience for most exporters, including BPPLAS.

As part of its on-going sales strategy on product differentiation and commitment to deliver cost-efficient, quality products to customers, the Group's dedicated in-house technical team will continue to work cohesively with the sales and marketing team to review existing product lines/product mix, and identify focus areas of product development.

Concurrently, the Group will also focus on the following initiatives in order to deliver consistent quality products as well as to improve on our cost competitiveness to better serve our customers:

- i) optimising machine utilisation by reducing downtime, and ensuring proper and scheduled maintenance are carried out at regular intervals;
- ii) review of in-process workflow to improve on operational efficiency; and
- iii) waste reduction and cost control management.

With our newly added 6th Cast Stretch Film machine operational in 4th Quarter 2016, the Group will be better positioned to expand into thin gauge films that offer cost-savings and improved load rigidity for our customers. This new machine is expected to contribute positively to the Group's capacity/output in FY2017.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For the Financial Year Ended 31 December 2016 ("FY2016")

MOVING FORWARD

FY2017 Business Outlook, Trend and Sustainability

Based on BNM 2016 Annual Report published on 23 March 2017, despite the challenging global and domestic environment, the Malaysian economy is projected to grow between 4.3% to 4.8% in 2017 (2016: 4.2%), for which growth is to remain anchored by private domestic demand with support from external sector improvement in net exports. Economic activities in the advanced and emerging economies have continued to improve and global trade is also showing signs of recovery. In this environment, the Asian economies are benefiting from stronger external demand amid sustained domestic activity. For 2017, the global economy is projected to expand at a slightly faster pace. Nevertheless, there remain risks to global growth arising from threats such as protectionism, geopolitical developments, expected Interest Rate hikes by US Federal Reserve for 2017 and 2018, heightened volatility of financial markets and negative developments in the prices of key commodities.

For 2017, headline inflation is expected to average around 3% to 4%, reflecting primarily the pass-through impact of the increase in global oil prices on domestic retail fuel prices. Headline inflation trajectory, which is subject to uncertainties in global oil prices, is expected to be relatively higher in 1st Half 2017 before moderating thereafter. The resilient Malaysian economy with its strong fundamentals should be able to withstand external shocks, whereby consumer demand is expected to be sustained domestically and pick up as external demand growth return with recovery in the advanced and emerging economies towards 2nd Half 2017. As always, the Group will be continuously on the lookout for potential growth markets/ areas and targets to achieve higher export sales in FY2017 with key focus markets in:

1. Japan and Ex-Japan Far East Countries;
2. ASEAN Nations;
3. Australia and New Zealand; and
4. Europe.

Our Management will also continue to invest into human capital, training and development with focus on internal in-process skill set enhancement, identification and reduction of internal wastages and inefficiencies to achieve cost optimisation.

As a socially and environmentally conscious corporate citizen, BPPLAS has undertaken the following corporate social initiatives in 2016:

- 1) Annual BPPLAS Blood Donation Campaign held on 10 August 2016 at BP Mall, Batu Pahat. This was our 7th year collaboration with Batu Pahat General Hospital National Blood Bank, and we are proud to announce that we managed to collect a total of 194 bags during this meaningful event. This was all made possible thanks to the support of a caring Batu Pahat community and blood donors from all walks of life;
- 2) Industrial training programmes for students from various local universities in Malaysia, to gain practical working experience and to enhance their theoretical knowledge/studies. Total number of internship positions in FY2016 was 13; and
- 3) 3Rs (Reduce, Reuse, Recycle) Awareness activities – donated 3 recycle bins to 1 primary school in Batu Pahat district as part of our on-going efforts to educate the public at large and inculcate a culture of recycling and waste reduction amongst the young generation.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For the Financial Year Ended 31 December 2016 ("FY2016")

MOVING FORWARD (cont'd)

Prospects of New Business or Investments

Moving forward, the Group will apply for ISO22000:2008 certification for its Co-Extrusion ("COEX") Blown Film and Printing division by 3rd Quarter 2017, and leveraging on our in-house technical on-going product developments and innovation, BPPLAS will embark on further revenue growth in the Food & Beverage ("F&B") Packaging Segment as well.

BPPLAS will erect its new factory and warehouse building (BP11) which is expected to be completed within the year to expand on our storage capacity and improve on operational workflow efficiency catering for food packaging hygiene requirement standards.

With a stable customer base and continuous capital expenditure investments into the latest high technology machineries, BPPLAS should be on track to exceed RM400 million sales revenue by FY2018. The Group anticipates to further invest between RM20 million to RM30 million for FY2017 and FY2018. This is also aligned with the Malaysian Government's call for more automated production to achieve higher production efficiencies.

Major investments in the pipeline potentially include a new 4th COEX Blown Film machine to cater to the packaging needs of our existing and new customers in blown film products. Another potential investment would be in a 7th Cast Stretch Film machine by FY2018 to move into more sophisticated industrial packaging needs, targeting at increasing our export markets as well as, focusing on improved load holding and safety features.

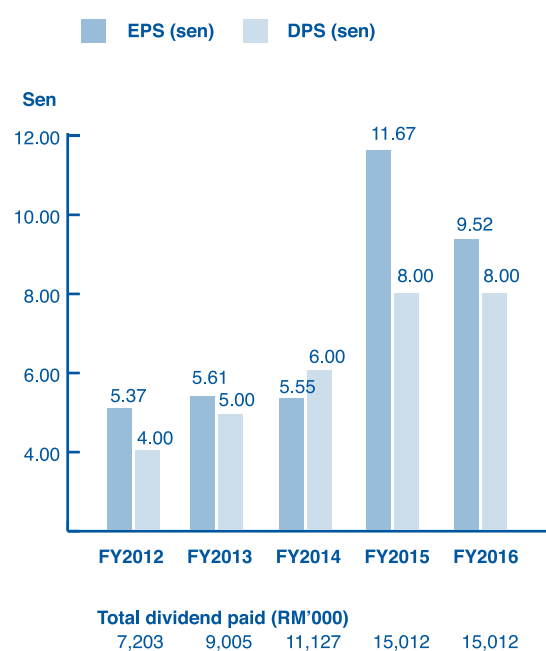
Dividend or Distribution Policy

The Group is committed to enhance shareholder value, and the Group's dividend policy is to distribute at least 40% of net profits to shareholders annually, taking into consideration the Company's available cash and cash equivalents, projected capital expenditure and other investment plans, as well as its debts and other financial obligations becoming due within twelve (12) months immediately after distribution of a dividend.

The total dividends declared and paid out by the Group for FY2016 amounted to RM15.012 million, representing an 84% dividend payout ratio (FY2015: 69%).

	RM'000
In respect of FY2016:	
– First Single-Tier interim dividend of 2 sen per share, paid on 24 June 2016	3,753
– Second Single-Tier interim dividend of 2 sen per share, paid on 22 September 2016	3,753
– Third Single-Tier interim dividend of 2 sen per share, paid on 22 December 2016	3,753
– Fourth Single-Tier interim dividend of 2 sen per share, paid on 30 March 2017	3,753
Total dividend paid for FY2016	15,012

Dividend Payout



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of BP Plastics Holding Bhd. (“BPPLAS”) is committed to ensure that the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“Code”) and the governance standards in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) are practised throughout BPPLAS and its subsidiaries (“Group”) in directing and managing the Group’s businesses and affairs as a fundamental part of discharging its responsibility, and to ensure sustainable value creation framework is in place to support the continuous growth of the Group as a long-term commitment to its shareholders and other stakeholders.

The Board has undertaken necessary adjustments on the Group’s policies to ensure that the Group complies with the principles and recommendations of the Code.

With much pleasure, the Board would like to present the following statement which describes the Group’s application on the principles, and the extent of its compliance with the Code.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Roles and Responsibilities of the Board

A list of matters reserved for the Board regarding its roles and the board procedures and processes, is clearly stated in the Board Charter. The Board Charter, which is subject to review from time to time, is available for reference at the Company’s website at www.bpplas.com.

The Group has in place a Group Code of Conduct that is applicable to all its Directors and employees to ensure a high standard of ethical and professional conduct is upheld by all the Directors and employees in the performance of their duties and responsibilities. The Group Code of Conduct is subject to review from time to time and is accessible on the Company’s website at www.bpplas.com.

Mr. Lim Chun Yow, the Managing Director of the Company, leads the Management and is assisted by two (2) Executive Directors. He has successfully led the Group over the past twenty-seven (27) years to transform the Group into one of the leading plastic packaging specialists in Malaysia.

The roles of the Chairman and Managing Director are separated with clearly defined responsibilities to ensure the balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, together with the Executive Directors, oversees the operations of the Group and implementation of the Board’s decisions, business strategies and policies. The three (3) Independent Non-Executive Directors by virtue of their roles and responsibilities, in effect represent the minority shareholders’ interests. The Independent Non-Executive Directors engage proactively with the Management, external and internal auditors to address matters concerning the management and oversight of the Group’s business and operations.

Due to the lean organisational structure of the Group, the current size and composition of the Board is sufficient and well balanced, and caters effectively to the scope of the Group’s operations. Mr. Lim Kim Hock is the Chairman of the Board and an Independent Non-Executive Director to facilitate communications with the stakeholders which could not be dealt with by the Managing Director or the Executive Directors. Ms. Tan Ming-Li, a Senior Independent Non-Executive Director, shall serve as a fall-back point of contact for direct communication for purpose of whistle-blowing, on areas that cannot be resolved through normal channels of contact with the Chairman or Managing Director.

The Board has also delegated certain responsibilities to the Committees of the Board which operate within clearly defined terms of reference. The Committees of the Board comprise the Audit Committee, the Remuneration Committee and the Nominating Committee.

Amongst the other committees set up in the Company to manage specific areas of the Group’s operations are the management-level Risk Management Committee, the Executive Committee and Management Committee.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Roles and Responsibilities of the Board (cont'd)

Based on the Board Charter of the Company, the Board is responsible to observe the following guiding principles in establishing clear roles and responsibilities in order to achieve the BPPLAS Group's Vision:

- Establish a formal schedule of matters reserved for the Board and those delegated to Management.
- Establish clear roles and responsibilities in discharging its fiduciary and leadership functions.
- Formalise ethical standards through a code of conduct and ensure its compliance.
- Ensure that the Company's strategies promote sustainability.
- Have procedures to allow its members access to information and advice.
- Ensure that it is supported by a suitably qualified and competent company secretary.
- Formalise, periodically review and make public its Board Charter.

Board Charter

The Board Charter of the Company is in place and posted on the Company's website. The Board acknowledges the importance to spell out the key values, principles and ethos of the Company in view that all the policies and strategy development are derived from these considerations.

The Board will perform periodic review on the Board Charter to ensure it remains consistent with the Board's objectives, current laws/regulations and good governance practices in compliance with the Code. The existing Board Charter was revised and approved by the Board on 13 November 2015.

Ethical Standards, Code of Conduct and Whistle-Blowing Policy

All Directors and employees of the Group must endeavour to observe the Group's Code of Conduct which provides guidance as to the ethical conduct to be complied to uphold the principles of honesty and integrity.

The Group's Code of Conduct sets out the standards of good conduct and ethical practices, and aims to maintain confidence in the integrity of the Group's business practices. Followings are the main principles incorporated therein:

- Show respect in the workplace;
- Act with integrity in the marketplace;
- Ensure ethics in our business relationships; and
- Ensure effective communication, which also covers the areas on corporate disclosure and whistle blowing.

The Group's Code of Conduct which has been revised and approved by the Board on 24 February 2017, is accessible in the Company's website www.bpplas.com.

Supply of Information and Access to Advice

All Board members are provided with relevant information of the Company and the Group to enable them to discharge their duties effectively. A set of Board papers for each item of agenda, including financial reports and notices are promptly sent to Directors at least seven (7) days prior to any Board meeting. This is to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or to consult independent advisers, if they deem necessary. The Board also notes the decisions and salient issues deliberated by the Board Committees through the Minutes of these Committees' meetings.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Supply of Information and Access to Advice (cont'd)

The Directors have a duty to declare immediately to the Board should they have any interest in transactions to be entered into, directly or indirectly, with the Company or the Group. The interested Directors would abstain from deliberations and decisions of the Board on the said transaction. In the event a corporate proposal is required to be approved by shareholders, the interested Directors would also abstain from voting in respect of their shareholdings relating to the corporate proposal, and would further undertake to ensure that persons connected to them similarly abstain from voting on the resolution(s).

Minutes of each Board meeting are circulated to all Directors at least seven (7) days before the Board meeting for their perusal prior to confirmation of the minutes during the Board meeting.

Senior management may be invited to attend any Board meetings to provide views and explanations on certain matters being tabled to the Board and to furnish clarification on issues that may be raised by the Directors. The Directors have direct access to senior management, and have complete and unimpeded access of information relating to the Group in discharging their duties. The Directors also have the liberty to seek independent professional advice if necessary at the Company's expense. Every Board member has ready and unrestricted access to the advice and the services of the Company Secretary in ensuring the effective functioning of the Board. The Directors are also regularly updated by the Company Secretary on relevant new statutory and regulatory requirements issued by the relevant authorities.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries on matters relating to the Company's constitution, Board's policies and procedures, and any requirement of compliance with the relevant regulatory requirements, codes, guidance or legislations.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that an accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Board Composition and Board Balance

The Board consists of six (6) Directors, three (3) of whom are Independent Non-Executive Directors and three (3) are Executive Directors. Such composition is able to provide independent and objective judgement to facilitate a balanced leadership in the Group as well as providing effective check and balance to safeguard the interest of the minority shareholders and other stakeholders, and ensuring high standards of conduct and integrity are maintained. Whilst Mr. Lim Chun Yow, Mr. Tan See Khim and Mr. Hey Shioh Hoe represent the interests of the major shareholders of the Company, the interest of remaining shareholders are fairly reflected in the Board's representation.

