



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

**BPPLAS**

**ANNUAL REPORT**  
**2017**



**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.

# CONTENTS

1

Corporate Data

2

Corporate Structure

3

Financial Highlights

4

Board of Directors

9

Key Senior Management

10

Sustainability Report

17

Additional Compliance Information

18

Management Discussion & Analysis

24

Corporate Governance Overview Statement

33

Audit Committee Report

37

Nominating and Remuneration Committee Statement

41

Statement on Risk Management and Internal Control

46

Statement of Directors' Responsibility in Preparing the Financial Statements

47

Financial Statements

97

Analysis of Shareholdings

100

List of Group Properties

103

Notice of Fourteenth Annual General Meeting

Proxy Form

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*

**Chuah Sue Yin**

*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

**Chuah Sue Yin (Chairperson)**  
*Independent Non-Executive Director*

**Tan Ming-Li (Member)**  
*Senior Independent Non-Executive Director*

**Tan Hock Hin (Member)**  
*Independent Non-Executive Director*

### NOMINATING AND REMUNERATION 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*

**Chuah Sue Yin (Member)**  
*Independent Non-Executive Director*

### RISK MANAGEMENT COMMITTEE

**Tan Hock Hin (Chairman)**  
*Independent Non-Executive Director*

**Tan Ming-Li (Member)**  
*Senior Independent Non-Executive Director*

**Chuah Sue Yin (Member)**  
*Independent Non-Executive Director*

### INVESTOR RELATIONS

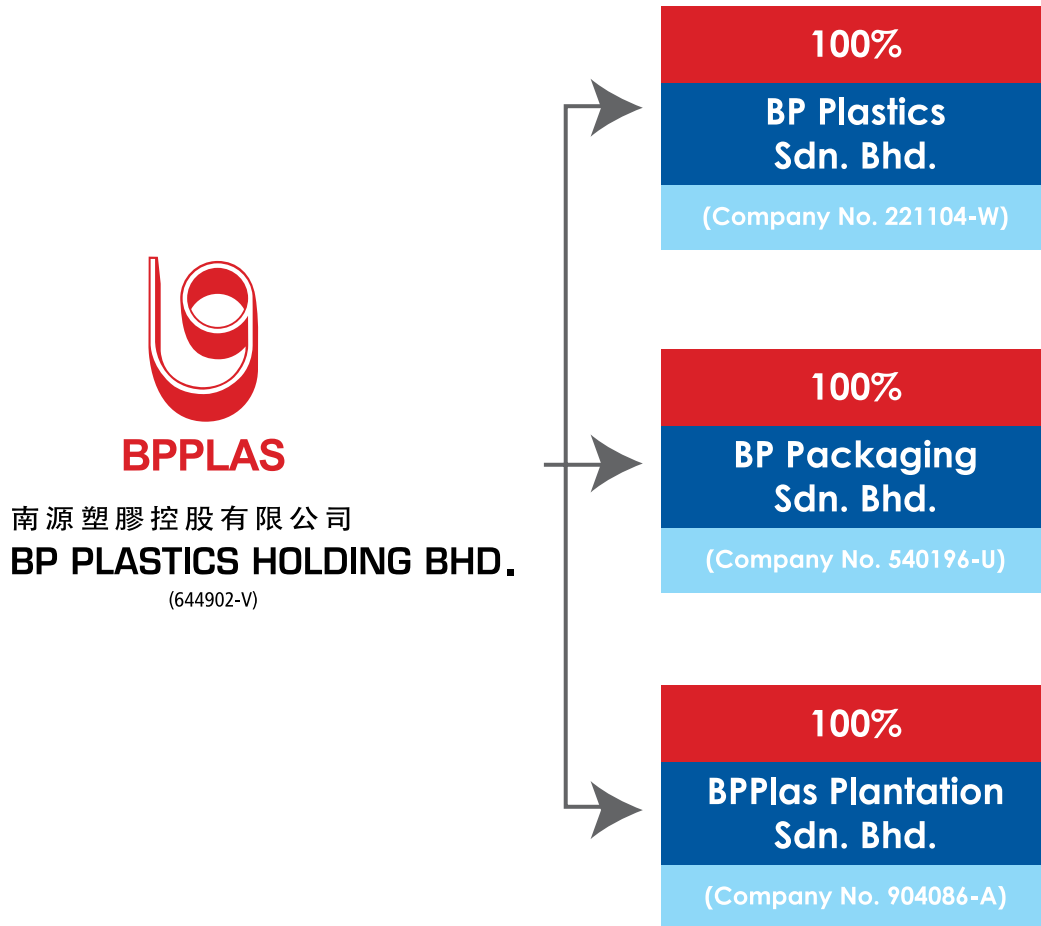
**Lim Chun Yow**  
*(Managing Director)*

Tel: 07-455 7633

Fax: 07-455 6799

Email: ir@bpplas.com

## CORPORATE STRUCTURE



## CORPORATE PROFILE

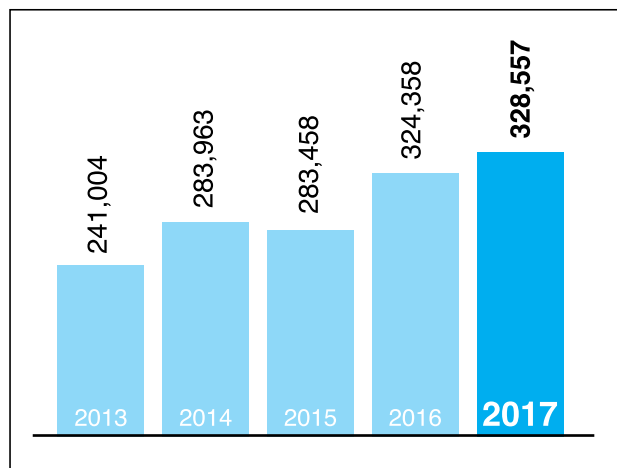
BP Plastics Holding Bhd., an investment holding and provision of management services company, was incorporated in Malaysia under the Companies Act 2016 on 9 March 2004.

The principal activities of its subsidiaries are as follows:

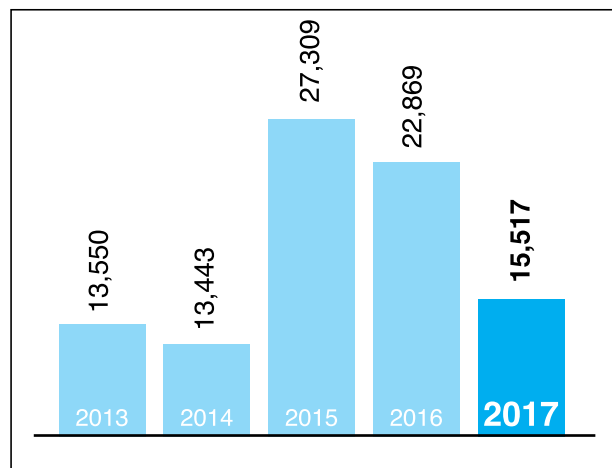
Company	Date and Country of Incorporation	Equity Interest (%)	Principal Activities
BP Plastics Sdn. Bhd. (Company No: 221104-W)	18 July 1991/ Malaysia	100	Manufacturing
BP Packaging Sdn. Bhd. (Company No: 540196-U)	23 February 2001/ Malaysia	100	Dormant
BPPlas Plantation Sdn. Bhd. (Company No: 904086-A)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

## FINANCIAL HIGHLIGHTS

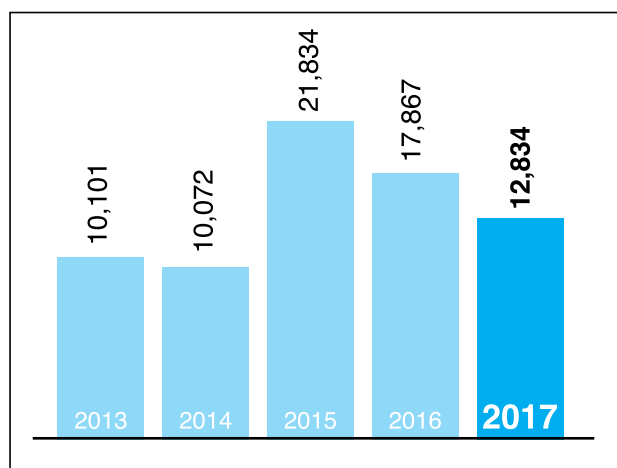
### TURNOVER (RM'000)



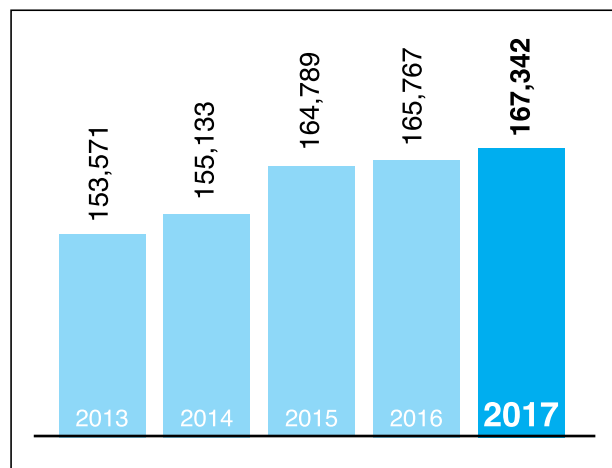
### PROFIT BEFORE TAX (RM'000)



### PROFIT AFTER TAX (RM'000)



### SHAREHOLDERS' FUND (RM'000)



	2013	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
TURNOVER	241,004	283,963	283,458	324,358	328,557
EBITDA	21,859	21,676	35,401	31,503	25,152
PROFIT BEFORE TAX	13,550	13,443	27,309	22,869	15,517
PROFIT AFTER TAX	10,101	10,072	21,834	17,867	12,834
SHAREHOLDERS' FUNDS	153,571	155,133	164,789	165,767	167,342
ROE	6.64%	6.53%	13.65%	10.81%	7.71%
NON CURRENT ASSET	67,978	65,149	67,452	75,065	68,867
ROA	14.86%	15.46%	32.37%	23.80%	18.64%
EPS	5.61	5.55	11.67	9.52	6.84
Net Div (sen)	5.00	6.00	8.00	8.00	4.00
NTA per share (RM)	0.85	0.85	0.88	0.88	0.89

## BOARD OF DIRECTORS



From Left to Right

1. Mr. Tan Hock Hin
2. Ms. Tan Ming-Li
3. Mr. Lim Chun Yow
4. Mr. Lim Kim Hock

5. Mr. Hey Shioh Hoe
6. Ms. Chuah Sue Yin
7. Mr. Tan See Khim

## BOARD OF DIRECTORS (CONT'D)



**LIM KIM HOCK**

**Age:** 52

**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 PriceWaterhouse 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 2 ½ 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 Remuneration Committee of the Company.

**Number of board Meetings attended in the Financial Year:** 5/5



**LIM CHUN YOW**

**Age:** 55

**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, USA in 1985.

**Working Experience:** He was appointed as the Chairman and Managing Director of the Company on 23 November 2005 and 3 September 2004 respectively. He retired as the Chairman of the company on 29 May 2013. He started his career with a plastic manufacturing company as a Marketing Executive in 1986. He set up BP Plastics Sdn. Bhd. with two other co-founders in 1991 and is currently the Honorary Chairman of Malaysia Plastics Manufacturers Association (MPMA) of Johor Branch. He was elected as the Chairman of MPMA Johor Branch between 2010 to 2016. He currently also sits on the board for several private limited companies.

**Other Directorship in Public/Listed Companies:** None.

**Details of Any Board Committee to which He Belongs:** None.

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

## BOARD OF DIRECTORS (CONT'D)



**TAN SEE KHIM**

**Age:** 54

**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 3rd 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 in 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 towards the growth of the Company. He also sits on the board for several private limited companies.

**Other Directorship in Public/Listed Companies:** None.

**Details of Any Board Committee to which He Belongs:** None.

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



**HEY SHIOW HOE**

**Age:** 55

**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 for several private limited companies.

**Other Directorship in Public/Listed Companies:** None.

**Details of Any Board Committee to which He Belongs:** None.

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



## BOARD OF DIRECTORS (CONT'D)



**TAN MING-LI**

**Age:** 49

**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:** Ms. Tan 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. Subsequently on 12 August 2016, she was re-designated as Senior Independent Non-Executive Director of the Company.

**Other Directorship in Public/Listed Companies:** Ms. Tan is currently an Independent Non-Executive Director of Tune Protect Group 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 and Remuneration Committee of the Company. She is also a member of the Audit and the Risk Management Committees of the Company.

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



**TAN HOCK HIN**

**Age:** 53

**Gender:** Male

**Nationality:** Malaysian

**Position in the Company:** Independent Non-Executive Director

**Qualification:** Graduated from University of Malaya, Kuala Lumpur with Bachelor of Science (Hon.) Degree in Chemistry.

**Working Experience and Occupation:** Mr. Tan is currently a Business Development Director, Global Hygiene, South East Asia of H.B. Fuller. He has a wide experience in technical and commercial fields, holding senior positions such as heading the Product Development Department at SCA Hygiene Malaysia Sdn. Bhd., Chief Representative Officer for Innovia Films Commercial Ltd. covering South East Asia & Indian Sub-Continent, Technical Manager at Great Wall Plastics, QA Manager at CPC/AJI (Malaysia) Sdn. Bhd. and Senior Chemist at Loytape Industries Sdn. Bhd. in his past careers. He has also successfully led start up teams at new investments in Shanghai, Shenyang and Changchun, China for Samanda Holdings, the parent company for Loytape. Mr. Tan Hock Hin 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 Risk Management Committee of the Company. He is also a member of the Audit and the Nominating and Remuneration Committees of the Company.

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

## BOARD OF DIRECTORS (CONT'D)



**CHUAH SUE YIN**

**Age:** 47

**Gender:** Female

**Nationality:** Malaysian

**Position in the Company:** Independent Non-Executive Director

**Qualification:** A Graduate from Warwick University, United Kingdom with a Bachelor of Science in Management Science. A Fellow Member of Chartered Accountant from the Institute of Chartered Accountants in England & Wales (ICAEW), a Chartered Accountant from the Malaysian Institute of Accountants, and an Associate Member of the Chartered Tax Institute of Malaysia. She is also a holder of several licences in Malaysia including Registered Auditor approved by Ministry of Finance, Registered Auditor of Public Interest Entities under Securities Commission Act 1993, Registered Auditor of Co-operative Societies under Section 61 (1) of the Co Operatives Societies Act 1993, Licensed tax agent approved by Ministry of Finance and Licensed GST agent approved by Ministry of Finance.

**Working Experience:** Ms. Chuah is currently the Managing Partner of the PCCO Group,. She has over 24 years of working experience in areas of financial accounting and reporting, internal and external audits, tax and due diligence. She was appointed as the Independent Non-Executive Director of the Company on 1 October 2017.

**Other Directorship in Public/Listed Companies:** Ms. Chuah is also an Independent Non-Executive Director of Tokio Marine Life Insurance Malaysia Bhd and JF Apex Securities Berhad.

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

**Number of Board Meetings Attended in the Financial Year:** 1/1

## KEY SENIOR MANAGEMENT



**CHUA YI FON**

**Age:** 38

**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

**Family Relationship with Any Director and/or Major Shareholder of the Company:** None

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**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 Shiow Hoe. They are all Directors and substantial shareholders of the Company. Mr. Hey Shiow 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).

# SUSTAINABILITY REPORT

## SUSTAINABILITY COMMITMENT

BPPLAS is committed towards building a sustainable polyethylene (PE) film packaging business whilst balancing our economic goals with our social and environmental responsibilities.

We aim to deliver superior/strong financial performance and enhanced stakeholder values that are sustainable over the long-term by integrating sustainability into our business strategies. Our biggest challenge is to increase sustainability awareness throughout our supply chain, particularly our independent suppliers.

### Material Issues

Economic Sustainability	Description of Issues	Degree of Control	Outcome/Impact
Productivity and Cost Control	Drive operational sustainability to mitigate cost escalation impact	Medium	Achieve higher efficiency and better operating margins through process improvements and cost savings initiatives

Environmental Protection	Description of Issues	Degree of Control	Outcome/Impact
Waste Management and Waste Reduction	Reduce and minimise the environmental impact of waste/effluent generated from manufacturing process	Medium	<ul style="list-style-type: none"> <li>– 3Rs (Reduce, Reuse, Recycle) via in-house recycling facilities to reclaim wastes/scrap generated</li> <li>– Supporting the waste separation at source initiative (SAS) by Government</li> </ul>

Energy Management	Efficient use and consumption of energy, as well as energy generated from renewable sources	Medium	Target to apply Green energy incentive in 2018 and install solar panels by FY2019 (if approved) to substitute partial energy consumption towards green energy (“renewable energy”) and reduce total energy consumption
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Social Development	Description of Issues	Degree of Control	Outcome/Impact
Employee Recruitment, Talent Development and Retention	To recruit, retain and build up internal talent pool through career path setting and skills set development	Medium	<ul style="list-style-type: none"> <li>– Staff training &amp; development including On Job Training (“OJT”), Seminars/Workshops</li> <li>– Balance Scorecard Performance based Key Performance Indicators (“KPI”), which is aligned with commensurate rewards and incentive</li> </ul>

Occupational Safety and Health	Improve Safety and Health awareness amongst employees and external stakeholders (eg, contractors, suppliers and visitors) within BPPLAS factory premises	High	<ul style="list-style-type: none"> <li>– To achieve minimal accident rate by FY2020, by implementing better safeguard measures</li> <li>– Prevent hearing loss through audiometry test</li> <li>– Noise and chemical exposure monitoring</li> </ul>
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## SUSTAINABILITY REPORT (CONT'D)

### Material Issues (cont'd)

Social Development	Description of Issues	Degree of Control	Outcome/Impact
Community Projects	Supporting charitable organisations, welfare groups, local community school education funds/fund-raising activities	Low	<ul style="list-style-type: none"> <li>– Yearly collaboration with National Blood Bank on BPPLAS Blood Donation campaign</li> <li>– Cash aids, donations, sponsorships to various welfare groups</li> </ul>

### A) ECONOMIC SUSTAINABILITY

At BPPLAS, we are constantly working on improving on our daily operational processes to achieve better efficiencies, as well as imbedding 3Rs concept to ensure that wastages from our manufacturing main and sub-processes are contained to its absolute minimum. Besides focusing on 3Rs, we are now focusing also on “right gauge (thickness)” for our Cast Stretch Film products to improve on better load containment and holding force for palletised goods to mitigate accidents while in transit to its destination.

Packaging – primary, secondary and tertiary is important to improve product’s packaging integrity, shelf life and safety on road transportation and logistics to reduce accident.