Mr. Lim Chun Yow, who is the Managing Director, and the two (2) Executive Directors, namely Mr. Tan See Khim and Mr. Hey Shioh Hoe, are founders of the Company and each of them have twenty-seven (27) years of expertise and experience in the plastic packaging business, specialising in bags, film and sheet section. The three (3) founders' extensive experience and in-depth knowledge of the plastic packaging industry have enhanced the competitiveness of the Company. The other three (3) Independent Non-Executive Directors are professionals in their own right with wide-ranging experiences, skills and expertise in audit, accounting, taxation, corporate finance and law, and plastic industry. The three (3) Independent Non-Executive Directors are not engaged in the daily operations and management of the Company. This ensures that the Independent Non-Executive Directors remain free of conflict of interest situations and enable them to carry out their roles and responsibilities effectively. The Independent Non-Executive Directors, through their vast and wide corporate and industry experience, and qualifications provide effective contributions and support to the Board. The members of the Board are persons of high calibre and integrity with the necessary qualifications, experience and qualities that enable them to discharge their duties effectively.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Board Composition and Board Balance (cont'd)

The profile of each member of the Board is set out on pages 5 to 7 of this Annual Report.

The Nominating Committee

The Nominating Committee met three (3) times during the financial year. The Nominating Committee met to approve the principles and processes of assessing the effectiveness of the Board and Board Committees, and performance evaluation of senior management.

The details of the attendance of each Nominating Committee member are as follows:

Nominating Committee Member	Attendance
Ms. Tan Ming-Li	3/3
Mr. Lim Kim Hock	3/3
Mr. Tan Hock Hin	3/3

The Nominating Committee will review and assess the proposed appointment of Directors, and thereupon recommends to the Board for approval. The Nominating Committee would also ensure that the Board has an appropriate balance of expertise and ability. Another objective of this Committee is to assess the effectiveness of the Board as a whole and the contribution of each individual Director on an on-going basis. The Nominating Committee will review annually the required mix of skills, experience and other qualities including core competencies that the Directors should bring to the Board, identify areas for improvement, and review the succession plan for senior management in the Group.

The terms of reference of the Nominating Committee is accessible via the Company's website at www.bpplas.com.

In discharging its responsibilities, the Nominating Committee performed the following activities during the financial year ended 31 December 2016:

- Recommended the re-election of Mr. Hey Shiew Hoe and Ms. Tan Ming-Li who retired pursuant to Article 92 of the Company's Articles of Association at the Company's Twelfth Annual General Meeting ("AGM") held on 20 May 2016;
- Adoption of revised terms of reference of Nominating Committee;
- Review the position of the Board Chairman as the Senior Independent Non-Executive Director;
- Reviewed the composition of the Board;
- Evaluated the performance of the Board and Board Committees;
- Assessed the independence status of the Independent Non-Executive Directors; and
- Recommended to the Board on the retention of an Independent Non-Executive Director who has served the Company for more than nine (9) years.

Board's Effectiveness Assessment

The Nominating Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director in respect of the financial year ended 31 December 2016 using a set of customised self-assessment questionnaires to be completed by the Directors. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and deliberation.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Board's Effectiveness Assessment (cont'd)

The Board is satisfied with the results of the annual assessment. The Board views that the current size and the existing composition of the Board are sufficient and well balanced, cater effectively to the scope of the Group's operations and there is appropriate mix of knowledge, skills, attributes and core competencies in the Board. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

The Board is also satisfied with the assessment conducted by the Nominating Committee on the composition and effectiveness of the Board Committees.

The Directors have direct access to the advice and the services of the Company Secretary who ensures that all the appointments are properly made and all the necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligation arising from the Main Market Listing Requirements of Bursa Securities and other regulatory requirements.

Independence Assessment of The Independent Directors

In line with Recommendation 3.1 of the Code, the Nominating Committee had conducted an independence assessment of the Independent Directors and the Nominating Committee is satisfied with the results whereby all the Independent Directors have fulfilled the criteria for an independent director as prescribed under the Main Market Listing Requirements of Bursa Securities.

The Nominating Committee and the Board have assessed the independence of Mr. Lim Kim Hock, the Independent Non-Executive Director of the Company. Notwithstanding that Mr. Lim Kim Hock has served on the Board for a cumulative term of more than nine (9) years since his appointment to the Board on 22 February 2008, the Board proposes to remain his status as Independent Director.

The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. There are significant advantages to be gained from long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and has provided invaluable contributions to the Board in his role as Independent Non-Executive Director.

Gender, Ethnicity And Age Group Diversity

The Nominating Committee is tasked to oversee the selection process and assessment of Directors for the Board with the objective to secure the best composition to meet the diverse objectives of the Company. In its selection process, the Nominating Committee follows a set of criteria and expectations based upon the competencies, commitment, experience and integrity of the candidates.

In the selection process, the Nominating Committee does not set any target but it takes into consideration gender, ethnicity or age diversity in its endeavours to include any member who will improve the Board's overall compositional balance. In identifying suitable candidates for appointment to the Board, the Nominating Committee will consider candidates based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company and with due regard for the benefits of diversity on the Board.

As for the target set out under the Securities Commission Corporate Governance Blueprint 2011 for women participation on Board to reach 30% by year 2016, although the Board has not set specific targets, the Board and Nominating Committee will endeavour working towards achieving the said target and shall ensure sufficient number of women candidates be included in the pool of candidates evaluated for new appointments to the Board. Presently, there is one (1) existing female Director on the Board of the Company.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Gender, Ethnicity And Age Group Diversity (cont'd)

The Group is an equal opportunity employer and all appointments and employments are based strictly on merits. The Group does not practise any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment.

The Board believes that although the Group does not adopt a formal gender, ethnicity and age group diversity policy, the Group is committed to providing fair and equal opportunities and nurturing diversity within the Group.

A summary of the gender, ethnicity and age mix of our Board and Management Team, excluding foreign workers, is as set out below:

A) Gender

Category	Total		Male Employees		Female Employees	
	Headcount	%	Headcount	%	Headcount	%
All staff	156	100	113	72	43	28
Management staff (<i>Manager & above</i>)	22	100	15	68	7	32
Directors on Board	6	100	5	83	1	17
Grand Total	184	100	133	72	51	28

B) Ethnicity

Category	Total		Malay		Chinese		Indian		Others	
	Headcount	%	Headcount	%	Headcount	%	Headcount	%	Headcount	%
All staff	156	100	121	78	33	21	2	1	0	0
Management staff (<i>Manager & above</i>)	22	100	2	9	20	91	0	0	0	0
Directors on Board	6	100	0	0	6	100	0	0	0	0
Grand Total	184	100	123	67	59	32	2	1	0	0

C) Age

Category	Total		< 30		30 - 40		41 - 50		> 50	
	Headcount	%	Headcount	%	Headcount	%	Headcount	%	Headcount	%
All staff	156	100	54	34	58	37	29	20	15	9
Management staff (<i>Manager & above</i>)	22	100	0	0	15	68	6	27	1	5
Directors on Board	6	100	0	0	0	0	2	33	4	67
Grand Total	184	100	54	29	73	40	37	20	20	11

(data compiled as at 31 December 2016)

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being and those appointed during the financial year shall retire from the office and shall be eligible for re-election by shareholders at the Annual General Meeting. The Articles of Association of the Company also provide that all Directors are required to retire from office once in every three (3) years but shall be eligible for re-election.

The Remuneration Committee

The Remuneration Committee is made up of three (3) Independent Non-Executive Directors and an Executive Director. The members of the Remuneration Committee are as follows:

Chairman

Tan Hock Hin Independent Non-Executive Director

Members

Lim Kim Hock Independent Non-Executive Director

Tan Ming-Li Senior Independent Non-Executive Director

Hey Shioh Hoe Executive Director

The Remuneration Committee has set up a remuneration policy framework and makes recommendations to the Board on the remuneration and other terms of employment for the Executive Directors. The terms of reference of the Remuneration Committee are clearly defined by the Board to its members.

The component parts of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the levels of remuneration are reflected by the experience, level of responsibilities and the remuneration package for similar positions in the market and time commitment required from these Directors. The Executive Directors will abstain from participating in the discussion with respect to their own remuneration.

The Remuneration Committee will meet at least once a year to carry out the annual review of the overall remuneration policy for Executive Directors whereupon recommendations are submitted to the Board for approval. During the financial year ended 31 December 2016, one (1) Remuneration Committee meeting was held on 15 February 2016, with full attendance of its members. The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders. The Remuneration Committee and the Board strive to reward the Executive Directors based on accountability, fairness and competitiveness, as prescribed in the Code and to ensure the remuneration packages of Executive Directors are sufficiently attractive to draw in and to retain persons of high calibre. Thus, there is a formal and transparent procedure for rewarding and fixing the remuneration packages of Executive Directors.

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole. The individual concerned will abstain from discussion and decision on his own remuneration. The remuneration of Non-Executive Directors comprises fees and meeting allowances while the remuneration package of Executive Directors comprises basic salary, fees, bonus and benefits-in-kind.

As per the recent amendments to the Main Market Listing Requirements of Bursa Securities, the Company is required to disclose the remuneration of the Directors of the Company (including the remuneration for services rendered to the listed corporation as a group) for the financial year, stating the amount received from the listed corporation and the amount received on a group basis respectively.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

The Remuneration Committee (cont'd)

The aggregate remuneration paid to the Executive and Non-Executive Directors of the Company and of the Group for the financial year ended 31 December 2016 is as follows:

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Company			
Fees	188	192	380
Allowances	-	8	8
Total Remuneration	188	200	388
Group			
Fees	188	192	380
Salary, Bonus and Other Emoluments	1,760	-	1,760
Allowances	-	8	8
Employees Provident Fund	324	-	324
Total Remuneration	2,272	200	2,472

The remuneration paid to the Executive and Non-Executive Directors of the Group and of the Company by category falls within the following bands:

	Group Number of Directors		Company Number of Directors	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	3	3	3
RM700,001 to RM750,000	1	-	-	-
RM800,001 to RM850,000	1	-	-	-
RM900,001 to RM950,000	1	-	-	-
	3	3	3	3

Note: Successive bands of RM50,000/- are not shown entirely as these are not represented.

PRINCIPLE 3: REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Code recommends that the Board should undertake assessment of its Independent Directors annually. To be in line with such recommendation, the Board has put in place proper policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Group. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Group's business and the reporting of monthly business performance.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 3: REINFORCE INDEPENDENCE (CONT'D)

Annual Assessment of Independence (cont'd)

Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions. The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matter.

The Board, via the Nominating Committee has evaluated and is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

The Board is mindful that pursuant to recommendation 3.2 of the Code, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years to prevent impairment of independence. As per recommendation 3.3 of the Code, the Board may retain an Independent Director who has served a cumulative term of more than nine (9) years to continue serving as an Independent Director, subject to shareholders' approval.

Save for Mr. Lim Kim Hock, the Independent Non-Executive Director of the Company who has served on the Board in an independent capacity for more than nine (9) years since his appointment to the Board on 22 February 2008, none other Independent Directors has served in a similar tenure on the Board.

The Nominating Committee and the Board have determined at the annual assessment carried out that Mr. Lim Kim Hock remains objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. Mr. Lim Kim Hock also has the requisite financial qualification as prescribed under the Main Market Listing Requirements of Bursa Securities. He has a thorough understanding of the business of the Group and the financial, accounting and commercial implications arising from its business and operations. The length of his services on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.

Mr. Lim Kim Hock as a member of the Nominating Committee has abstained from any deliberations or voting pertaining to his own independence at the Nominating Committee and Board levels.

Shareholders' Approval for the Retention of Independent Non-Executive Director

The Board is satisfied with the skills, contribution and independent judgement that Mr. Lim Kim Hock brings to the Board. In view thereof, the Board recommends and supports his retention as an Independent Non-Executive Director of the Company which will be tabled for shareholders' approval at the forthcoming Thirteenth AGM of the Company.

Separation of Positions of Chairman and Managing Director

The roles of the Chairman and Managing Director are separated with clearly defined responsibilities to ensure the balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director, together with the Executive Directors, oversees the operations of the Group and implementation of the Board's decisions, business strategies and policies.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 4: FOSTER COMMITMENT

Attendance of Board Meetings

Board meetings are scheduled at quarterly intervals with additional meetings held when necessary.

Board meetings are conducted with a structured formal agenda. Board meeting's agenda includes reviews on various aspects of the Group's operations, financial performance, business plan, strategic decisions, major investments, findings from both the External and Internal Auditors, and any other proposals or other significant matters that require direction of the Board. The Board members deliberate, and in the process, assess the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on the Group's business or its financial position, and the mitigating factors. Special Board meetings are convened when warranted by situations that require the expeditious direction of the Board.

The Board meetings are chaired by the Chairman who has the responsibility of ensuring that each of the items of the agenda is adequately reviewed and thoroughly deliberated within a reasonable timeframe.

During the financial year under review, five (5) Board meetings were held. Details of the Directors' attendance at these Board meetings are as follows:

Name of Directors	Attendance
Lim Chun Yow	5/5
Tan See Khim	5/5
Hey Shiow Hoe	5/5
Lim Kim Hock	5/5
Tan Ming-Li	5/5
Tan Hock Hin	5/5

The Directors remain fully committed and dedicated as reflected by their full attendance at Board meetings held during the financial year ended 31 December 2016.

Directors' Development and Training

There is a familiarisation programme in place for new Directors, including visits to the Group's business and meetings with senior management where appropriate to facilitate their understanding of the Group's business and operations.

The Board acknowledges that the Directors of the Company with varied experiences and qualifications provide effective contribution and support to the functions of the Board. The Board shall ensure compliance with the Mandatory Accreditation Programme as required by Bursa Securities for newly appointed Directors.

The Board has empowered the Directors of the Company to determine their own training requirements as they consider necessary or deem fit to enhance their knowledge in new rules and regulations as well as understanding of the Group's business and operations, and to keep abreast with current developments in the market place. Nevertheless, the Board will also review the training needs of its Directors on an ongoing basis to assist them to discharge their responsibilities instead of the Nominating Committee.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

Directors' Development and Training (cont'd)

The following are the conferences, training programmes and seminars attended by the Directors of the Company in 2016:-

Directors	Training/Seminar/Forum/Conference Attended	Date
Lim Chun Yow	• Networking Event & Closing Ceremony for MTCs Wave 2	1 March 2016
	• BNM's 2015 Annual Report/Financial Stability and Payment Systems Report Briefing	24 March 2016
	• 2016 Business and Risk Outlook Talk	6 April 2016
	• Team Building Program	21-22 May 2016
	• Automatic Exchange of Information Workshop	24 June 2016
	• Advocacy Sessions on Management Discussion & Analysis for CEO & CFO	16 August 2016
	• What you should know about Bank Negara's new FOREX measures	15 December 2016
	Tan Ming-Li	• FIDE Forum's Directors Register Launching
• FIDE Forum Fintech		4 August 2016
• FIDE Forum – SC views		29 August 2016
• ICLIF – Independent Directors Programme: The Essence of Independence		29 September 2016
Lim Kim Hock	• National Tax Conference 2016	9-10 August 2016
	• Board Chairman Series Part 2 - Leadership Excellence From The Chair	11 August 2016
	• Budget Seminar 2016	15 November 2016
Hey Shiow Hoe	• ISO 22000 Awareness Training	18-19 March 2016
	• Hazard Analysis Critical Control Point (HACCP) Practical Training	6-7 April 2016
	• Team Building Program	21-22 May 2016
Tan See Khim	• Team Building Program	21-22 May 2016
Tan Hock Hin	• Launch of the AGM Guide & CG Breakfast Series-How to leverage on AGMs for better engagement with Shareholders	21 November 2016

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is committed to present a balanced, clear and meaningful assessment of the Company's and the Group's financial positions, performance and prospects in all their reports to shareholders, investors and relevant regulatory authorities. Timely releases of announcements on the quarterly financial statements reflect the Board's commitment to give timely and up-to-date disclosures of the Group's performance.

The Board, assisted by the Audit Committee, oversees the Group's financial reporting process and the information for disclosure to ensure accuracy, adequacy and completeness. The Audit Committee also reviews the appropriateness of the Company's and the Group's accounting policies and the changes to these policies.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

Financial Reporting (cont'd)

In order to uphold integrity in financial reporting, the Board is responsible to ensure the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved financial reporting standards in Malaysia.

The Responsibility Statement by the Directors on the annual audited financial statements of the Company and the Group pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Securities is set out on page 42 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The role of the Audit Committee in relation to External Auditors is set out in the Audit Committee Report on pages 33 to 36 of this Annual Report. The terms of reference of the Audit Committee are available at the Company's website at www.bpplas.com.

The Group's independent External Auditors is essential for all shareholders in ensuring the reliability of the Group's financial statements. The Board maintains a formal and transparent professional relationship with the External Auditors via the Audit Committee. From time to time, the External Auditors will bring to the Audit Committee's attention on any significant deficiency in the Group's internal control system.

In accordance with the terms of reference of the Audit Committee, the Audit Committee meets with the External Auditors to discuss their audit plan, audit findings and the financial statements of the Company. The Audit Committee met the External Auditors twice during the financial year without the presence of the Executive Directors and the Management. The Audit Committee also meets with the External Auditors whenever it deems necessary. In addition, the External Auditors are invited to attend the AGM of the Company and are available to answer to shareholders' queries on the conduct of the audit, and the preparation and content of the audit report.

An appropriate relationship is maintained with the Group's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External and Internal Auditors.

Terms of engagement for the services provided by the External Auditors are reviewed by the Audit Committee and approved by the Board. In reviewing the terms of engagement for the services to be provided by the External Auditors, the Audit Committee ensures that the independence and objectivity of the External Auditors are not compromised. The Audit Committee also assesses the suitability and independence of the External Auditors on a yearly basis with emphasis of evaluation based on adequacy of experience and resources, quality of the audit performances, independence and objectivity of the External Auditors, audit scope and planning, reasonableness of audit fees and appropriateness in audit communications. With the yearly assessment and evaluation performed, the Audit Committee is satisfied with the suitability and independence of the External Auditors, and the Board has accepted the recommendation for the re-appointment of Messrs. Crowe Horwath as External Auditors for the Group for the financial year 2017 in the coming Thirteenth AGM of the Company.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board acknowledges its responsibilities for maintaining a sound and reliable system of internal controls within the Group, covering the financial controls, the operational and compliance controls, and risk management. The internal control system involves each business unit and its key management, including the Board, and is designed to meet the Group's needs and to manage risks. This is a continuing process which includes risk assessments, internal controls reviews, and internal audit checks on all companies in the Group. The purpose of this continuous process is to ensure that the Group's assets are safeguarded in the interest of preserving the investment of shareholders.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS (CONT'D)

Risk Management and Internal Control (cont'd)

The Company's and the Group's system of internal controls, by its nature are designed to provide reasonable but not absolute assurance against risk of material errors, misstatement, fraud, or losses occurring. The management-level Risk Management Committee through their meetings ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Company and the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of the Company and the Group is reviewed by the Audit Committee. The review covers the operational, financial and compliance controls. The Audit Committee assists the Board in its review of the effectiveness of internal control and risk management process of the Company and the Group. The Audit Committee held a total of five (5) meetings during the financial year. The Minutes of the Audit Committee meetings were circulated to the Directors for notation and for action by the Board, where appropriate.

The Board has through the Audit Committee reviewed the adequacy and integrity of the Group's system of risk management and internal controls, and the Board's Statement on Risk Management and Internal Control is set out on pages 37 to 41 of this Annual Report.

Risk Management Committee

The Board is assisted by a management-level Risk Management Committee that spearheads risk management activities across the Group. The Risk Management Committee reviews and identifies key risks as well as oversees the overall management of all risks, and to ensure infrastructure, resources, process and systems are in place for proper risk governance.

The members of the Risk Management Committee are as follows:-

No.	Members	Designation	Responsibility
1.	Hey Shioh Hoe	Executive Director	Chairman
2.	Lim Chun Yow	Managing Director	Member
3.	Tan See Khim	Executive Director	Member
4.	Lam Jin Fatt	Adviser	Member
5.	Chua Yi Fon	Financial Controller	Member
6.	Gavin Tan Siau Hui	Head of Corporate Planning and Risk Governance	Member
7.	Lee Kuan Hock	Head of Finance	Member
8.	Joe Choe Hung Huak	Head of Operations	Member
9.	Foo See Boon	Head of Operations	Member
10.	Tan Chai Tyug	Head of Human Resource	Member
11.	Jason Chiam Tze Aun	Accounts Manager	Member
12.	Pek Chee Hau	Head of Technical	Member
13.	Tay Hui Hiang	Head of Purchasing	Member

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

The Group has in place a Group Corporate Disclosure Policy that is applicable to all its Directors and employees to provide guidance and policies in disseminating corporate information, including material information to and in dealing with shareholders, stakeholders, analysts, media, regulators and the investing public. The Group Corporate Disclosure Policy which is subject to review from time to time, is made available to the shareholders and public at the Company's website at www.bpplas.com. The Group Corporate Disclosure Policy which was adopted in 2015, has been revised and approved by the Board on 18 November 2016.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and the Group, and is accessible by the public. This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company. This is important in ensuring equal and fair access of information by the investing public.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Relationship with Shareholders and Investors

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives are the provision of clear, relevant, timely, comprehensive and readily assessable information to all stakeholders.

1. Dialogue between the Company and Investors

The Group values its dialogues with investors. The Annual Report of the Company is a key channel of communication with shareholders and investors. The shareholders and investors of the Company are kept informed of the Group's performance, and major developments of the Group through its Annual Report and announcements made. Apart from this, financial results and other corporate information as contained in the Annual Reports and Circulars to shareholders are available to enable shareholders and investors to have better understanding of the Group's business activities and performance.

The Company disseminates its Annual Report to its shareholders either in hard copy or in CD-ROM media. The Annual Report is also made available to the shareholders and public at the Company's website at www.bpplas.com.

2. Encourage Shareholders' Participation at General Meetings

The Company provides information on the details of general meetings and shareholders' entitlement to attend general meetings, and their right to appoint proxy(ies) to encourage shareholders' participation at general meetings.

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, it is mandatory for any resolution set out in the notice of any general meeting to be voted by poll. In adherence with the Listing Requirements, BPPLAS will conduct poll voting in the coming AGM and ensure that the polling would be carried out efficiently. The results of voting for each of the resolution would be made known in the meeting and announcement made via the Bursa LINK after the conclusion of the AGM.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Relationship with Shareholders and Investors (cont'd)

3. AGM

The main forum of dialogue with shareholders of the Company is the Company's AGM. The AGM represents the primary platform for direct two-way interactions between shareholders, Directors and senior management of the Company. During the AGM, shareholders who attend the AGM are encouraged to raise questions pertaining to the items of the agenda of the AGM. All Directors and senior management, where appropriate, will provide feedbacks, answers and clarifications to the questions raised from the shareholders during the AGM.

At the AGM of the Company, Management of the Company presents an executive summary highlighting key financial, corporate information and achievement of the Group. Other than the Annual Report, the Company's website, www.bpplas.com also houses all other corporate and financial information that are made available to public, such as quarterly announcement of the unaudited financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements of Bursa Securities' Main Market Listing Requirements.

4. Investor Relations

The investor relations activities of the Company form an important channel of communication with shareholders, investors and the investment community broadly. As part of fulfilling its corporate governance obligations, the Company maintains extensive communication with its stakeholders with the provision of clear, comprehensive and timely information through the readily accessible channels such as Annual Report, quarterly reports and press releases, as well as through the Company's website. This is particularly important to shareholders and investors for informed investment decision making particularly, in periods of extreme volatility in the market place.

The senior management personnel in-charge of investor relations activity is Mr. Lim Chun Yow, the Managing Director of the Company. This greatly reflects the level of commitment and due importance placed by the Group to maintain investor relations as well as provides views and information on the Group that are appropriate and substantive to investors.

COMPLIANCE STATEMENT

The Board has taken reasonable steps to ensure that the Group has implemented as far as possible the governance standards and the recommendations of the Code. The Board considers that the recommendations of the Code have been substantially implemented.

AUDIT COMMITTEE REPORT

1. COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee (“AC”) consists of the following members:

CHAIRMAN

Lim Kim Hock Independent Non-Executive Director

MEMBERS

Tan Ming-Li Senior Independent Non-Executive Director

Tan Hock Hin Independent Non-Executive Director

2. THE TERMS OF REFERENCE

The principal objective of the AC is to assist the Board of Directors (“Board”) in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. The terms of reference of the AC are available on the Company’s website at: www.bpplas.com.

3. SUMMARY OF WORK OF AC

The AC held a total of five (5) meetings during the financial year ended 31 December 2016 (“FY2016”). The Managing Director and other Executive Directors, Financial Controller, Head of Finance, departmental heads and representatives of the External and Internal Auditors attended the AC meetings. The Minutes of the AC meetings were circulated to all members of the Board and significant issues were discussed at the Board meetings.

The details of the attendance of each AC member are as follows:

AC Member	Attendance
Mr. Lim Kim Hock	5/5
Ms. Tan Ming-Li	5/5
Mr. Tan Hock Hin	5/5

During the FY2016, the main works undertaken by the AC are summarised as follows:

Financial Reporting

Reviewed the quarterly unaudited financial statements of the Group and the Company prior to making the recommendations to the Board for approval as follows:-

Date of Meeting	Review of Quarterly Unaudited Financial Statements
15 February 2016	Fourth quarter ended 31 December 2015
20 May 2016	First quarter ended 31 March 2016
12 August 2016	Second quarter ended 30 June 2016
18 November 2016	Third quarter ended 30 September 2016

The above review is to ensure that the Company’s quarterly financial reporting and disclosures present a true and fair view of the Group’s financial position and performance, and are in compliance with the Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting as well as applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF WORK OF AC (CONT'D)

Financial Reporting (cont'd)

On 15 April 2016, the AC having reviewed the Audited Financial Statements of the Group and the Company for FY2015 at its meeting, recommended the same to the Board for approval.