### B) ENVIRONMENTAL PROTECTION

PE film is a versatile, light weight, economical and fully recyclable product which can help companies to improve their products’ safety protection and shelf life. BPPLAS believes that recycling is the best option to sustain and conserve resources for our future generation. Our corporate philosophy is adhering to the 3Rs concepts of Reduce, Reuse and Recycle. We will reprocess and reclaim our internally generated plastic wastes/rejects/scrap and reuse them for suitable industrial packaging film application.

BPPLAS will continue to engage in continuous research and development to produce innovative new products. For example, we are manufacturing lighter and thinner but more durable PE film such as the ultra-thin 12 microns Cast Stretch Film branded as “Infinity” Hand Roll. It not only reduces our customers’ total packaging usage by up to 20% (if it is used correctly) but also helps to conserve scarce resources for future generations through responsible usage. BPPLAS, which has been certified with ISO 14001:2015 EMS, is committed to operate under stringent international environmental framework. We will ensure that all residual scheduled waste are properly stored and disposed by responsible licensed contractors. We also urge our stakeholders to supply non-hazardous product to mitigate environmental contamination.

BPPLAS had also participated in the “Programme on Environmental Management for Malaysia - Environmental Management in Manufacturing Company – Carbon Reduction Technology Promotion (“CRTP”) Programme”, organised by the Malaysian Plastics Manufacturers Association (“MPMA”) in collaboration with the Association for Overseas Technical Cooperation and Sustainable Partnerships (“AOTS”) which was held from 14 to 23 November 2017 at the AOTS Kansai Kenshu Centre, Osaka, Japan.

## SUSTAINABILITY REPORT (CONT'D)

### B) ENVIRONMENTAL PROTECTION (cont'd)

The CRTP Programme Objectives include the following:

- I. To gain insight information the management philosophy and strategy in a Low Carbon Society in Japanese companies, the concept of Japanese companies' environment management.
- II. To increase the understanding of Life Cycle Assessment ("LCA"), 3Rs, recycling process and technologies, industrial waste treatment plant and energy conversation practiced and its management approach in integrated environmental business management.
- III. To improve participant's ability in target setting, create action plans for solving problems and overcoming challenges by eliminating waste in their factories that leads to cost reduction.



## SUSTAINABILITY REPORT (CONT'D)

### C) SOCIAL DEVELOPMENT

#### **Staff Welfare & Talent Development**

Employees are our Company's greatest assets and the foundation to achieving the Company's set performance goals and objectives. Therefore it is highly critical to ensure that the appropriate staff training and development programmes are put in place to build up the employees skills set and ensure that they are equipped with the necessary tools and resources to help them map out and achieve their yearly/monthly KPIs.

During the year, the following training programmes were conducted for BPPLAS Management and staff:

No.	Date of Training	Training Topics/Programmes
1)	14.03.2017	ISO 22000 Food Safety Management System Internal Audit Training-Day 1
2)	15.03.2017	ISO 22000 Food Safety Management System Internal Audit Training-Day 2
3)	07.04.2017	PE Product Training
4)	11.07.2017 to 13.07.2017	Kursus Asas Keselamatan Kebakaran – Emergency Response Team (ERT)
5)	18.07.17 (Group A) & 19.07.17 (Group B)	ISO 9001 : 2015 Quality Management System Awareness Training – 1 day course
6)	17.08.17 (Group A) & 18.08.17 (Group B)	ISO 14001 : 2015 Environmental Management System Awareness Training – 1 day course
7)	23.09.2017 & 24.09.2017	Winning with Emotional Excellence – 2 day program
8)	19.10.2017 & 20.10.17	Integrated Internal Audit Training-ISO 9001 : 2015 & ISO14001 : 2015 – 2 day course
9)	04.11.2017 & 05.11.2017	NLP: Power Up Your Sales Presentation – 2 day course

This year, our annual team building event was held at Holiday Inn Melaka from 12 to 13 August 2017 with the theme of Emotional Intelligence (EQ).



## SUSTAINABILITY REPORT (CONT'D)

### C) SOCIAL DEVELOPMENT (cont'd)



#### Workplace (Safety & Health)

Safety and Health is our top priority at work. We strive to provide a safe and conducive working environment/facilities for all our employees and stakeholders (eg contractors, suppliers and visitors). BPPLAS is certified with OHSAS 18001:2007 certification. Company-wide survey is conducted annually so that we can enhance on our employees' working environment. On-job training and coaching are constantly conducted to improve our employees' competency and capability. Open communication is practised within the organisation for continuous improvement.

#### Community

BPPLAS considers education as the focus of our community services. Over the years, under the Industrial Training Programmes, BPPLAS has been training inducting students of multi-disciplines from various local universities in Malaysia, providing them a platform to gain practical working experience and to enhance their theoretical knowledge/studies. The total number of internship positions provided in FY2017 was 8 students in the Departments of Finance, Purchasing, Logistics and Maintenance.

Every year since FY2010, we have been organising our Annual BPPLAS Blood Donation Campaign to do our part in helping to support our National Blood Bank. For this year, for the 8th year running, our Blood Donation 2017 event was successfully held on 9th July 2017 at Level 2 of BP Mall, Batu Pahat. With the support of ever caring Batu Pahat community, we managed to collect a total of 173 blood packs during this meaningful event.



## SUSTAINABILITY REPORT (CONT'D)

### C) SOCIAL DEVELOPMENT (cont'd)

#### Community (cont'd)

Past 3 years' Blood Donation contribution:

Year	Result (packs)
2015	154
2016	194
2017	173

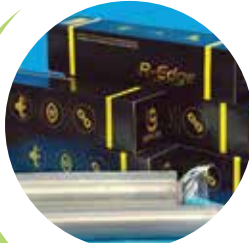


We are also actively involved in Batu Pahat district level community projects and fund raising activities every year to provide financial assistance to the poor, needy and under-privileged groups.

*Green*



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 2017 are as below:

	Group RM	Company RM
<b>Audit services rendered</b>	66,000	26,000
<b>Non-audit services rendered</b>		
1. Review of the Statement on Risk Management and Internal Control	4,000	4,000
2. Tax Services	24,600	3,000

### 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 2017.

### 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 26 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 (“MD&A”)

### For the Financial Year Ended 31 December 2017 (“FY2017”)

#### GROUP BUSINESS OVERVIEW

The Group adopts an organic growth strategy to ensure that our business can grow steadily, backed by solid fundamentals of the Group’s financial position and performance. In the past 3 years, the Group’s investments into the 5th and 6th Cast Stretch Film equipment has helped to boost our capability and capacity to increase the Group’s total operating revenue to above RM300 million in FY2016 and FY2017, aided by greater demand for packaging film from existing and new customer base in more than 54 countries worldwide.

The Group has focused on promoting newly developed premium grade Machine Roll Cast Stretch Films, High Quality Thin Gauge “Infinity” Hand Roll Cast Stretch Films and Form-Fill-Seal (“FFS”) Food Packaging Film with printing in FY2017. In addition, the Group is committed to supply innovative and competitive high quality products to deliver Right Packaging solution in primary, secondary and tertiary packaging. Packaging helps to improve food packaging integrity, improve production efficiency and achieve cost saving by strengthening palletised goods’ load holding force to reduce product damages in logistic and warehouse activities.

#### FINANCIAL PERFORMANCE HIGHLIGHTS

##### Overall Revenue

	FY2013 RM’000	FY2014 RM’000	FY2015 RM’000	FY2016 RM’000	FY2017 RM’000
Q1	51,519	72,429	66,845	85,356	84,333
Q2	55,622	75,484	67,143	78,811	73,833
Q3	68,503	66,368	68,397	79,404	84,875
Q4	65,360	69,682	81,073	80,787	85,516
<b>Total Operating Revenue</b>	<b>241,004</b>	<b>283,963</b>	<b>283,458</b>	<b>324,358</b>	<b>328,557</b>

The Group registered marginally higher operating revenue of RM328.56 million in FY2017, an increase of 1.29% compared to RM324.36 million in FY2016. Revenue growth in FY2017 was mainly supported by a higher packaging films demand in Malaysian domestic market, which saw local sales increased by RM12.09 million (or 17.66%) to RM80.54 million (FY2016: RM68.45 million), but this was offset by lower export sales of RM248.02 million (FY2017: RM255.91 million), which decreased by RM7.89 million (or 3.08%), mainly due to intense competition and pricing pressure in main exporting markets.

##### Revenue by Products

	2017 RM’000	2016 RM’000	Variance RM’000
Blown PE Films	82,886	76,110	6,776
Cast Stretch Films	245,671	248,248	(2,577)
<b>Total Operating Revenue</b>	<b>328,557</b>	<b>324,358</b>	<b>4,199</b>

## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (CONT’D) For the Financial Year Ended 31 December 2017 (“FY2017”)

### FINANCIAL PERFORMANCE HIGHLIGHTS (cont’d)

#### Revenue by Products (cont’d)

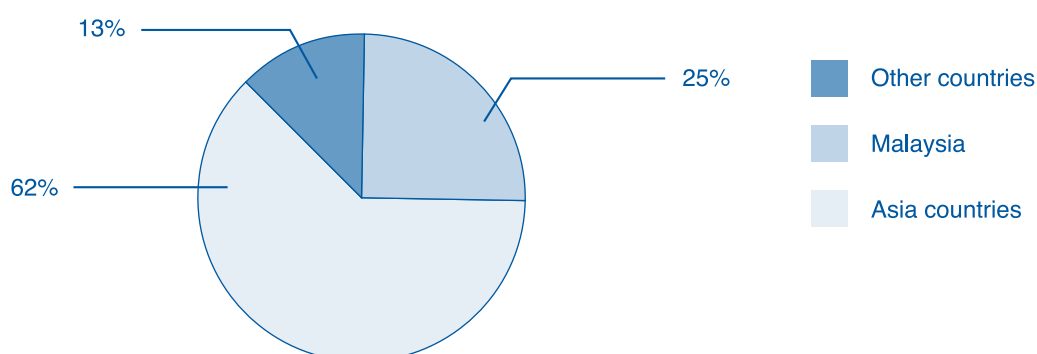
The ratio of revenue contribution from Blown PE Film and Cast Stretch Film products were 25% (FY2016: 23%) and 75% (FY2016: 77%) respectively.