Internal Audit

- reviewed the Internal Audit reports prepared by the outsourced Internal Auditors and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported;
- reviewed the follow-up Internal Audit reports prepared by the outsourced Internal Auditors and ascertained if the responsible operating units rectified the findings noted in the audit reports;
- reviewed and approved the Internal Audit Strategy Document for 2016 and 2017 noting the key processes and risk areas for the Internal Audit scope coverage; and
- evaluated the performance of the Internal Auditors, including their independence and objectivity, and made recommendation to the Board on their appointment and audit fee.

During the financial year under review, the Internal Auditors had conducted the audit activities as per the approved audit plan and presented their Internal Audit reports on 12 August 2016 and 24 February 2017 respectively to the AC.

The Internal Auditors carried out two (2) cycles of internal audit review on the operations of the Group, covering warehousing and inventory management, supply chain management, strategic management, production and quality control, information technology, and health, safety and environmental management, focusing on the key risks associated with the operating processes therein. Summary reports which provided status updates of the implementation of management action plans on the findings reported in the Internal Audit reports for all the previous audit cycles reviewed were presented to the AC.

External Audit

- reviewed the Audit Planning Memorandum prepared by the External Auditors to ensure adequate scope and comprehensive coverage over the activities of the Group;
- reviewed with the External Auditors, the results of the annual audit, their Management Letter together with Management's responses to the findings of the External Auditors;
- held private sessions with the External Auditors without the presence of executive Board members, Management and employees to discuss issues of concern to the External Auditors arising from the annual statutory audit; and
- evaluated the performance of the External Auditors, including their independence and objectivity, and made recommendation to the Board on their appointment and audit fees.

On 15 February 2016, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings arising from the statutory audit of the Group and the Company for FY2015, with the External Auditors, Messrs. Crowe Horwath ("CH"). The audit engagement partner of CH had affirmed their independence throughout the audit of the Group and the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-laws (On Professional Ethics, Conduct and Practice). CH also confirmed that they have not noted any fraud related incidents that rendered reporting to AC.

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF WORK OF AC (CONT'D)

External Audit (cont'd)

On 18 November 2016, the AC reviewed the Audit Planning Memorandum for FY2016 prepared by CH outlining the responsibilities of the Directors and Management, audit scope, audit timeframe, areas of focus, fraud consideration, audit fees and also the new and revised auditors' reporting standards. The AC was also updated on the significant changes to the reporting contents of the audit report in line with the new International Standards on Auditing ("ISA") 701 and revised ISA 700 issued by the Malaysian Institute of Accountants which is applicable for the audits for financial statements for periods ended on or after 15 December 2016. The AC also noted of the requirement for disclosure of key audit matters and additional auditor responsibilities to review the other sections (financial or non-financial information) of the Annual Report in accordance with the revised ISA 720.

The AC had two (2) private sessions with CH without the presence of the Executive Directors and Management of the Company on 15 April 2016 and 18 November 2016 to enquire if CH had any areas of concern that needed to be brought to the attention of the Board.

Related Party Transactions

Reviewed the quarterly report on recurrent related party transactions or conflict of interest situations that arose within the Group and the Company.

Risk Management

On 20 May 2016, the AC reviewed the Enterprise Wide Risk Management ("EWRM") Report together with minutes of the management-level Risk Management Committee ("RMC") Meeting held on 18 April 2016. The RMC had informed the AC that the following key risk components were reviewed:

- External;
- Regulatory;
- Legal;
- Corporate Governance ;
- Financial;
- Customers;
- Product & Services ;
- Suppliers;
- Human Capital; and
- Operations and External Environmental Risks.

The AC noted the status of the on-going appropriate action plans to mitigate the impact of the identified risks, as contained in the EWRM Report and was satisfied that the risk management and internal control systems were operating satisfactorily and had not resulted in any material loss, contingency and uncertainty.

On 18 November 2016, the AC conducted a second review of the EWRM Report together with minutes of RMC meetings held on 6 October 2016 and 28 October 2016. The AC had noted that the key risk components had been reviewed by the respective risk owners and that there were no new risk components being identified. The RMC had informed the AC that with adequate existing controls in place, all the key risks which had been identified are manageable. The RMC will continue to revisit and update the existing risks in the Risk Register to identify any relevant inherent and emerging new risks, and assess the adequacy of remedial actions taken to mitigate the risks.

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF WORK OF AC (CONT'D)

Other Matters

- adoption of the revised Terms of Reference of the AC and recommended the same for consideration and approval by the Board;
- reviewed the AC Report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report 2015 of the Company; and
- tabled the Minutes of each AC meeting to the Board for notation and for further direction by the Board, where necessary.

4. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The AC acknowledges that an independent and adequately resourced internal audit function is essential in obtaining the assurance it requires regarding the effectiveness and adequacy of the Company's and the Group's internal control systems. The AC is supported by the outsourced Internal Auditors in the discharge of its duties and responsibilities.

The Company engaged an external consultant to carry out the internal audit function of the Group for FY2016. The primary function of the internal audit is to independently carry out a review of the existing systems, controls and procedures, and thereafter provide such recommendations that would further enhance the existing internal control. Based on the audits, the outsourced Internal Auditors provide the AC with independent and objective reports on the state of internal control of the various operating units within the Group, and the extent of compliance by the units with the Group's established policies and procedures.

The AC approves the bi-annual risk-based audit plan of the Company and the Group. Upon completion of the audits, the Internal Auditors closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by the Management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to the Management and the AC.

The External Auditors work closely with the outsourced Internal Auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by the Management.

The total costs incurred for the outsourced internal audit function of the Group for FY2016 amounted to RM45,204 (FY2015: RM40,891).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 stipulates that the Board of Directors (“Board”) of listed companies is to maintain a sound risk management framework and internal control system to safeguard shareholders’ investments and the Group’s assets.

The Board is pleased to set out below the Board’s Statement on Risk Management and Internal Control which has been prepared in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the guidance in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board is responsible for the adequacy and effectiveness of BP Plastics Holding Bhd. and its subsidiaries (the “Group”) system of risk management and internal controls. The system is designed to manage the Group’s key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives. Accordingly, the system of risk management and internal controls of the Group can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has established an ongoing process for identifying, evaluating, managing and monitoring the significant risks faced by the Group, and this process includes enhancing the system of risk management and internal controls as and when there are changes to the business environment or regulatory guidelines.

THE GROUP’S SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

Monitoring Mechanisms and Management Style

The Board entrusts the daily running of the business to the Managing Director (“MD”) and his Management team. The MD and his Management team receive timely information pertaining to the performance and profitability of the Group through timely reports which include quantitative and qualitative trends, and analyses through its fully computerised information system.

The MD plays a pivotal role in communicating the Board’s expectations of the system of risk management and internal controls to Management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as his attendance at various scheduled meetings of the Executive Committee and Management Committee. The Executive Committee and Management Committee, which comprise Heads of Department, meets on weekly and monthly basis respectively, to discuss on Manufacturing, Technical, Maintenance & Facilities, Store, Delivery & Logistics, Sales & Marketing, Finance & Information Technology (“IT”), Human Resource and Procurement issues. These meetings represent the platform by which the Group’s activities are monitored to ensure timely identification and resolution of any critical issues. The MD closely monitors the progress of these issues through regular interaction with the various Heads of Department and the reviews of the Minutes of Meetings of the Executive Committee and Management Committee.

The Group practises an “open door” policy whereby Executive Directors, Senior Management and Executives are encouraged to voice out any matters to the MD for prompt response. This culture provides opportunity for every employee of the Group to solve matters quickly and efficiently by drawing the experience and knowledge from all levels of staff within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE GROUP'S SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Risk Management Framework

The Board recognises that effective risk management is part of good business management practice. The Board also acknowledges that all areas of the Group's activities do involve some degree of risk and is committed to ensure that the Group has an effective risk management framework which allows the Group to identify, evaluate, manage and monitor risks within defined risk parameters that affect the achievement of the Group's business objectives.

The Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritised, owners identified with proper response time set and allowed for continuous improvement.

Risk Management Process

To carry out an effective risk management framework, the Board has established a management-level Risk Management Committee ("RMC"), which is chaired by an Executive Director. The RMC held a total of three (3) meetings during the financial year ended 31 December 2016. The Minutes of each RMC meeting were tabled to the AC and all significant issues were discussed at the AC meeting.

The RMC will meet with the Audit Committee ("AC") two (2) times a year to report on the processes, findings and remedial actions taken by Management. The RMC will identify new risks by taking into consideration the Group's business objectives, strategies and targets, and external environmental factors. This covers matters such as, responses to significant risks identified, output from monitoring processes, and changes made to the system of risk management and internal controls.

The RMC also reports to the AC its review of risk management model used to monitor the risk exposures and the Management's views on the acceptable and appropriate level of risks faced by the Group.

The key risk categories which have been reviewed by the respective risk owners during the financial year under review encompassed Regulatory, Legal, Corporate Governance, Financial, Customers, Products & Services, Suppliers, Human Capital, Operations and External Environmental risks.

The AC and Board consider that the risk management framework is effective, but the framework will be subjected to continuous improvement, taking into consideration better practices and the changing business environment.

Internal Audit Function

The Group has outsourced its internal audit function to an external consultant to assist the AC as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seek to add value and improve the Group's operations by considering:

- the existence of processes to monitor the effectiveness and efficiency of operations, and the achievement of business objectives;
- the adequacy and effectiveness of internal control systems for safeguarding of assets, and providing consistent, accurate financial and operational data;
- risk awareness, and the value and nature of an effective internal control system;
- compliance with applicable laws, regulations, corporate policies and procedures; and
- the effectiveness of risk management, control and governance processes within the Group's operations.

The internal audit function has adopted a risk-based approach and prepared its audit strategy and plan based on the risk profiles of the major business functions of the Group, and in accordance with the internal audit plan approved by the AC. The internal audit independently reviews the system of risk management and internal controls implemented by Management within the Group and reports to the AC on the outcome of the internal audit thereof.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE GROUP'S SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Internal Audit Function (cont'd)

During the financial year under review, the Internal Auditor carried out two (2) cycles of internal audit review on the operations of the Group, covering warehousing and inventory management, supply chain management, strategic management, production and quality control, information technology, and health, safety and environmental management, focusing on the key risks associated with the operating processes therein.

The AC holds regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the Internal and External Auditors on the state of the Group's system of risk management and internal controls. The Minutes of the AC meetings are subsequently tabled to the Board for notation and further action, where necessary.

Other Internal Control Processes

Apart from risk management and internal audit, the Group's system of internal controls also comprises the following key elements:-

- Group Organisation Structure and Authorisation Procedures

The Group maintains well defined lines of responsibility, delegation of authority, segregation of duties and flow of information in the organisation structure. Limits of authorities are imposed for revenue and capital expenditure for all operating units to keep potential exposure under control. Major investments, acquisitions and disposals are appraised prior to approval by the Board.

- Executive and Management Committees

The Executive and Management Committees comprising Heads of Department meet on weekly and monthly basis respectively, to review the reports in all facets of operations, monitor the business development and resolve key operational and management issues.

Scheduled periodic meetings of the Executive and Management Committees represent the fundamental platform by which the Group's operations, sales achievement, financial performance, IT, human resource and procurement matters are monitored. Under the purview of the MD and Executive Directors, the heads of the respective operational units of the Group are empowered with the responsibilities of managing their respective operations and business.

- Board Committees

Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee are established with formal terms of references clearly outlining their functions and duties delegated by the Board. The Board Committees assist the Board to review the effectiveness of the ongoing monitoring processes on risk and control matters for areas within their scope of work.

- Annual Budget

A rigorous budgetary process is in place where major operating units' budgets are prepared for the ensuing year to be approved by the Board. Monthly monitoring of results against budget with major variances being followed up and actions taken by Management, where necessary.

The Board reviews regular reports from the Management on the key operating statistics, significant changes in the business and external environment, which affect the operations of the Group at large.

- Policies and Procedures

Operational policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses. These include manuals and handbooks which are updated, reviewed and revised periodically to meet changing business and operational requirements, and statutory reporting needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE GROUP'S SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Other Internal Control Processes (cont'd)

- Code of Conduct and Whistle Blowing Channel

A Code of Conduct is established for all directors and employees of the Group, which outlines the acceptable business behaviour and conduct, and to provide guidance on how the directors and employees should behave to demonstrate a culture of excellence while performing their duties. It also sets out the standards of good and ethical practices, and aims to maintain confidence in the integrity of the Group's business practices.

The Group also adopted a whistle blowing policy, providing an avenue for employees and external parties to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

The Group's Code of Conduct containing the whistle blowing policy is published in the website of the Company at www.bpplas.com.

- Employees' Competency

Emphasis is placed on enhancing the quality and ability of employees through a wide variety of training programs and workshops to enhance their knowledge and expand the employees' competency level in executing daily jobs. Relevant trainings and courses are provided regularly to personnel across all functions to maintain a high level of competency and capability.

- Quality Management System

The Group has implemented a comprehensive Quality Management System which fully complies with ISO 9001:2008 Quality Management Systems – Requirements. As part of the requirements of the ISO 9001:2008 certification accredited to the Group, a scheduled internal quality audit is conducted each year by personnel independent of the processes being audited. Results of the audit are reported to the MD and Senior Management where prompt actions are taken on areas requiring further improvement.

- Health, Safety and Environment

The Group is also accredited with certifications for ISO 14001:2004 and OHSAS 18001:2007. With these certifications, the Group will ensure that all environmental aspect and impact as well as safety and health issues are appropriately addressed. Each year, there will be a surveillance audit being carried out and the results of the audit are reported to the MD and Senior Management where issues highlighted for further improvement are duly acted upon.

THE BOARD'S COMMITMENT

To ensure that the Group achieves its corporate objectives successfully, the Board is determined to establish an effective risk management framework and a proactive internal control environment, and is committed in keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. Cognisant of this fact, the Board, in striving for continuous improvement, will put in place appropriate measures, when and where necessary, to further enhance the Group's system of risk management and internal controls.

The Board has received assurance from the MD and Financial Controller that the Group's risk management and internal controls are operating adequately and effectively, in all material aspects, based on the risk management framework and internal control system of the Group.

For the financial year under review, the Board confirms that it has reviewed the effectiveness of the system of risk management and internal controls, and there is no occurrence of fundamental deficiency or material losses incurred during the financial year under review as a result of weaknesses in the risk management framework or internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Securities' Main Market Listing Requirements and pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 31 December 2016.

RPG 5 (Revised 2015) does not require the External Auditors to consider whether this Statement covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare the financial statements which give a true and fair view of the financial position of the Group and of the Company for each financial year. In preparing those statements, the Directors have:-

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue its business; and
- Ensure that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Companies Act, 1965 and have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

They are also responsible for taking the necessary steps as are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Directors confirmed that they have complied with these requirements and have a reasonable expectation that the Group and the Company have adequate resources to continue its operations for the future and will continue to adopt a going concern basis in preparing the financial statements.



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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit net of tax, attributable to owners of the parent	17,867,113	16,738,480

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2015 were as follows:

	RM
In respect of financial year ended 31 December 2015	
– Second single tier interim dividend of 3 sen per share, on 187,653,000 ordinary shares paid on 17 March 2016	5,629,590
In respect of financial year ended 31 December 2016	
– First single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 24 June 2016	3,753,060
– Second single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 22 September 2016	3,753,060
– Third single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 22 December 2016	3,753,060
	<u>16,888,770</u>

A fourth single tier interim dividend in respect of the financial year ended 31 December 2016 of 2 sen per share, on 187,653,000 ordinary shares amounting to RM3,753,060 was declared for members that held shares as at 17 March 2017 and was paid on 30 March 2017. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The directors do not recommend any final dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised and issued and paid up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Lim Chun Yow
 Tan See Khim
 Hey Shiow Hoe
 Lim Kim Hock
 Tan Ming-Li
 Tan Hock Hin

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits shown under the Directors' Remuneration section of our report) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:-

	Number of ordinary shares of RM0.50 each			
	1.1.2016	Acquired	Sold	31.12.2016
Direct interest				
Lim Chun Yow	16,760,003	-	-	16,760,003
Tan See Khim	16,759,999	-	-	16,759,999
Hey Shiow Hoe	14,309,998	-	-	14,309,998
Tan Hock Hin	15,000	-	-	15,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (cont'd)

	Number of ordinary shares of RM0.50 each			
	1.1.2016	Acquired	Sold	31.12.2016
Indirect interest #				
Lim Chun Yow	81,165,000	-	-	81,165,000
Tan See Khim	81,165,000	-	-	81,165,000
Hey Shioh Hoe	81,165,000	-	-	81,165,000

165,000 shares were deemed interested by virtue of Section 59(11) of the Companies Act, 2016.

Lim Chun Yow, Tan See Khim and Hey Shioh Hoe by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

The other directors in office at the end of the financial year had no interest in shares in the Company during the financial year.

TREASURY SHARES

As at 31 December 2016, the Company held as treasury shares a total of 35,000 of its 187,688,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM20,740 and further relevant details are disclosed in Note 24 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REMUNERATION

The details of the directors' remuneration are disclosed in Note 8 to the financial statements.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 13 to the financial statements. The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year.

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services was RM70,000 as disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 33 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2017.

Lim Chun Yow

Tan See Khim

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, **Lim Chun Yow** and **Tan See Khim**, being two of the directors of BP Plastics Holding Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 54 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The information set out in Note 35 to the financial statements have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2017.

Lim Chun Yow

Tan See Khim

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Chua Yi Fon**, being the officer primarily responsible for the financial management of BP Plastics Holding Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 54 to 95, are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Chua Yi Fon
on 17 April 2017
at Batu Pahat in the State of Johor

Chua Yi Fon

Before me,

Rahini a/p Nagappan (J272)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of BP Plastics Holding Bhd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BP Plastics Holding Bhd., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Addition of Property, Plant and Equipment

Refer to Note 12 in the financial statements

Key Audit Matter

During the year, the Group purchased property, plant and equipment amounted to RM16,257,859. As such, the existence of these assets is important in view of the significant amount involved.

How our Audit Addressed the Key Audit Matter

Our procedures included, amongst others:-

- Performing necessary primary substantive tests to verify these additions during the year; and
- Performing physical sighting and obtaining business rationale on all major additions of property, plant and equipment.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of BP Plastics Holding Bhd.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of BP Plastics Holding Bhd.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of BP Plastics Holding Bhd.

Other Reporting Responsibilities

The supplementary information set out in Note 35 on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Piong Yew Peng
Approval No: 3070/06/17 (J)
Chartered Accountant

17 April 2017
Melaka

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	324,358,053	283,458,105	15,950,000	8,900,000
Cost of sales		(284,485,967)	(245,225,045)	-	-
Gross profit		39,872,086	38,233,060	15,950,000	8,900,000
Other items of income					
Other income	5	2,834,129	5,746,742	1,421,387	909,734
Other items of expense					
Administrative and general expenses		(11,857,962)	(9,701,268)	(632,907)	(566,782)
Selling expenses		(7,979,116)	(6,961,709)	-	-
Finance costs		-	(7,488)	-	-
Profit before taxation	6	22,869,137	27,309,337	16,738,480	9,242,952
Income tax expense	9	(5,002,024)	(5,475,469)	-	-
Profit net of tax, representing total comprehensive income for the year		17,867,113	21,833,868	16,738,480	9,242,952
Earnings per share attributable to owners of the Company (sen per share):					
Basic	10	9.52	11.67		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Assets					
Non-current assets					
Property, plant and equipment	12	75,064,729	67,452,114	-	-
Investment in subsidiaries	13	-	-	57,040,595	57,040,595
		75,064,729	67,452,114	57,040,595	57,040,595
Current assets					
Inventories	14	72,699,023	40,109,880	-	-
Trade and other receivables	15	47,980,791	41,871,513	-	-
Other current asset		2,000	2,000	2,000	2,000
Amount owing by a subsidiary	16	-	-	23,226,326	-
Short-term investments	17	19,039,922	50,111,874	19,039,922	42,399,116
Cash and bank balances	18	26,028,585	10,176,692	75,719	54,370
Current tax assets		758,382	63,244	4,965	55,736
		166,508,703	142,335,203	42,348,932	42,511,222
Total assets		241,573,432	209,787,317	99,389,527	99,551,817
Equity and liabilities					
Current liabilities					
Trade and other payables	19	65,472,289	33,281,197	412,902	424,902
Derivative liabilities	20	735,000	-	-	-
Current tax liabilities		-	2,736,320	-	-
		66,207,289	36,017,517	412,902	424,902
Net current assets		100,301,414	106,317,686	41,936,030	42,086,320
Non-current liability					
Deferred tax liabilities	21	9,599,000	8,981,000	-	-
Total liabilities		75,806,289	44,998,517	412,902	424,902
Net assets		165,767,143	164,788,800	98,976,625	99,126,915
Equity attributable to equity holders of the Company					
Share capital	22	93,844,000	93,844,000	93,844,000	93,844,000
Share premium	23	4,928,817	4,928,817	4,928,817	4,928,817
Treasury shares	24	(20,740)	(20,740)	(20,740)	(20,740)
Retained earnings	26	67,015,066	66,036,723	224,548	374,838
Total equity		165,767,143	164,788,800	98,976,625	99,126,915
Total equity and liabilities		241,573,432	209,787,317	99,389,527	99,551,817

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

Note	← Non-distributable →			Distributable		Total RM
	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM		
2016 Group						
Balance at 1 January 2016	93,844,000	4,928,817	(20,740)	66,036,723		164,788,800
Profit after taxation/ Total comprehensive income	-	-	-	17,867,113		17,867,113
Transaction with owners						
Dividends on ordinary shares	11	-	-	-	(16,888,770)	(16,888,770)
Balance at 31 December 2016	93,844,000	4,928,817	(20,740)	67,015,066		165,767,143

Note	← Non-distributable →				Employee share Distributable		Total RM
	Share capital RM	Share premium RM	Treasury shares RM	option reserve RM	Retained earnings RM		
2015 Group							
Balance at 1 January 2015	92,040,375	3,898,122	(20,740)	128,570	59,086,525		155,132,852
Profit after taxation/ Total comprehensive income	-	-	-	-	21,833,868		21,833,868
Transactions with owners							
Dividends on ordinary shares	11	-	-	-	-	(15,012,240)	(15,012,240)
Exercise of employee share options	22, 23	1,803,625	1,030,695	-	-	-	2,834,320
Expiry of employee share options		-	-	-	(128,570)	128,570	-
Total transactions with owners		1,803,625	1,030,695	-	(128,570)	(14,883,670)	(12,177,920)
Balance at 31 December 2015	93,844,000	4,928,817	(20,740)	-	66,036,723		164,788,800

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the Financial Year Ended 31 December 2016

	Note	← Non-distributable →			Distributable	Total RM
		Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
2016 Company						
Balance at 1 January 2016		93,844,000	4,928,817	(20,740)	374,838	99,126,915
Profit after taxation/ Total comprehensive income		-	-	-	16,738,480	16,738,480
Transaction with owners Dividends on ordinary shares	11	-	-	-	(16,888,770)	(16,888,770)
Balance at 31 December 2016		93,844,000	4,928,817	(20,740)	224,548	98,976,625

	Note	← Non-distributable →				Distributable Retained earnings RM	Total RM
		Share capital RM	Share premium RM	Treasury shares RM	Employee share option reserve RM		
2015 Company							
Balance at 1 January 2015		92,040,375	3,898,122	(20,740)	128,570	6,015,556	102,061,883
Profit after taxation / Total comprehensive income		-	-	-	-	9,242,952	9,242,952
Transactions with owners Dividends on ordinary shares	11	-	-	-	-	(15,012,240)	(15,012,240)
Exercise of employee share options	22, 23	1,803,625	1,030,695	-	-	-	2,834,320
Expiry of employee share options		-	-	-	(128,570)	128,570	-
Total transactions with owners		1,803,625	1,030,695	-	(128,570)	(14,883,670)	(12,177,920)
Balance at 31 December 2015		93,844,000	4,928,817	(20,740)	-	374,838	99,126,915

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2016

Note	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Operating activities				
Profit before taxation	22,869,137	27,309,337	16,738,480	9,242,952
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	8,634,068	8,083,782	-	-
Loss/(gain) on disposal of:				
– short-term investments	-	(28,202)	-	-
– property, plant and equipment	1,199	(25,650)	-	-
(Reversal of)/impairment loss on trade and other receivables	(25,800)	62,533	-	-
Interest expense	-	7,488	-	-
Interest income	(1,883,494)	(1,154,031)	(1,421,387)	(909,734)
Property, plant and equipment written off	2,997	2,690	-	-
Loss on fair value changes on financial instruments	735,000	-	-	-
Unrealised gain on foreign exchange	(399,594)	(63,046)	-	-
Operating cash flows before changes in working capital	29,933,513	34,194,901	15,317,093	8,333,218
(Increase)/decrease in inventories	(32,589,143)	4,761,059	-	-
Increase in trade and other receivables	(5,444,826)	(2,414,718)	-	-
Increase/(decrease) in trade and other payables	31,497,878	16,043,979	(12,000)	106,000
Cash flows from operations	23,397,422	52,585,221	15,305,093	8,439,218
Interest paid	-	(7,488)	-	-
Income taxes paid	(7,878,289)	(4,231,146)	(6,375)	(7,491)
Income taxes refunded	62,807	14,330	57,146	8,400
Net cash flows from operating activities	15,581,940	48,360,917	15,355,864	8,440,127

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

For the Financial Year Ended 31 December 2016

	Note	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Investing activities					
Interest received		1,883,494	1,154,031	1,421,387	909,734
Proceeds from disposal of:					
– short-term investments		-	129,002	-	-
– property, plant and equipment		6,980	25,650	-	-
Purchase of property, plant and equipment	27	(15,783,767)	(10,389,151)	-	-
Net cash flows (used in)/from investing activities		(13,893,293)	(9,080,468)	1,421,387	909,734
Financing activities					
(Advance to)/repayment from a subsidiary		-	-	(23,226,326)	17,929,415
Dividends paid	11	(16,888,770)	(15,012,240)	(16,888,770)	(15,012,240)
Decrease in loan		-	(4,680,090)	-	-
Proceeds from exercise of employees' share options		-	2,834,320	-	2,834,320
Net cash flows (used in)/from financing activities		(16,888,770)	(16,858,010)	(40,115,096)	5,751,495
Net (decrease)/increase in cash and cash equivalents		(15,200,123)	22,422,439	(23,337,845)	15,101,356
Effects of exchange rate changes on cash and cash equivalents		(19,936)	49,028	-	-
Cash and cash equivalents at 1 January		60,288,566	37,817,099	42,453,486	27,352,130
Cash and cash equivalents at 31 December	18	45,068,507	60,288,566	19,115,641	42,453,486

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

1. CORPORATE INFORMATION

BP Plastics Holding Bhd. (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and Issues Committee (IC) Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements.