Blown PE films increased by RM6.78 million in FY2017 mainly due to better average selling price and higher sales in FFS Food Packaging Film products.

Cast Stretch films decreased by RM2.58 million in FY2017 mainly due to greater demand of thin-gauge product driven by increasing environmental consciousness but limited by the production output.

#### Revenue by Geographical

	2017 RM'000	2016 RM'000	Variance RM'000
Asia countries	204,581	214,744	(10,163)
Malaysia	80,541	68,448	12,093
Other countries	43,435	41,166	2,269
<b>Total Operating Revenue</b>	<b>328,557</b>	<b>324,358</b>	<b>4,199</b>



During FY2017, 75% of total operating revenue was primarily from export markets with major strategic business partners located mainly in South Korea, Japan and ASEAN.

Domestic market improved by RM12.09 million in FY2017 mainly due to strong and resilient demand from local customers, as the Malaysia economy achieved 5.9% Gross Domestic Product (“GDP”) growth compared to 4.2% in year 2016.

Asia countries sales reduced by RM10.16 million as compared to FY2016 mainly due to change of business strategy to promote and supply thinner, stronger Right Gauge stretch film to achieve long term business sustainability.

Light weight packaging dampen the group ability to achieve higher short term sales revenue growth but the superior good quality packaging product enhance the group’s long term competitiveness and capability to deliver better business growth and performance.

## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (CONT’D)

### For the Financial Year Ended 31 December 2017 (“FY2017”)

#### FINANCIAL PERFORMANCE HIGHLIGHTS (cont’d)

##### Profitability

Description	2017 RM’000	2016 RM’000	Change %
Revenue	328,557	324,358	+1.29
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	25,152	31,503	-20.16
Profit before tax (“PBT”)	15,517	22,869	-32.15
Profit after tax (“PAT”)	12,834	17,867	-28.17
EBITDA margin	7.66%	9.71%	-21.11
PBT margin	4.72%	7.05%	-33.05
PAT margin	3.91%	5.51%	-29.04

The Group achieved a lower PBT of RM15.52 million, a decrease of 32.15% as compared to PBT of RM22.87 million in FY2016. PAT was also lower by 28.17% at RM12.83 million, compared to the PAT of RM17.87 million in FY2016. The lower PBT and PAT were mainly due to higher resin costs in the first half of FY2017 and the Group was unable to completely pass through the cost increased to its customers in order to maintain price competitiveness amidst the challenging and competitive business environment during that period.

Nevertheless, second half of FY2017 performance improved with higher sales of premium grade Machine Roll Cast Stretch Films and FFS Food Packaging Films coupled with better cost efficiency and productivity achieved, despite the strengthening of the Malaysian Ringgit against United States Dollar (“USD”) in the second half year of FY2017.

The lower tax expense of RM2.68 million in FY2017 (FY2016: RM5.00 million) was mainly due to lower PBT and Automation Capital Allowance claimed upon the gazette order issued on 30 August 2017. The Group’s effective tax rate for the year under review was 27.15%, which is higher than last year’s same corresponding period effective tax rate of 16.76% mainly due to the availability of tax incentive for a subsidiary in FY2016.

#### FINANCIAL POSITION

As at 31 December 2017, the financial position and liquidity of the Group remains strong and healthy with Cash and Cash Equivalents of RM45.23 million (FY2016: RM45.07 million). The Group has no loans and borrowings as at this financial year end.

Total shareholders’ fund was RM167.34 million and Net Tangible Assets (“NTA”) per share stood at RM0.89 as at this financial year end.

#### SHARE PERFORMANCE FY2017

Year High:	RM1.58
Year Low:	RM1.08
Year Close:	RM1.10
Daily Average Trading Volume:	91,000 shares
Market Capitalisation as at Financial Year End:	RM206.32 million

## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (CONT’D) For the Financial Year Ended 31 December 2017 (“FY2017”)

### CAPITAL EXPENDITURE (“CAPEX”) INVESTMENT

In FY2017, the Group focused on maintenance to improve the existing equipment production efficiency and invested into some small-scale auxiliary equipment to improve on the production of printing film capacity as well as laboratory testing equipment for new product development.

The construction of new factory and warehouse building (BP11) is progressing as planned and expected to be completed by first half of FY2018. The new building with a build-up area of 61,420 square feet will allow us to expand storage and improve production processes in order to fulfill more customer demand in near future.

The Group has allocated approximately RM16 million CAPEX on plant and machinery this year to support the business growth. The planned investment in FY2018 will help the Group to garner more market share, particularly on more export sales.

The projected CAPEX will be financed through internal generated funds.

### 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 Group’s available cash and cash equivalents, projected capital expenditures and other investment plans, after the distribution of a dividends.

The total dividends declared and paid out by the Group for FY2017 amounted by RM7.51 million, representing a 58.5% dividend payout ratio (FY2016: 84.0%).

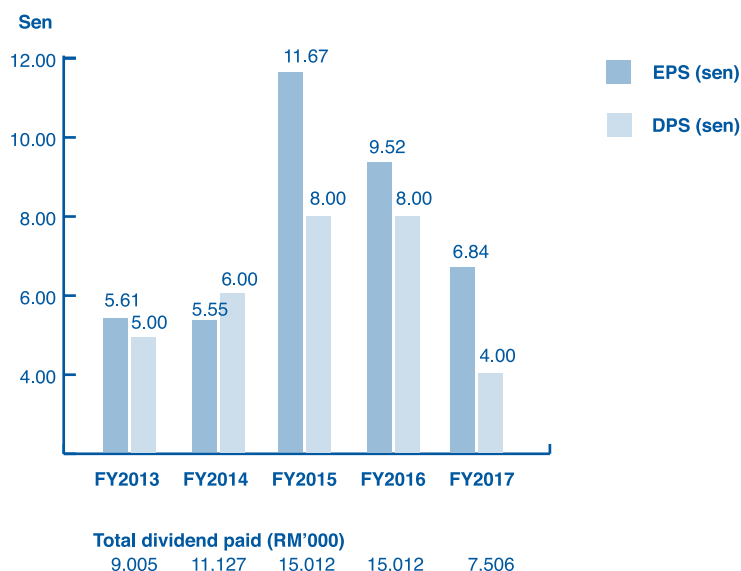
RM'000

In respect of FY2017:

– First Single-Tier interim dividend of 2 sen per share, paid on 30 June 2017	3,753
– Second Single-Tier interim dividend of 2 sen per share, paid on 29 December 2017	3,753

<b>Total dividends paid for FY2017</b>	<b>7,506</b>
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### Dividend Payout



On 15th February 2016, BPPLAS announced a dividend policy to distribute minimum 40% of net profits to shareholders.

## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (CONT’D)

### For the Financial Year Ended 31 December 2017 (“FY2017”)

#### DIVIDEND OR DISTRIBUTION POLICY (cont’d)

#### DIVIDEND PAYOUT (cont’d)

Year	DPS Div declared (Sen)	(RM’000)	PAT (RM’000)	Dividend Ratio	EPS (Sen)
FY2013	5.00	9,005	10,101	89.1%	5.61
FY2014	6.00	11,127	10,072	110.5%	5.55
FY2015	8.00	15,012	21,834	68.8%	11.67
FY2016	8.00	15,012	17,867	84.0%	9.52
FY2017	4.00	7,506	12,834	58.5%	6.84

#### ANTICIPATED OR KNOWN RISKS

##### Foreign Exchange (“forex”) Fluctuations

The Group is exposed to forex risk as approximately 75% (FY2016: 79%) and 80% (FY2016: 89%) of revenue and purchases are denominated in foreign currencies, primarily in USD. The fluctuations of USD will affect on the Group’s earnings, performance and operating cash flows. During FY2017, the Group recorded forex losses and fair value changes on forex forward contracts of RM1.85 million mainly due to the steep strengthening of RM against USD in the second half of FY2017.

The Group reviews the costing mechanism periodically and put in place appropriate mitigating measures in the event of volatile forex fluctuations. In addition, the Group also enters into forex forward contracts to hedge against the forex risk, where necessary.

##### Volatility and Availability of Raw Materials

The main raw material of the Group is resin, which is majority imported from overseas. Any volatility in resin prices will potentially cause significant impact to the Group’s profit margin due to the related forex impact and lag-on effect in selling price adjustment. In addition, the availability of resin supply or delays in resin arrival will also affect the day-to-day operations and might result in the Group being unable to meet delivery timeline to the customers.

The Group continues to maintain good relationship with suppliers to secure reliable resin supply at competitive pricing. The Group also seeks for alternative sources to mitigate against anticipated potential resin shortage.