2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

2. BASIS OF PREPARATION (cont'd)

2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year (cont'd):-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Critical Accounting Estimates and Judgements (cont'd)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Basis of Consolidation (cont'd)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3.4 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial Instruments (cont'd)

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial Instruments (cont'd)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial Instruments (cont'd)

(d) Derivative Financial Instruments

Derivatives financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.5 Investment in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated. Depreciation on other assets are charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory buildings:	50 years
Office buildings:	50 years
Leasehold land:	Over the lease period of 50 years
Plant and machinery:	5 to 15 years
Tools and equipment:	10 years
Office equipment, furniture and fittings:	2 to 10 years
Motor vehicles:	5 years

Capital work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between net disposal proceeds and the carrying amount, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Impairment

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investment in subsidiaries), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Income Tax

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

3.12 Employee Benefits

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.13 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Related Parties (cont'd)

- (b) An entity is related to a reporting entity if any of the following conditions applies:- (cont'd)
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

3.14 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3.15 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary shares is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees.

3.16 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Fair Value Measurements (cont'd)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3.17 Revenue and Other Income

(a) Sales of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

3.18 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. REVENUE

Revenue of the Group and of the Company consists the following:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	-	-	15,950,000	8,900,000
Sale of goods	324,358,053	283,458,105	-	-
	324,358,053	283,458,105	15,950,000	8,900,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

5. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income from the following financial assets:				
– fair value through profit or loss	1,691,610	920,299	1,421,387	907,540
– loans and receivables	191,884	233,732	-	2,194
Gain on foreign exchange:				
– realised	-	4,177,533	-	-
– unrealised	399,594	63,046	-	-
Gain on disposal of:				
– short-term investment	-	28,202	-	-
– property, plant and equipment	-	25,650	-	-
Reversal of impairment loss on trade and other receivables (Note 15)	25,800	-	-	-
Miscellaneous	525,241	298,280	-	-
	2,834,129	5,746,742	1,421,387	909,734

6. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
– audit fees				
– current financial year	65,000	57,000	28,000	24,000
– underprovision in the previous financial year	-	3,000	-	-
– non-audit fees	5,000	5,000	5,000	3,000
Depreciation of property, plant and equipment (Note 12)	8,634,068	8,083,782	-	-
Impairment loss on trade and other receivables (Note 15)	-	62,533	-	-
Interest expense on loan	-	7,488	-	-
Loss on disposal of property, plant and equipment	1,199	-	-	-
Loss on fair value changes on financial instruments	735,000	-	-	-
Loss on foreign exchange:				
– realised	1,745,027	-	-	-
Property, plant and equipment written off	2,997	2,690	-	-
Rental expenses (Note 7)	138,310	129,940	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	13,739,173	13,581,958	187,500	187,500
Social security contribution	96,259	86,497	-	-
Defined contribution plan	1,167,907	1,205,991	-	-
Hostel rental (Note 6)	138,310	129,940	-	-
Other staff related expenses	714,316	1,000,225	-	-
	15,855,965	16,004,611	187,500	187,500

Included in the employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,218,061 (2015: RM2,452,347) and RM187,500 (2015: RM187,500) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Executive directors' remuneration:</u>				
Salaries and other emoluments	1,706,250	1,903,125	-	-
Fees	187,500	187,500	187,500	187,500
Defined contribution plan	324,311	361,722	-	-
Estimated money value of benefits-in-kind	54,071	62,925	-	-
	2,272,132	2,515,272	187,500	187,500
<u>Non-executive directors' remuneration:</u>				
Fees	192,000	192,000	192,000	192,000
Allowances	7,500	7,500	7,500	7,500
	199,500	199,500	199,500	199,500
<u>Analysis excluding benefits-in-kind:</u>				
Total executive directors' remuneration (Note 7)	2,218,061	2,452,347	187,500	187,500
Total non-executive directors' remuneration	199,500	199,500	199,500	199,500
Total directors' remuneration	2,417,561	2,651,847	387,000	387,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

9. INCOME TAX EXPENSE

Major Components of Income Tax Expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016 RM	2015 RM
Current income tax:		
Tax expense for the year	3,214,000	5,936,999
Under/(over) provision in prior years	1,170,024	(70,530)
	4,384,024	5,866,469
Deferred tax (Note 21):		
Relating to origination and reversal of temporary differences	206,000	99,000
Underprovision in prior year	412,000	-
Effect of reduction in tax rate	-	(490,000)
	618,000	(391,000)
Income tax expense recognised in profit or loss	5,002,024	5,475,469

Reconciliation Between Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	22,869,137	27,309,337	16,738,480	9,242,952
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	5,488,593	6,827,334	4,017,235	2,310,738
Effect of income not subject to tax	(341,133)	(231,424)	(4,169,132)	(2,452,434)
Effect of expenses not deductible for tax purposes	241,524	440,089	151,897	141,696
Effect of reduction in tax rate	-	(490,000)	-	-
Effect of utilisation of:				
– reinvestment allowance	(1,968,984)	-	-	-
– automation capital allowance	-	(1,000,000)	-	-
Under/(over)provision of income tax expense in prior years	1,170,024	(70,530)	-	-
Underprovision of deferred tax in prior year	412,000	-	-	-
Income tax expense recognised in profit or loss	5,002,024	5,475,469	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016 RM	2015 RM
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	17,867,113	21,833,868
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic earnings per share computation	187,688,000	187,161,519
Basic earnings per share (sen)	9.52	11.67

The diluted earnings per ordinary share is not presented as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

11. DIVIDENDS

	Group and Company	
	2016 RM	2015 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
– Second single tier interim dividend for 2014: 3 sen per share	-	5,629,590
– Special single tier interim dividend for 2015: 2 sen per share	-	3,753,060
– First single tier interim dividend for 2015: 3 sen per share	-	5,629,590
– Second single tier interim dividend for 2015: 3 sen per share	5,629,590	-
– First single tier interim dividend for 2016: 2 sen per share	3,753,060	-
– Second single tier interim dividend for 2016: 2 sen per share	3,753,060	-
– Third single tier interim dividend for 2016: 2 sen per share	3,753,060	-
	16,888,770	15,012,240

A fourth single tier interim dividend in respect of the financial year ended 31 December 2016 of 2 sen per share, on 187,653,000 ordinary shares amounting to RM3,753,060 was declared for members that held shares as at 17 March 2017 and was paid on 30 March 2017. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM	Plant and machinery, tools and equipment RM	Office equipment, furniture fittings and motor vehicles RM	Capital work-in- progress RM	Total RM
Group					
Cost:					
At 1 January 2015	32,771,828	98,439,709	7,127,328	3,432,000	141,770,865
Additions (Note 27)	107,923	301,719	241,782	9,737,727	10,389,151
Reclassification	62,027	13,107,700	-	(13,169,727)	-
Disposals and write off	-	(77,335)	(137,268)	-	(214,603)
At 31 December 2015 and 1 January 2016	32,941,778	111,771,793	7,231,842	-	151,945,413
Additions (Note 27)	177,746	15,222,504	857,609	-	16,257,859
Disposals and write off	-	(364,360)	(15,125)	-	(379,485)
At 31 December 2016	33,119,524	126,629,937	8,074,326	-	167,823,787
Accumulated depreciation:					
At 1 January 2015	5,307,340	65,256,177	6,057,913	-	76,621,430
Depreciation charge for the year (Note 6)	640,187	6,938,284	505,311	-	8,083,782
Disposals	-	(76,380)	(135,533)	-	(211,913)
At 31 December 2015 and 1 January 2016	5,947,527	72,118,081	6,427,691	-	84,493,299
Depreciation charge for the year (Note 6)	642,631	7,506,482	484,955	-	8,634,068
Disposals and write off	-	(361,029)	(7,280)	-	(368,309)
At 31 December 2016	6,590,158	79,263,534	6,905,366	-	92,759,058
Net carrying amount					
At 31 December 2015	26,994,251	39,653,712	804,151	-	67,452,114
At 31 December 2016	26,529,366	47,366,403	1,168,960	-	75,064,729

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

* Land and buildings

	Freehold land RM	Leasehold land RM	Factory buildings RM	Office buildings Rm	Total RM
Cost:					
At 1 January 2015	1,089,647	8,017,903	21,209,978	2,454,300	32,771,828
Additions	-	-	49,200	58,723	107,923
Reclassification	-	-	62,027	-	62,027
At 31 December 2015 and 1 January 2016	1,089,647	8,017,903	21,321,205	2,513,023	32,941,778
Additions	-	-	177,746	-	177,746
At 31 December 2016	1,089,647	8,017,903	21,498,951	2,513,023	33,119,524
Accumulated depreciation:					
At 1 January 2015	-	1,683,857	3,623,483	-	5,307,340
Depreciation charge for the year	-	165,191	425,226	49,770	640,187
At 31 December 2015 and 1 January 2016	-	1,849,048	4,048,709	49,770	5,947,527
Depreciation charge for the year	-	165,191	427,180	50,260	642,631
At 31 December 2016	-	2,014,239	4,475,889	100,030	6,590,158
Net carrying amount					
At 31 December 2015	1,089,647	6,168,855	17,272,496	2,463,253	26,994,251
At 31 December 2016	1,089,647	6,003,664	17,023,062	2,412,993	26,529,366

All the assets of the Group have been bound under a negative pledge to banks for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost In Malaysia	57,407,741	57,407,741
Accumulated impairment losses	(367,146)	(367,146)
	57,040,595	57,040,595

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent (%)		Principal activities
		2016	2015	
<i>Subsidiaries of the Company:</i>				
BP Plastics Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic products
BP Packaging Sdn. Bhd.	Malaysia	100	100	Dormant
BPPlas Plantation Sdn. Bhd.	Malaysia	100	100	Dormant

14. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost:		
Raw materials	55,709,905	28,874,013
Work-in-progress	5,680,776	2,682,814
Spare parts	1,160,961	1,227,597
Finished goods	10,147,381	7,325,456
	72,699,023	40,109,880

During the financial year, the amount of inventories recognised as an expense amounted to RM284,485,967 (2015: RM245,225,045).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Trade receivables				
Third parties	46,043,257	40,226,271	-	-
Less: Allowance for impairment	-	(111,319)	-	-
	46,043,257	40,114,952	-	-
Other receivables				
Sundry receivables	1,937,534	1,756,561	-	-
	47,980,791	41,871,513	-	-
Total trade and other receivables	47,980,791	41,871,513	-	-
Add: Cash and bank balances (Note 18)	26,028,585	10,176,692	75,719	54,370
Total loans and receivables	74,009,376	52,048,205	75,719	54,370

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing Analysis of Trade Receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	35,686,706	29,398,304
1 to 30 days past due not impaired	7,252,835	8,262,384
31 to 60 days past due not impaired	2,365,579	1,849,242
61 to 90 days past due not impaired	462,725	403,342
91 to 120 days past due not impaired	248,233	135,465
More than 120 days past due not impaired	27,179	66,215
	10,356,551	10,716,648
Impaired	-	111,319
	46,043,257	40,226,271

Receivables that are Neither Past Due nor Impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are Past Due but not Impaired

The Group has trade receivables amounting to RM10,356,551 (2015: RM10,716,648) that are past due at the reporting date but not impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

15. TRADE AND OTHER RECEIVABLES (cont'd)

Receivables that are Impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016 RM	2015 RM
Trade receivable – nominal amounts	-	111,319
Less: Allowance for impairment	-	(111,319)
	-	-

Movement in allowance accounts:

	Group	
	2016 RM	2015 RM
At 1 January	111,319	48,786
Charge for the year (Note 6)	-	62,533
Written off	(85,519)	-
Reversal of impairment loss trade and other receivables (Note 5)	(25,800)	-
At 31 December	-	111,319

16. AMOUNT OWING BY A SUBSIDIARY

	Company	
	2016 RM	2015 RM
Non-trade balances	23,226,326	-

During the financial year, the non-trade balances represent unsecured interest-free advances and payments made on behalf. The amount owing is repayable on demand and to be settled in cash.

17. SHORT-TERM INVESTMENTS

	Group			
	2016 RM		2015 RM	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
Fair value through profit or loss financial assets – Money market funds (quoted in Malaysia) (Note 18)	19,039,922	19,039,922	50,111,874	50,111,874

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

17. SHORT-TERM INVESTMENTS (cont'd)

	2016		Company	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
Fair value through profit or loss financial assets – Money market funds (quoted in Malaysia) (Note 18)	19,039,922	19,039,922	42,399,116	42,399,116

Included in the money market funds of the Group and the Company are Islamic money market fund amounting to RM18,726,538 (2015: RM20,004,502).

The weighted average effective interest rates for the money market funds of the Group and the Company at the reporting date were 3.35% (2015: 3.94%) and 3.35% (2015: 3.93%) respectively.

There is no maturity period for money market funds as these money are callable on demand.

18. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash on hand and at banks	26,028,585	9,126,692	75,719	54,370
Repository deposits with a licensed bank	-	1,050,000	-	-
Cash and bank balances (Note 15)	26,028,585	10,176,692	75,719	54,370
Short-term investments classified as fair value through profit or loss financial assets (Note 17)	19,039,922	50,111,874	19,039,922	42,399,116
Cash and cash equivalents	45,068,507	60,288,566	19,115,641	42,453,486

The weighted average effective interest rates for the repository deposits with a licensed bank of the Group at the previous year reporting date were 3.05%.

The average maturities of deposits of the Group as at the previous year reporting date were 4 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
<u>Trade payables</u>				
Third parties	55,603,620	25,464,496	-	-
<u>Other payables</u>				
Sundry payables	6,867,399	4,863,806	-	-
Accrued operating expenses	3,001,270	2,952,895	412,902	424,902
	9,868,669	7,816,701	412,902	424,902
	65,472,289	33,281,197	412,902	424,902
Total trade and other payables	65,472,289	33,281,197	412,902	424,902
Add: Derivative liabilities	735,000	-	-	-
Less: GST payable	(13,823)	(80,713)	-	-
Total financial liabilities	66,193,466	33,200,484	412,902	424,902

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2015: 30 to 60 days) terms.

(b) Sundry Payables and Accrued Operating Expenses

These amounts are non-interest bearing and normally settled within twelve months (2015: twelve months).

20. DERIVATIVE LIABILITIES

	Contract/Notional Amount		Derivative liabilities	
	2016 RM	2015 RM	2016 RM	2015 RM
The Group				
Forward foreign currency contract	12,723,000	-	(735,000)	-

The Group does not apply hedge accounting.

- (a) Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts range between 1 to 2 months (2015: Nil) after the end of the reporting period.
- (b) The Group has recognised a loss of RM735,000 (2015: Nil) arising from fair value changes of derivatives during the financial year as disclosed in Note 6 to the financial statements. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 29(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

21. DEFERRED TAX LIABILITIES

	At 1 January RM	Recognised in Profit or Loss (Note 9) RM	At 31 December RM
Group 2016			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	8,981,000	710,000	9,691,000
Unrealised on foreign exchange	-	84,000	84,000
	8,981,000	794,000	9,775,000
<i>Deferred Tax Assets</i>			
Fair value changes on financial instruments	-	(176,000)	(176,000)
	8,981,000	618,000	9,599,000
2015			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	9,372,000	(391,000)	8,981,000

22. SHARE CAPITAL

	Group and Company			
	Number of shares of RM0.50 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised				
At 1 January/31 December	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid				
At 1 January	187,688,000	184,080,750	93,844,000	92,040,375
New shares issued under the employee share option	-	3,607,250	-	1,803,625
At 31 December	187,688,000	187,688,000	93,844,000	93,844,000

23. SHARE PREMIUM

	Group and Company	
	2016 RM	2015 RM
At 1 January	4,928,817	3,898,122
Exercise of employee share options	-	1,030,695
At 31 December	4,928,817	4,928,817

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

24. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

There were no shares repurchased by the Company during the current financial year (2015: Nil). The repurchased shares in the previous financial years are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the current financial year.

25. EMPLOYEE SHARE OPTION RESERVE

The employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Company's Employee Share Option Scheme ("ESOS") was governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 10 January 2005. The ESOS was implemented on 15 February 2005 and was in force for a period of 5 years from the date of implementation.

On 8 February 2010, the Board of Directors of the Company extended the duration of the ESOS for a further period of 5 years. The ESOS had since expired on 14 February 2015.

The following table illustrates the number of and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

	Number of shares options		Weighted average exercise price	
	2016	2015	2016 RM	2015 RM
Outstanding at 1 January	-	5,654,000	-	0.65
Exercised during the year	-	(3,607,250)	-	0.79
Forfeited during the year	-	(2,046,750)	-	0.78
Outstanding at 31 December	-	-	-	-

26. RETAINED EARNINGS

Under the single tier tax system, tax on the Company's profits is final tax and accordingly, any dividends to the shareholders are not subject to tax.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2016 RM	2015 RM
Cash payments	15,783,767	10,389,151
Unpaid amount classified as other payables	474,092	-
	16,257,859	10,389,151

28. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Company also carried out the following significant transaction with the related parties during the financial year:-

	Company	
	2016 RM	2015 RM
Subsidiaries		
Dividend income	15,950,000	8,900,000

The directors are of the opinion that the transaction above has been entered into in the normal course of business and has been established on negotiated and mutually agreed terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

28. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of Key Management Personnel

The key management personnel of the Group and of the Company include executive directors of the Company and certain members of senior management of the Group.

The remuneration of the key management personnel during the financial year were as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries and other emoluments	2,214,787	2,351,100	-	-
Fees and allowances	187,500	187,500	187,500	187,500
Defined contribution plan	384,540	406,981	-	-
Estimated money value of benefits-in-kind	54,071	62,925	-	-
	2,840,898	3,008,506	187,500	187,500

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

Executive directors of the Group and of the Company had been granted the following number of options under the Employee Share Option Scheme ("ESOS").

	Group and Company	
	2016 RM	2015 RM
At 1 January	-	2,940,000
Exercised during the year	-	(2,940,000)
At 31 December	-	-

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 25).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Financial Instruments that are not Carried at Fair Value and Whose Carrying Amounts are Reasonable Approximation of Fair Value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	15
Trade and other payables (current)	19

B. Fair Value Hierarchy

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value Level 2 RM	Total Fair Value RM	Carrying Amount RM
Group			
2016			
Financial assets			
Short-term investment			
– Fair value through profit or loss	19,039,922	19,039,922	19,039,922
Financial liabilities			
Derivative liabilities			
– Forward foreign currency contract	(735,000)	(735,000)	(735,000)
Group			
2015			
Financial assets			
Short-term investment			
– Fair value through profit or loss	50,111,874	50,111,874	50,111,874
Company			
2016			
Financial assets			
Short-term investment			
– Fair value through profit or loss	19,039,922	19,039,922	19,039,922
2015			
Financial assets			
Short-term investment			
– Fair value through profit or loss	42,399,116	42,399,116	42,399,116

- (a) The fair values of forward foreign currency contracts are determined by using the prices quoted by the counterparty bank.
- (b) The fair value of short-term investment is determined at their quoted closing bid prices at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

30 . FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit risk arising from export sales trade receivables and first-time customers are mitigated through settlements via letters of credit issued by reputable banks in countries where the customers are based. The Group also imposes deposit payments from export sales trade receivables in the event that letters of credit are not issued.

Exposure to Credit Risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values.

Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 1 (2015: Nil) customer which constituted approximately 11% (2015: Nil) of its trade receivables at the end of the reporting period.

Financial Assets that are Neither Past Due nor Impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial Assets that are Either Past Due or Impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

All financial liabilities are due either on demand or within one year.

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Indonesia Rupiah ("IDR") and Euro. Such transactions are kept to an acceptable level.

Approximately 79% (2015: 79%) of the Group's sales are denominated in foreign currencies whilst almost 89% (2015: 87%) of purchases are denominated in the foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures. The Group enters into forward foreign currency contracts to hedge against its foreign currency risk, when necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign Currency Risk (cont'd)

Foreign Currency Exposure

	Group	
	2016 RM	2015 RM
<u>Trade receivables</u>		
United States Dollar	17,547,536	16,488,879
Singapore Dollar	7,952,695	8,736,060
Indonesia Rupiah	2,465,905	1,100,129
Euro	1,502,581	402,619
	29,468,717	26,727,687
<u>Cash and bank balances</u>		
United States Dollar	734,140	3,968,550
Singapore Dollar	1,488,767	2,237,918
Indonesia Rupiah	-	223
Euro	696,729	56,329
	2,919,636	6,263,020
<u>Trade payables</u>		
United States Dollar	(49,580,540)	(22,281,944)
<u>Other payables</u>		
United States Dollar	(1,034,832)	(2,049,927)
Singapore Dollar	(43,116)	(1,023)
Euro	(1,483,849)	(125,125)
	(2,561,797)	(2,176,075)
<u>Net amount</u>		
United States Dollar	(32,333,696)	(3,874,442)
Singapore Dollar	9,398,346	10,972,955
Indonesia Rupiah	2,465,905	1,100,352
Euro	715,461	333,823

Sensitivity Analysis for Foreign Currency Risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD, IDR and Euro exchange rate at the reporting date against the functional currency of the Group, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign Currency Risk (cont'd)

Sensitivity Analysis for Foreign Currency Risk (cont'd)

		Group	
		2016	2015
		RM	RM
		Increase/(decrease)	
		Profit net of tax	
USD/RM	– strengthened 4% (2015: 23%)	(983,000)	(668,000)
	– weakened 4% (2015: 23%)	983,000	668,000
SGD/RM	– strengthened 2% (2015: 5%)	143,000	1,234,000
	– weakened 2% (2015: 5%)	(143,000)	(1,234,000)
IDR/RM	– strengthened 6% (2015: 11%)	112,000	91,000
	– weakened 6% (2015: 11%)	(112,000)	(91,000)
Euro/RM	– strengthened 1% (2015: 10%)	5,000	25,000
	– weakened 1% (2015: 10%)	(5,000)	(25,000)

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, bank loan less cash and bank balances.

The gearing ratio of the Group at the end of the reporting period is not presented as the Group is in net cash position.

32. SEGMENT INFORMATION

(a) Geographical Location

	Group			
	2016	%	2015	%
	RM		RM	
Operating revenue:				
Malaysia	68,448,249	21%	59,648,659	21%
South Korea	67,012,530	21%	41,740,616	15%
Japan	54,039,656	17%	57,859,363	21%
Singapore	34,752,828	11%	34,528,783	12%
Australasia	28,787,605	9%	28,857,858	10%
Other Far East countries	27,829,165	8%	23,916,971	8%
Other ASEAN countries	26,042,797	8%	23,990,766	8%
Other countries	17,445,223	5%	12,915,089	5%
Total operating revenue	324,358,053	100%	283,458,105	100%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

32. SEGMENT INFORMATION (cont'd)

(a) Geographical Location (cont'd)

In determining the geographical segments of the Group, sales are based on the country or region in which the customer is located.

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in manufacturing of plastics packaging products which are carried out in Malaysia.

(b) Major Customers

There is no revenue from major customer with the revenue equal to or more than 10% of the Group revenue (2015: Nil).

33. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 17 April 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the Financial Year Ended 31 December 2016

35. SUPPLEMENTARY INFORMATION – BREAKDOWN OF REALISED AND UNREALISED RETAINED EARNINGS

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 and 2015 into realised and unrealised earnings are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the BP Plastics Holding Bhd. and its subsidiaries				
– Realised	112,713,546	110,684,201	224,548	341,430
– Unrealised	(9,998,594)	(8,947,592)	-	33,408
	102,714,952	101,736,609	224,548	374,838
Less: Consolidation adjustments	(35,699,886)	(35,699,886)	-	-
Total Group's retained earnings as per consolidated accounts	67,015,066	66,036,723	224,548	374,838

ANALYSIS OF SHAREHOLDINGS

As At 24 March 2017

SHARE CAPITAL

Number of issued shares	: 187,688,000 Ordinary Shares (including 35,000 treasury shares)
Voting rights	: One vote per Ordinary Share
Number of shareholders	: 2,633

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares Issued	%
1 – 99	45	1.71	1,745	0.00
100 – 1,000	236	8.96	166,384	0.09
1,001 – 10,000	1,660	63.05	7,766,021	4.14
10,001 – 100,000	615	23.36	19,064,650	10.16
100,001 – 9,382,649 *	73	2.77	34,744,200	18.52
9,382,650 and above **	4	0.15	125,910,000	67.10
Total	2,633	100.00	187,653,000	100.00

Note :

(*) means less than 5% of issued shares

(**) means 5% and above of issued shares

CATEGORY OF SHAREHOLDINGS

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individual	2,089	23	86,286,214	318,600	45.98	0.17
2.	Body Corporate						
	a) Bank/Finance Companies	-	-	-	-	-	-
	b) Investment Trusts/ Foundation/Charities	-	-	-	-	-	-
	c) Industrial and Commercial Companies	23	2	82,099,850	15,001	43.75	0.01
3.	Government Agencies/Institutions	-	-	-	-	-	-
4.	Nominees	486	10	17,503,285	1,430,050	9.33	0.76
5.	Others	-	-	-	-	-	-
	Total	2,598	35	185,889,349	1,763,651	99.06	0.94

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As At 24 March 2017

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of BP Plastics Holding Bhd. (holding 5% or more of the issued shares) based on the Register of Substantial Shareholders of the Company and their respective shareholdings are as follows:-

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Issued	% ¹	No. of Shares Issued	% ¹
LG Capital Sdn. Bhd.	81,000,000	43.16	-	-
Lim Chun Yow	16,760,003	8.93	81,000,000 *	43.16
Tan See Khim	16,759,999	8.93	81,000,000 *	43.16
Hey Shiow Hoe	14,309,998	7.63	81,000,000 *	43.16

Note:

- (¹) Deemed interested by virtue of his shareholding of more than 20% in LG Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (*) excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2017.