##### Increase in Packaging Materials Cost

China’s Blue Sky and Clean Water Initiative and waste import ban announced to be effective from 1 January 2018 onwards has caused the shortage of waste paper and crimped production volume in China, which in turn leads to supply crunch, as a result paper and paperboard prices escalated. The Group anticipates that the significant increase in paper product prices would translate into higher packaging cost and lead to higher cost of production.

The Group is currently assessing the impact of increasing packaging materials cost, review in-process workflow to reduce waste and improve on operational efficiency to reduce its impact.



## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (CONT’D) For the Financial Year Ended 31 December 2017 (“FY2017”)

### ANTICIPATED OR KNOWN RISKS (cont’d)

#### Increase in Labour Cost

Labour cost is projected to rise further in FY2018 due to the following factors:

- I. the Government enforcement of the Employer Mandatory Commitment (EMC), whereby the levy of foreign workers holding Temporary Employment Visit Pass (Pas Lawatan Kerja Sementara, “PLKS”) is to be borne by employer effective from 1 January 2018. This new policy is applicable to both existing and new foreign workers recruited. Employers are also responsible for carrying out compulsory additional medical examination under Foreign Workers’ Medical Examination (“FOMEMA”) for its foreign workers before renewal of PLKS for their 5th, 7th and 9th year of employment; and
- II. introduction of the Employment Insurance System (“EIS”) beginning January 2018, which is intended to assist those employees who have lost their employment.

In addition to the above, the Human Resources Ministry is expected to announce a new minimum wage in FY2018, since the last revision on 1 July 2016 which sets the minimum wage level for employees at RM1,000 for West Malaysia and RM920 for East Malaysia.

In response to this, the Group will continue to provide the necessary training and development to upskill our workers’ skills set, competency and capability to increase productivity level. Meanwhile, the Group will also conduct reviews of the entire manufacturing process to identify which areas can be substituted or enhanced by automation, in order to achieve cost optimisation.

### BUSINESS OUTLOOK AND PROSPECT

Malaysia’s total exports rose almost 19% to RM935.4 billion in year 2017, the strongest growth since year 2005, primarily contributed by strong global demand of electrical & electronics (E&E) and also major commodities. This is indicative that the world economy is strengthening and expectation is that the global recovery will continue. Malaysia’s many exporters like BPPLAS would stand to benefit from this opportunity as the global packaging demand will be correspondingly increasing, particularly in Asian regions and other emerging markets spurred by massive infrastructure projects and urbanisation, arising from the “One Belt and One Road” initiated by the Chinese Government. Additionally, Malaysian Government is also in the preparation to make legislative amendments to enforce the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”), which is expected to come in effect in January 2019. The Group welcomes any new business opportunities and is confident of achieving more potential sales growth under the CPTPP.

However, unfavourable economic, social and geopolitical factors could similarly impose uncertainties to the Group’s financial and business performance. US Federal Reserve is keen to accelerate its monetary policy normalisation via interest rate hikes this year which could result in forex fluctuations over the year. Besides that, trade protectionism policy proposed by the US might also trigger potential global trade wars and cause significantly adverse effects on the global trade liberalisation.

Despite the many challenges and uncertainties, the Group remains prudent in strategic and financial management and focus on its core business to improve further on product innovations, better operational cost efficiencies and quality enhancements to serve our customers.

With all the above efforts, the Board expects to continue to deliver profitable results for the financial year ending 31 December 2018.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### For the Financial Year Ended 31 December 2017 (“FY2017”)

The Board of Directors (“Board”) of BP Plastics Holding Bhd (“BPPLAS”) is pleased to present this statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the FY2017. This overview summarises the application by the Company of the Principles and Recommendations of the Malaysian Code on Corporate Governance (“MCCG”).

The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) which is available on the Company’s website at [www.bpplas.com](http://www.bpplas.com).

This Statement and CG Report should also be read in tandem with the other information below which is available on the Company’s website at [www.bpplas.com](http://www.bpplas.com).

- Board Charter,
- Group Code of Conduct,
- Audit Committee (AC) Terms of Reference,
- Nominating & Remuneration Committee (NRC) Terms of Reference, and
- Corporate Disclosure Policy.

This Statement was approved by the Board of Directors on 13 April 2018.

#### Corporate Governance Approach

The Board is committed to ensure that the principles and recommendations of the MCCG and good governance standards are practised throughout BPPLAS 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.

Pursuant to the Comprehend, Apply and Report (CARE) approach advocated under the MCCG, the Board has undertaken necessary review and revisions to the Group’s policies to ensure that the Group complies with all the principles and recommendations of the MCCG, which comprises of the following three (3) principles under the MCCG:-

- A. Board leadership and effectiveness;
- B. Effective audit and risk management; and
- C. Integrity in corporate reporting and meaningful relationship with stakeholders.

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

##### Board Responsibilities

The Board is responsible for the corporate governance practices of the Group. The Board has delegated certain responsibilities to the Committees of the Board which operate within clearly defined terms of reference “TORs”. The TORs of the Board Audit Committee and Nominating and Remuneration Committee are available on the Company’s website [www.bpplas.com](http://www.bpplas.com). The table below summarises the key responsibilities and oversight areas of the respective Board Committees:

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### For the Financial Year Ended 31 December 2017 ("FY2017")

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

##### Board Responsibilities (cont'd)



The Board is guided by the Board Charter, which clearly sets out the roles and responsibilities of the Board, and list of matters reserved for the Board's attention, as well as board procedures and processes. The Board Charter of the Company is in place, and a copy is available at the Company's website at [www.bpplas.com](http://www.bpplas.com). 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 they remain consistent with the Board's objectives, current laws/regulations and good governance practices in compliance with the MCCG.

The Group has also in place a Group Code of Conduct that is applicable to all Directors and employees. 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.

The Group's Code of Conduct is premised on the following four (4) main principles:

- A. Show respect in the workplace
- B. Act with integrity in our marketplace
- C. Ensure ethics in our business relationships
- D. Ensure effective communication (which also covers corporate disclosure and whistle blowing)

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, to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities.

The Group's Code of Conduct is accessible on the Company's website [www.bpplas.com](http://www.bpplas.com).

#### Board Composition

The Board consists of seven (7) Directors, four (4) of whom are Independent Non-Executive Directors and three (3) are Executive Directors. The composition of the Board is consistent with the requirements of Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") where at least one-third of its members are Independent Non-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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

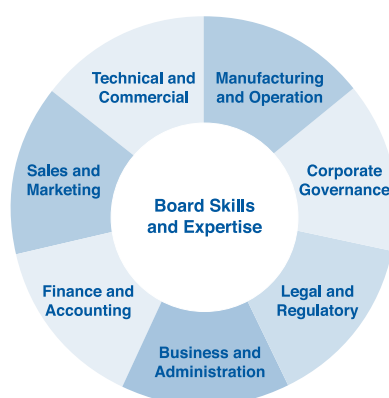
### For the Financial Year Ended 31 December 2017 ("FY2017")

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

##### Board Composition (cont'd)

Selection process and assessment of Directors by the NRC are followed by a set of criteria and expectations based upon the competencies, commitment, experience and integrity of the candidates to secure the best composition and to meet the diverse objectives of the Company.

In the selection process, the NRC does not set any target on gender, ethnicity or age diversity but endeavour to include any member who will improve the Board's overall compositional balance. In identifying suitable candidates for appointment to the Board, the NRC 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.



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 Malaysia for newly appointed Directors.

Board Diversity	Headcount	%
<b>Composition</b>		
Independent Non-Executive Directors	4	57%
Non-independent Executive Directors	3	43%
<b>Ethnicity</b>		
Chinese	7	100%
Others	0	0%
<b>Gender</b>		
Male	5	71%
Female	2	29%
<b>Age</b>		
41-50	2	29%
>50	5	71%

The Board is also cognisant of the call by the Government and MCGG to have more women representation on boards of companies (with at least 30% women directors for Large Companies), and although the Board has not set specific targets, the Board and NRC endeavours to ensure sufficient number of women candidates be included in the pool of candidates evaluated for new appointments to the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### For the Financial Year Ended 31 December 2017 ("FY2017")

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

##### Board Meetings

The Board meets at least quarterly with additional meetings convened as and when necessary. The 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. All the proceedings of Board meetings are duly recorded in the minutes of each meeting.

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, attendances of Directors to the meeting during FY2017 are as follows:

Name of Directors	Board of Directors	AGM	AC	NRC**	RMC***
Lim Chun Yow	5/5	1/1			
Tan See Khim	5/5	1/1			
Hey Shioh Hoe	5/5	1/1			
Lim Kim Hock	5/5	1/1	4/4	3/3	
Tan Ming-Li	5/5	1/1	5/5	3/3	1/1
Tan Hock Hin	5/5	1/1	5/5	3/3	1/1
Chuah Sue Yin *	1/1	n/a	1/1	1/1	1/1
<b>Total no. of meetings:</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>1</b>

\* appointed on 1 October 2017

\*\* merged the Nominating and Remuneration Committees as NRC on 1 October 2017

\*\*\* established on 1 October 2017

The Directors remain fully committed and dedicated as reflected by their full attendance at Board meetings held during the FY2017. All Directors complied with the minimum attendance requirement of at least 50% of Board meetings held during the financial year pursuant to the MMLR.

All the Directors have attended the Mandatory Accreditation Programme (MAP) as required under the MMLR. 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 NRC.