DIRECTORS' SHAREHOLDINGS

The respective shareholdings of the Directors of BP Plastics Holding Bhd. based on the Register of Directors' Shareholdings are as follows:-

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares Issued	% ¹	No. of Shares Issued	% ¹
Lim Chun Yow	16,760,003	8.93	81,165,000 *	43.24
Tan See Khim	16,759,999	8.93	81,165,000 *	43.24
Hey Shiow Hoe	14,309,998	7.63	81,165,000 *	43.24
Lim Kim Hock	-	-	-	-
Tan Ming-Li	-	-	-	-
Tan Hock Hin	15,000	0.01	-	-

Note:

- (¹) Deemed interested by virtue of:-
- i) His shareholding of more than 20% in LG Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016; and
- ii) His spouse's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.
- (*) excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2017.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As At 24 March 2017

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares	% ¹
1.	LG Capital Sdn. Bhd.	81,000,000	43.16
2.	Tan See Khim	16,759,999	8.93
3.	Lim Chun Yow	15,300,003	8.15
4.	Hey Shioh Hoe	12,849,998	6.85
5.	Tay Kiang Puang	3,789,400	2.02
6.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (RHBIslamic)</i>	2,000,000	1.07
7.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (PHEIM)</i>	1,730,000	0.92
8.	Hey Shioh Hoe	1,460,000	0.78
9.	Lim Chun Yow	1,460,000	0.78
10.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Smart Treasure Fund</i>	1,440,000	0.77
11.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 14)</i>	1,266,600	0.67
12.	Gan Hong Liang	1,196,250	0.64
13.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust</i>	1,170,000	0.62
14.	Tan Gian Hock	1,125,000	0.60
15.	Lim Chin Siong	1,055,000	0.56
16.	Teuh Chin Keong	900,000	0.48
17.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Emerging Opportunity Unit Trust</i>	700,000	0.37
18.	Jamaludin Bin Che Murad	676,000	0.36
19.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)</i>	670,000	0.36
20.	Soh Yong Beng	620,700	0.33
21.	Tan Soon Lan	581,150	0.31
22.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SCE)</i>	550,000	0.29
23.	Lam Jin Fatt	550,000	0.29
24.	Lim Siau Mei	476,400	0.25
25.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Tang Khai Yew (PCS)</i>	434,600	0.23
26.	Yeoh Kean Beng	423,000	0.23
27.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Thiam Swee</i>	420,000	0.22
28.	Lim Ying Ying	404,950	0.22
29.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Malaysia Dividend Fund</i>	400,000	0.21
30.	Tan Suan Chin	400,000	0.21
	Total	151,809,050	80.88

Note :

⁽¹⁾ excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2017.

LIST OF GROUP PROPERTIES

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built Up Area	Description/ (Existing Use)	Estimated Age of Buildings (Years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)	The date of last Revaluation/ (Acquisition)
1. No P.T.D. : 30911 No H.S.(D) : 32035 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 10, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 21,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Warehouse)	13	19.11.2003	1,685	31-Dec-09
2. No P.T.D. : 31030 No H.S.(D) : 32034 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 26,120 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory and Double-Storey Office Building (Office)	Single-Storey Detached Factory – 22 years Double-Storey Office Building – 20 years	08.06.1994 28.08.1996	1,699	31-Dec-09
3. No P.T.D. : 31039 No H.S.(D) : 32031 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 15,000 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory an-annex with Double-Storey Office and Single-Storey Detached Factory (Factory)	19	29.04.1997	1,498	31-Dec-09

LIST OF GROUP PROPERTIES (CONT'D)

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built Up Area	Description/ (Existing Use)	Estimated Age of Buildings (Years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)	The date of last Revaluation/ (Acquisition)
4. No P.T.D. : 31031 No H.S.(D) : 32033 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 5B, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 20.09.2054	1.0 Acres/ 23,100 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory)	13	28.05.2003	2,059	31-Dec-09
5. No P.T.D. : 35099 No H.S.(D) : 38296 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 8, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 05.10.2057	1.5 Acres/ 39,600 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory)	15	07.11.2001	3,038	31-Dec-09
6. No Hakmilik : GM 1359 Lot No.: 2408 Daerah : Batu Pahat Mukim : Linau Negeri : Johor	Freehold	3.2687 Acres	A parcel of Agricultural Land (Vacant)	NA	NA	410	31-Dec-09
7. No P.T.D. : 29032 No H.S.(D) : 28431 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor 1, Jln Wawasan 3, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor.	Leasehold 60 years/ 21.09.2052	10 Acres/ 169,250 sq ft	A parcel of industrial land improved upon with a Single-Storey Detached Factory (Factory) and Single-Storey Detached Factory (Warehouse)	11	07.04.2006	13,047	31-Dec-09
8. No Hakmilik : GRN 23703 Lot No.: 2897 Daerah : Batu Pahat Mukim : Simpang Kanan Negeri : Johor	Freehold	2 Acres/ 87,120 sq ft	A parcel of Agricultural Land (Vacant)	NA	NA	680	(15-Sep-10)

LIST OF GROUP PROPERTIES (CONT'D)

Title/Location	Tenure/Date of Expiry of Lease	Land/ Built Up Area	Description/ (Existing Use)	Estimated Age of Buildings (Years)	Date of Issuance of Certificate of Fitness	Net Book Value (RM'000)	The date of last Revaluation/ (Acquisition)
9. Unit No.8-01, Mukim 842, Lot 15, Tempat Sungei Puteh Mukim : Kuala Lumpur	Freehold	1,370 sq ft	Office Suites	3	01.11.2014	1,335	(06-Oct-11)
10. Unit No.8-03, Mukim 842, Lot 15, Tempat Sungei Puteh Mukim : Kuala Lumpur	Freehold	1,155 sq ft	Office Suites	3	01.11.2014	1,078	(06-Oct-11)

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

For The Financial Year Ended 31 December 2016

NOTICE IS HEREBY GIVEN that the THIRTEENTH ANNUAL GENERAL MEETING of the Company will be held at Emerald Room, Level 2, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Friday, 26 May 2017 at 2:00 p.m. for the following purposes:-

AGENDA

- | | |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. | Please refer to Explanatory Note 1 |
| 2. To approve the payment of Directors' Fees of RM379,500 for the financial year ended 31 December 2016. | Resolution 1 |
| 3. To approve the payment of Directors' Fees of RM379,500 for the financial year ending 31 December 2017. | Resolution 2 |
| 4. To approve the payment of Directors' benefits up to an amount of RM16,800 to the Non-Executive Directors from 1 January 2017 until the next Annual General Meeting of the Company. | Resolution 3 |
| 5. To re-elect Mr. Lim Chun Yow who retires pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election. | Resolution 4 |
| 6. To re-elect Mr. Tan Hock Hin who retires pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election. | Resolution 5 |
| 7. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 6 |

As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without any modifications:-

- | | |
|---|---------------------|
| 8. ORDINARY RESOLUTION
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 | Resolution 7 |
|---|---------------------|

"THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D) For The Financial Year Ended 31 December 2016

9. ORDINARY RESOLUTION

PROPOSED RETENTION OF MR. LIM KIM HOCK AS INDEPENDENT NON-EXECUTIVE DIRECTOR Resolution 8

“THAT Mr. Lim Kim Hock be and is hereby retained as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting pursuant to the Malaysian Code on Corporate Governance 2012.”

10. To transact any other ordinary business for which due notice has been given.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)

TAN LEY THENG (MAICSA 7030358)

Company Secretaries

Batu Pahat, Johor Darul Takzim

Dated: 28 April 2017

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 May 2017 (“General Meeting Record of Depositors”) shall be eligible to attend the Meeting.*
2. *A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation’s seal or under the hand of an officer or attorney duly authorised.*
7. *The instrument appointing a proxy shall be deposited at the Company’s Registered Office at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time appointed of holding the above Meeting.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

For The Financial Year Ended 31 December 2016

EXPLANATORY NOTES

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda is not put forward to the shareholders for voting.

2. Ordinary Resolutions 1, 2 and 3

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the following payments to Directors at the Thirteenth Annual General Meeting in three (3) separate resolutions as below:-

- **Resolution 1** on payment of Directors' Fees totalling RM379,500 in respect of the financial year ended 31 December 2016.
- **Resolution 2** on payment of Directors' Fees totalling RM379,500 in respect of the financial year ending 31 December 2017.

This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient due to enlarged Board size, approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

- **Resolution 3** on payment of Directors' benefits of up to RM16,800 in respect of meeting allowances payable for attendance of Board and/or Board Committee meetings by the Non-Executive Directors with effect from 1 January 2017 until the next Annual General Meeting.

**3. Ordinary Resolution 7
Authority to issue shares pursuant to Sections 75 and 76 of the Act**

The above Resolution 7 is for the purpose of seeking a renewal of the general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, from the date of the above Meeting, to issue and allot shares in the Company at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being. The general mandate, unless revoked or varied at general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares for the purpose of funding future investment(s), project(s), working capital and/or acquisition(s).

The Company had been granted a mandate by its shareholders at the Twelfth Annual General Meeting of the Company held on 20 May 2016 ("Previous Mandate"). As at the date of this Notice, no new shares were issued pursuant to the Previous Mandate and hence, no proceeds were raised therefrom.

**4. Ordinary Resolution 8
Proposed retention of Mr. Lim Kim Hock as Independent Non-Executive Director**

Mr. Lim Kim Hock was appointed as Independent Non-Executive Director of the Company on 22 February 2008 and has therefore, served the Board for a cumulative term of more than nine (9) years.

In accordance with the Malaysian Code on Corporate Governance 2012, the Board of Directors of the Company, after having assessed the independence of Mr. Lim Kim Hock, regarded him to be independent, based amongst others, the following justifications and recommends that Mr. Lim Kim Hock be retained as Independent Non-Executive Director of the Company:-

- *the aforementioned Independent Director has fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;*
- *the aforementioned Independent Director is able to exercise independent judgement and act in the best interests of the Company;*
- *the aforementioned Independent Director has consistently demonstrated his independence and professionalism and effectively contributed and added value to the Company through Board Committees he serves vis-a-vis the Audit, Remuneration and Nominating Committees as well as the Board; and*
- *there are significant advantages to be gained from a long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, he is able to provide invaluable contributions with independence in his role as Independent Non-Executive Director.*

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PROXY FORM

Number of Shares Held



南源塑膠控股有限公司
BP PLASTICS HOLDING BHD.
(644902-V)

*I/We, (full name in capital letters) _____
of (full address) _____ being a *member/members of
BP PLASTICS HOLDING BHD. (“the Company”), hereby appoint (full name in capital letters) _____

_____ of (full address) _____
or failing *him/her, (full name in capital letters) _____
of (full address) _____

or failing *him / her, the *CHAIRMAN OF THE MEETING as *my / our proxy to vote for *me/us and on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Emerald Room, Level 2, The Katerina Hotel, 8, Jalan Zabadah, 83000 Batu Pahat, Johor Darul Takzim on Friday, 26 May 2017 at 2:00 p.m.

The Proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First Proxy (1) _____ %
Second Proxy (2) _____ %

Please indicate with an “X” in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' Fees of RM379,500 for the financial year ended 31 December 2016		
2.	To approve the payment of Directors' Fees of RM379,500 for the financial year ending 31 December 2017		
3.	To approve the payment of Directors' benefits up to an amount of RM16,800 to the Non-Executive Directors from 1 January 2017 until the next Annual General Meeting of the Company		
4.	To re-elect Mr. Lim Chun Yow who retires pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election		
5.	To re-elect Mr. Tan Hock Hin who retires pursuant to Article 92 of the Company's Articles of Association, and being eligible, has offered himself for re-election		
6.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration		
7.	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
8.	Proposed Retention of Mr. Lim Kim Hock as Independent Non-Executive Director		

* Strike out whichever not applicable

As witness my/our hand(s) this _____ day of _____ 2017

Signature of Member /Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 May 2017 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
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4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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7. The instrument appointing a proxy shall be deposited at the Company's Registered Office at 5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time appointed of holding the above Meeting.

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stamp

To:

BP PLASTICS HOLDING BHD. (644902-V)
5A Jalan Wawasan 2
Kawasan Perindustrian Sri Gading
83300 Batu Pahat
Johor Darul Takzim

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BP PLASTICS HOLDING BHD. (644902-V)

5A, Jalan Wawasan 2, Kawasan Perindustrian Sri Gading
83300 Batu Pahat, Johor Darul Takzim, Malaysia

Tel: 607-455 7633 • Fax: 607-455 7699

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