In line with Paragraph 15.08 of MMLR, the Directors recognise the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast with the development and changes in the industries in which the Group operates, as well as to update themselves on new statutory and regulatory requirements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### For the Financial Year Ended 31 December 2017 ("FY2017")

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

##### Board Meetings (cont'd)

The following are the conferences, training programmes and seminars in various capacities attended by the Directors of the Company in FY2017:

Name	Training/Seminar/Forum/Conference Attended	Date
<b>Non-Independent Executive Directors:</b>		
Lim Chun Yow	• ISO22000 Food Safety Management System Internal Audit Training	14-15 March 2017
	• MPMA Roadshow	16 March 2017
	• PE Product Training	7 April 2017
	• Global Market Outlook 2017 Seminar	22 June 2017
	• ISO9001:2015 Quality Management System Awareness Training	19 July 2017
	• Updates on the new MCGG and the Companies Act 2016	9 August 2017
	• Team Bonding Program – EQ Management	12-13 August 2017
	• ISO44001:2015 Environmental Management System Awareness Training	17 August 2017
	• Advocacy Sessions to Enhance Quality of MD&A for CEOs and CFOs of Listed Issuers	17 October 2017
	• Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	31 October 2017
	• Mid-tier Companies Business Conference	1 November 2017
	• Economic Outlook 2018 – Reflation in Motion, Proceed with Caution	23 November 2017
	Tan See Khim	• ISO22000 Food Safety Management System Internal Audit Training
• PE Product Training		7 April 2017
• Updates on the new MCGG and the Companies Act 2016		9 August 2017
• Team Bonding Program – EQ Management		12-13 August 2017
• ISO14001:2015 Environment Management System Awareness Training		17 August 2017
• Sales Presentation Skill Training		4-5 November 2017
Hey Shioh Hoe	• ISO22000 Food Safety Management System Internal Audit Training	14-15 March 2017
	• PE Product Training	7 April 2017
	• Industry 4.0 Workshop – Embracing the Future of Manufacturing	2 May 2017
	• ISO9001:2015 Quality Management System Awareness Training	19 July 2017
	• Updates on the new MCGG and the Companies Act 2016	9 August 2017
	• Team Bonding Program – EQ Management	12-13 August 2017
	• ISO14001:2015 Environment Management System Awareness Training	17 August 2017
	• Advocacy Session on Corporate Governance for Directors and Principal Officers of Listed Issuers	31 October 2017
	• The Program on Environmental Management for Malaysia (MYEM) – AOTS Training	14-23 November 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### For the Financial Year Ended 31 December 2017 ("FY2017")

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

##### Board Meetings (cont'd)

The following are the conferences, training programmes and seminars in various capacities attended by the Directors of the Company in FY2017 (cont'd):

Name	Training/Seminar/Forum/Conference Attended	Date
<b>Independent Non-Executive Directors:</b>		
Lim Kim Hock	• National Tax Conference 2017	25-26 July 2017
	• 2018 Budget Seminar	8 November 2017
	• Audit Quality Enhancement Programme for SMPs 2017	13-14 November 2017
Tan Ming-Li	• FIDE Forum – Economic & Financial Services Section Trends and Challenges Moving Dialogue with Senior Management of BNM	27 March 2017
	• Malaysian Code on Corporate Governance 2017 and Cybersecurity	23 October 2017
Tan Hock Hin	• Effective Internal Audit Function for Audit Committee (AC) Workshop	25 September 2017
	• CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World	13 October 2017
Chuah Sue Yin	• Module 1: Directors as Gatekeepers of Market Participants	1 November 2017
	• Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors	2 November 2017
	• Recent Tax Cases 2017	6 November 2017
	• 2018 Budget Seminar	9 November 2017
	• 2nd Securities Commission: FIDE Forum Dialogue: Leveraging Technology for Growth	14 November 2017
	• Malaysian Code on Corporate Governance: Workshop with Malaysian Institute of Accountants (MIA)	17 November 2017
	• Learn How to Do Health Check on your GST Audit File (GAF)	22 November 2017
	• The CG Breakfast Series for Directors: Leading Change @ The Brain	5 December 2017

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**

### **For the Financial Year Ended 31 December 2017 ("FY2017")**

#### **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

##### **Remuneration**

The Board has in place a remuneration policy framework which is clear and transparent, designed to support and drive business strategy and long-term objectives of BPPLAS. In this regard, the NRC strives to reward the Executive Directors and Senior Management based on accountability, fairness, and competitiveness, so as to ensure the remuneration packages of Executive Directors and Senior Management are sufficiently attractive to draw in and to retain persons of high calibre.

##### **Audit Committee**

The AC of the Group comprises of three (3) Independent Non-Executive Directors. The AC is chaired by an Independent Non-Executive Director, Ms. Chuah Sue Yin. As such, the Chairman of the AC is distinct from the Chairman of the Board. The composition of the AC is in compliance with Paragraph 15.09 and 15.10 of the MMLR and MCCG where all the three (3) AC members are Independent Non-Executive Directors. None of the Independent Directors has appointed alternate directors.

The principal objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to financial reporting process and internal controls of the Group.

The TORs of the AC has been revised to reflect the requirements pursuant to Practice 8.2 of the MCCG which stipulated that "No former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years".

The TORs of the AC is available for reference on the Company's website at [www.bpplas.com](http://www.bpplas.com).

In line with Practice 8.3 of the MCCG, the AC has also policies and procedures to assess the suitability, objectivity and independence of the External Auditor. The assessment is conducted on yearly basis by the AC, using the prescribed External Auditors Evaluation Form, with emphasis of evaluation based on the competence, adequacy of experience and resources, quality of the audit performances, independence and objectivity of the External Auditors, reasonableness of audit fees and comparison of audit and non-audit fees.

As promulgated by the MCCG, collectively the AC should possess a wide range of necessary skills to discharge its duties, and that all members should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process. The Board regards the members of AC collectively possess the accounting and related financial management expertise and experience required for AC to discharge its responsibilities and assist the Board in its oversight over the financial reporting process.

##### **Risk Management and Internal Control Framework**

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.

The Group's and the Company'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 RMC through their meetings ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks affecting the Group is being satisfactorily addressed on an ongoing basis.



## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)** **For the Financial Year Ended 31 December 2017 ("FY2017")**

### **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)**

#### **Risk Management and Internal Control Framework (cont'd)**

The AC is tasked with the duty to assess the Group's and Company's internal control environment to determine the adequacy and effectiveness of the system of internal controls put in place by Management. The review covers the financial, operational, and compliance controls. The Board RMC on the other hand, assists the Board in their responsibilities to identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets. The RMC supports the Board by setting and overseeing the risk management framework and policies of the Group, and regularly assessing such risk management processes to ascertain their adequacy and effectiveness.

The Board has through the AC and RMC reviewed the adequacy and integrity of the Group's system of risk management and internal controls.

The information on the Group's risk management and internal controls is represented in the Statement on Risk Management and Internal Control in this Annual Report.

### **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **Communication between the Company and its Stakeholders**

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.

The Group values its dialogues and engagements with all stakeholders. The Annual Report of the Company is a key channel of communication with shareholders and stakeholders. The shareholders and stakeholders of the Company are kept informed of the Group's performance, major corporate developments and other matters affecting stakeholders' interests through the Annual Report, the various disclosures and announcements made to Bursa Malaysia and the Company's website. Apart from this, financial results and other corporate information as contained in the Annual Reports and/or 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 Company actively updates its website [www.bpplas.com](http://www.bpplas.com) with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, dividend distribution and quarterly results of the Group are also made available on the website and this helps to promote accessibility of information to the Company's shareholders and all other market participants. Communication and feedback from investors can also be directed to the email address [ir@bpplas.com](mailto:ir@bpplas.com) or alternatively, it can be addressed to:

Contact Person: Mr. Lim Chun Yow, Managing Director  
5A Jalan Wawasan 2,  
Kawasan Perindustrian Sri Gading,  
83300 Batu Pahat,  
Johor Darul Takzim.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**

### **For the Financial Year Ended 31 December 2017 ("FY2017")**

#### **Conduct of General Meetings**

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. The Company provides information in the Notice of AGM, which are sent to shareholders at least 28 days prior to the AGM, on the details of General Meetings, resolutions to be tabled for approval and shareholders' entitlement to attend General Meetings, and their right to appoint proxy(ies) to encourage shareholders' participation at General Meetings.

All Directors, Senior Management and the External Auditors attend the General Meetings. During the AGM, shareholders who attend the AGM are encouraged and given sufficient opportunity as well as time by the Board to raise questions pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval from members and proxies on the resolutions. All Directors and the Chair of every Board Committee, as well as Senior Management, where appropriate, will provide feedbacks, answers and clarifications to the questions raised from the shareholders during the AGM.

Pursuant to Paragraph 8.29A(1) and 8.29A(2) of the MMLR, it is mandatory for any resolution set out in the notice of any general meeting to be voted by poll, and to appoint at least one (1) scrutineer to validate the votes cast at the general meeting. In adherence with the MMLR, BPPLAS will conduct a semi-manual poll voting in its AGM and ensure that the polling would be carried out in a transparent and efficient manner. 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.

At the AGM of the Company, the Management of the Company will also present an executive summary highlighting key financial highlights, latest corporate information and financial performance/achievement of the Group.

## AUDIT COMMITTEE REPORT

### 1. COMPOSITION

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

Chuah Sue Yin ( <i>Chairperson</i> )	Independent Non-Executive Director
Tan Ming-Li ( <i>Member</i> )	Senior Independent Non-Executive Director
Tan Hock Hin ( <i>Member</i> )	Independent Non-Executive Director

The Chairperson of the AC, Ms Chuah Sue Yin, is a member of Malaysian Institute of Accountants fulfilling the requisite qualifications under Paragraph 15.09(1)(c) of the Main Market Listing Requirements of (“MMLR”) Bursa Malaysia Securities Berhad.

The composition of the AC is in compliance with Paragraph 15.09 and 15.10 of the MMLR and the Malaysian Code on Corporate Governance (“MCCG”) where all three (3) AC members are Independent Non-Executive Directors. None of the Independent Directors has appointed alternate directors.

### 2. THE TERMS OF REFERENCE

The principal objective of the AC is to assist the Board of Directors (“Board”) in discharging its fiduciary responsibilities relating to financial reporting process and internal controls of the Group.

Pursuant to Practice 8.2 of the MCCG, the Board had approved the amendment to the AC’s Terms of Reference to include the requirement for former key audit partner to observe a cooling off period of two (2) years before being appointed as a member of the AC.

The terms of reference of the AC set out the authorities, roles and responsibilities of the AC which are consistent with the requirements of the MMLR and the MCCG. The terms of reference of the AC are available on the Company’s [website at www.bpplas.com](http://www.bpplas.com).

### 3. MEETINGS AND ATTENDANCE

The AC held a total of five (5) meetings during the financial year ended 31 December 2017 (“FY2017”). The Chairman, the Managing Director and other Executive Directors, Financial Controller, Head of Finance, department heads and representatives of the External and Internal Auditors were invited to attend AC meetings when required, in order to facilitate direct communications in respect on matters of significant concern or interest. The Minutes of the AC meetings were circulated to all members of the Board for their notation.

The details of the attendance of the AC members are as follow:

AC Member	Attendance
Ms Chuah Sue Yin	1/1
Ms Tan Ming-Li	5/5
Mr Tan Hock Hin	5/5
Mr. Lim Kim Hock*	4/4

\* *In line with Practice 8.1 of MCCG, Mr. Lim Kim Hock resigned as the Chairman of the AC and Ms Chuah Sue Yin was appointed as Chairperson of the AC on 1 October 2017.*

## AUDIT COMMITTEE REPORT (CONT'D)

### 4. SUMMARY OF WORK OF AC

The AC's main scope of works for the financial year ended 31 December 2017 are summarised as follows:

#### Financial Reporting

The AC reviewed the quarterly unaudited financial statements of the Group prior to making the recommendations to the Board for approval as follows:

Date of Meeting	Review of Quarterly Unaudited Financial Statements
24 February 2017	Fourth Quarter ended 31 December 2016
26 May 2017	First Quarter ended 31 December 2017
22 August 2017	Second Quarter ended 30 June 2017
28 November 2017	Third Quarter ended 30 September 2017
26 February 2018	Fourth Quarter ended 31 December 2017

The above review is to ensure that the Group's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and their cash flows are in compliance with the Malaysian Financial Reporting Standard 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 - Interim Financial Reporting as well as applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

On 17 April 2017, the AC reviewed the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016 at its meeting, and recommended the same to the Board for approval.

On 13 April 2018, the AC reviewed the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2017 at its meeting, and recommended the same to the Board for approval.

#### External Audit

On 24 February 2017, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings and summary of audit adjustments arising from the statutory audit of the Group and the Company for the financial year ended 31 December 2016, with the External Auditors, Messrs. Crowe Horwath ("CH").

On 24 February 2017, the audit engagement partner of CH had affirmed their independence throughout the audit of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. CH also confirmed that they have not noted any fraud related incidents that rendered reporting to the AC.

On 28 November 2017, the AC reviewed the Audit Planning Memorandum for financial year ended 31 December 2017 with CH outlining the responsibilities of the Directors and Management, audit scope and approach, audit timeframe, areas of audit emphasis, fraud considerations, audit fees and also updates on the new and applicable Malaysian Financial Reporting Standards accounting standards.

The AC had three (3) private sessions with CH without the presence of the Executive Directors and Management of the Company on 17 April 2017, 28 November 2017 and 13 April 2018. There were no areas of concern that needed to be brought to the attention of AC.

## AUDIT COMMITTEE REPORT (CONT'D)

### 4. SUMMARY OF WORK OF AC (CONT'D)

#### External Audit (cont'd)

On 26 February 2018, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings and summary of audit adjustments arising from the statutory audit of the Group and the Company for the financial year ended 31 December 2017, with the External Auditors, Messrs. Crowe Horwath ("CH").

On 26 February 2018, the audit engagement partner of CH had affirmed their independence throughout the audit of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. CH also confirmed that they have not noted any fraud related incidents that rendered reporting to the AC.

The AC also assessed the performance, suitability, objectivity and independence of the External Auditors on a yearly basis with emphasis of evaluation based on the competence, adequacy of experience and resources, quality of the audit performances, independence and objectivity of the External Auditors reasonableness of audit fees and comparison of audit and non-audit fees rendered. The AC is satisfied with the suitability and independence of the External Auditors and the Board have accepted the recommendation for the re-appointment of CH as External Auditors of the Group for the ensuing financial year in the upcoming 14th AGM of the Company.

#### Internal Audit

The Group has outsourced its internal audit function to an independent professional service provider, Messrs. Axcelasia Columbus Sdn. Bhd. ("Axcelasia").

The AC reviewed the biennial risk-based internal audit plan of the Group presented by Axcelasia to ensure adequate scope and coverage of key risks areas of the Group.

The AC reviewed the Internal Audit reports prepared by Axcelasia and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

In addition, the AC reviewed the follow-up Internal Audit reports and ascertained if the responsible operating units have rectified the findings noted in the audit reports.

During the financial year ended 31 December 2017, Axcelasia carried out two (2) cycles of internal audit review on the operations of the Group, covering areas as below, which focusing on the key risks associated with the operating processes therein:

- human resource;
- sales and marketing;
- production, quality control and HSE management; and
- financial management.

The AC had evaluated and reviewed the internal audit function in terms of scope, competency, resources and independence. The AC were also satisfied that the internal audit function were carried out in accordance with the recognised framework, which include the Standards in the International Professional Practices Framework (2017) issued by Institute of Internal Auditors.

## AUDIT COMMITTEE REPORT (CONT'D)

### 4. SUMMARY OF WORK OF AC (CONT'D)

#### Internal Audit (cont'd)

The AC also received assurance from Axcelasia that all assigned IA engagement team personnel remain independent, objective and free from any relationships or conflicts of interest in carrying out their internal audit duties throughout the engagement.

The total costs incurred for the outsourced internal audit function of the Group for FY2017 amounted to RM44,275 as compared to RM45,204 in FY2016.

#### Related Party Transactions

AC reviewed the quarterly and annual financial statements on the disclosures relating to related party transactions or conflict of interest situations that arose within the Group and ensure compliance with provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

#### Other Matters

- AC reviewed the revised Terms of Reference of the AC and recommended the same for consideration and approval by the Board; and
- AC reviewed the Audit Committee 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 of the Group.

# NOMINATING AND REMUNERATION COMMITTEE STATEMENT

## The Nominating and Remuneration Committee

With effect from 1 October 2017, the Board has merged the Nominating Committee and Remuneration Committee into a single Board Committee known as the Nominating and Remuneration Committee (“NRC”), which comprises solely Independent Non-Executive Directors.

The NRC has dual roles of nomination and remuneration, and both roles have been combined for the purpose of expediency and practicality, whereby the same members are entrusted with both functions.

The members of the NRC are as follows:-

### **Chairperson**

Tan Ming-Li    Senior Independent Non-Executive Director

### **Members**

Lim Kim Hock                                      Independent Non-Executive Director  
Tan Hock Hin                                      Independent Non-Executive Director  
Chuah Sue Yin                                    Independent Non-Executive Director

The terms of reference of the NRC are clearly defined by the Board to its members, and a copy of it is accessible on the Company’s website at [www.bpplas.com](http://www.bpplas.com).

The NRC after the merger of the Nominating Committee and the Remuneration Committee on 1 October 2017, met three (3) times during the financial year with full attendance of all members of NRC.

The roles and responsibilities, as well as activities of the NRC, are broadly categorised into the following:

### **Nomination Matters**

The NRC will review and assess the proposed appointment of Directors, and thereafter recommend to the Board for approval. The NRC 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 NRC 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 the Board and Senior Management of the Group.

In discharging its responsibilities, the NRC performed the following activities during the financial year ended 31 December 2017:

- Recommended the re-election of Mr. Lim Chun Yow and Mr. Tan Hock Hin who retired pursuant to Article 92 of the Company’s Articles of Association at the Company’s Thirteenth Annual General Meeting held on 26 May 2017;
- Reviewed the effectiveness and composition of the Board;
- Evaluated the performance of the Board and Board Committees;
- Assessed the independence status of the Independent Non-Executive Directors;
- Recommended to the Board on the retention of Mr. Lim Kim Hock, who is Chairman of the Board and an Independent Non-Executive Director who has served the Company for more than nine (9) years; and
- Reviewed and adopted the Terms of Reference of the NRC.

## NOMINATING AND REMUNERATION COMMITTEE STATEMENT (CONT'D)

### Nomination Matters (cont'd)

The NRC 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 2017 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.

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 NRC on the composition and effectiveness of the Board Committees.

The Board is mindful that Practice 4.2 of MCGG recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12) year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

Presently, Mr. Lim Kim Hock is an Independent Non-Executive Director of the Company who has served the Board for more than nine (9) years.

The NRC 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 the Board Committees he serves. 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 NRC has abstained from any deliberations or voting pertaining to his own independence at the NRC and Board levels.

### Remuneration Matters

The NRC is also responsible to develop a formal, independent and transparent remuneration policy and framework of the Directors and Senior Management, and to recommend the appropriate remuneration package to attract and retain the right persons for the approval of the Board.

While the Company is in the process of drawing up a formal remuneration framework for the Directors and Senior Management, the directors' fees and meeting allowances had been reviewed by the NRC and the Board and, thereafter, recommended to the shareholders for approval.

During the financial year ended 31 December 2017, the Board has formally approved the establishment of a Directors' and Senior Management's Remuneration Policy. The remuneration policy is not published on the Company's website as it is still being fine-tuned to ensure that the remuneration packages of the Directors' and Senior Management are sufficiently attractive to draw in and to retain persons of high calibre.



## NOMINATING AND REMUNERATION COMMITTEE STATEMENT (CONT'D)

### Remuneration Matters (cont'd)

The NRC will meet at least once a year to carry out the annual review of the overall remuneration policy for Directors and Senior Management whereupon recommendations are submitted to the Board for approval. The NRC 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 NRC and the Board strive to reward the Directors and Senior Management based on accountability, fairness, and competitiveness, so as to ensure the remuneration packages of Directors and Senior Management 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 Directors and Senior Management.

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 is based on the experience, level of responsibilities and the remuneration package for similar positions in the market and time commitment required from the Directors.

The determination of the remuneration of 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 and bonus.

The details of remuneration for the Directors of the Group and the Company for the financial year ended 31 December 2017 are set out below:

### Group

In RM	Fees	Allowances	Salary, Bonus and EPF	Total
<b>Executive Directors</b>				
Lim Chun Yow	62,500	-	768,300	830,800
Tan See Khim	62,500	-	653,477	715,977
Hey Shiow Hoe	62,500	-	571,747	634,247
<b>Subtotal</b>	<b>187,500</b>	<b>-</b>	<b>1,993,524</b>	<b>2,181,024</b>
<b>Non-Executive Directors</b>				
Lim Kim Hock	96,000	3,500	-	99,500
Tan Ming-Li	48,000	3,500	-	51,500
Tan Hock Hin	48,000	3,500	-	51,500
Chuah Sue Yin*	12,000	700	-	12,700
<b>Subtotal</b>	<b>204,000</b>	<b>11,200</b>	<b>-</b>	<b>215,200</b>
<b>Total</b>	<b>391,500</b>	<b>11,200</b>	<b>1,993,524</b>	<b>2,396,224</b>

## NOMINATING AND REMUNERATION COMMITTEE STATEMENT (CONT'D)

### Remuneration Matters (cont'd)

#### Company

In RM	Fees	Allowances	Salary, Bonus and EPF	Total
<b>Executive Directors</b>				
Lim Chun Yow	62,500	-	-	62,500
Tan See Khim	62,500	-	-	62,500
Hey Shioh Hoe	62,500	-	-	62,500
<b>Subtotal</b>	<b>187,500</b>	<b>-</b>	<b>-</b>	<b>187,500</b>
<b>Non-Executive Directors</b>				
Lim Kim Hock	96,000	3,500	-	99,500
Tan Ming-Li	48,000	3,500	-	51,500
Tan Hock Hin	48,000	3,500	-	51,500
Chuah Sue Yin*	12,000	700	-	12,700
<b>Subtotal</b>	<b>204,000</b>	<b>11,200</b>	<b>-</b>	<b>215,200</b>
<b>Total</b>	<b>391,500</b>	<b>11,200</b>	<b>-</b>	<b>402,700</b>

\* Ms. Chuah Sue Yin's director fee and benefits is subject to shareholder approval in the upcoming 14th AGM.

For the financial year ended 31 December 2017, only two (2) individuals were identified as Senior Management, and their remuneration is as disclosed below on an aggregated basis:

Remuneration Bands	No of Persons	Salary and Bonus	EPF	Total
Between RM100,000 to RM150,000	1	89%	11%	100%
Between RM400,000 to RM450,000	1	89%	11%	100%

At this juncture, the Board is of the opinion that the disclosure of the Senior Management personnel' names and the various remuneration components (salary, bonus and other emoluments) would not be in the best interest of the Group due to privacy and confidentiality concerns.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors (the “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 new Board Committee known as Risk Management Committee ("RMC"), which is chaired by an independent non-executive director with effective from 1 October 2017. Prior to the formation of the Board-level RMC, the Board has oversight of the risk management through the Audit Committee. Management-level RMC reports to the Board-level RMC 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 management-level RMC also reports to the Board-level RMC 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 Board-level RMC 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.

#### Summary of Work of RMC

The inaugural Board-level RMC meeting was held on 28 November 2017 to review the EWRM report (02/2017) and review the minutes of the Management-level RMC meeting held on 10 November 2017.

The Board-level RMC noted that two (2) risk review sessions for 2017 were carried out on 10 October 2017 and 10 November 2017, whereby the respective risk owners had performed an assessment of the key risk components and that there were no new risk components being identified. The Management-level RMC had informed that with adequate existing controls in place, all the key risks which had been identified are manageable. The Management-level RMC will continue to revisit and update the existing risks of the Risk Register to identify any relevant inherent and emerging new risks and assess the adequacy of actions to mitigate the risks.

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

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

#### Summary of Work of RMC (cont'd)

The RMC also engaged in discussion on the best approach to implement an effective risk monitoring and reporting, and concluded on the following salient guidelines:

- EWRM Report will be done on quarterly basis to the Board-level RMC,
- On a quarterly basis, risk information will be collected and aggregated at the respective business units and reported to the Management-level RMC in the form of updated divisional/departmental risks profile and relevant action plans and;
- An executive summary to be included in the EWRM report, documenting the new risks and changes to the existing risk profile, as to facilitate a holistic review by the Board-level RMC on the major risks areas of concern and whether the mitigating factors were undertaken within the appropriate timeframe.

#### Internal Audit Function

The Group has outsourced its internal audit function to an independent professional service provider to assist the Audit Committee ("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.

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 human resources, sales and marketing, production, quality control, health, safety and environment, and financial 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.

## 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)

- ***Executive and Management Committees***

The Executive and Management Committees comprising Heads of Department meet on weekly and monthly basis respectively, to review the reports, 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 and Remuneration Committee and Risk Management 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 is 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.

- ***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 set out the standards of good and ethical practices, and aims to maintain confidence in the integrity of the Group's business practices.

The Group has also put in place whistle blowing channels, 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 policies and procedures on whistle blowing are incorporated under Part D of the Group's Code of Conduct which is published in the website of the Company.

- ***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 to personnel across all functions to maintain a high level of competency and capability.

## 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)

- **Quality Management System**

The Group has implemented a comprehensive Quality Management System which fully complies with ISO 9001:2015 Quality Management Systems – Requirements. As part of the requirements of the ISO 9001:2015 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 14001:2015 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 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.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Securities' Listing Requirements and pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (Revised) issued by the Malaysian Institute of Accountants ("MIA"), 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 2017.

AAPG 3 (Revised) 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 responsible for ensuring that the annual financial statements of the Group and of the Company are drawn up in accordance with the applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The annual financial statements are prepared with reasonable accuracy from the accounting records of the Group and Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

In preparing the annual financial statements, the Directors have also:

- Adopted the appropriate and relevant accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Assessed the Group's and the Company's ability to continue as going concern, and confirmed that the annual financial statements are prepared using the going concern basis of accounting.

The Directors are also responsible for:

- Ensuring that the Group and the Company keep proper accounting and other records to enable the explanation of transactions and preparation of financial statements;
- Taking the necessary steps to ensure appropriate systems and internal controls are in place to safeguard the assets of the Group and of the Company, as well as to prevent and detect fraud and any other irregularities;

The Directors confirmed that they have complied with the above requirements for the annual financial statements for year ended 31 December 2017.



# FINANCIAL STATEMENTS

48

---

Directors'  
Report

52

---

Statement by  
Directors

52

---

Statutory  
Declaration

53

---

Independent  
Auditors' Report

56

---

Statements of  
Profit or Loss and  
Other  
Comprehensive  
Income

57

---

Statements of  
Financial Position

58

---

Statements of  
Changes in Equity

60

---

Statements of  
Cash Flows

62

---

Notes to the  
Financial  
Statements

## 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 2017.

### 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.

### RESULTS

	Group RM	Company RM
Profit net of tax, attributable to owners of the Company	12,834,476	11,173,539

### DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2016 were as follows:

	RM
In respect of financial year ended 31 December 2016	
– Fourth single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 30 March 2017	3,753,060
In respect of financial year ended 31 December 2017	
– First single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 30 June 2017	3,753,060
– Second single tier interim dividend of 2 sen per share, on 187,653,000 ordinary shares paid on 29 December 2017	3,753,060
	<u>11,259,180</u>

The directors do not recommend the payment of 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.

### ISSUES OF SHARES AND DEBENTURES

During the financial year:

- (a) there were no changes in the 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' REPORT (CONT'D)

### DIRECTORS

The names of the directors of the Company who served during the financial year and up to the date of this report are as follows:-

Lim Chun Yow \*  
 Tan See Khim \*  
 Hey Shiow Hoe \*  
 Lim Kim Hock  
 Tan Ming-Li  
 Tan Hock Hin  
 Chuah Sue Yin (*appointed on 1 October 2017*)

\* *Directors of the Company and its subsidiaries*

### DIRECTORS' BENEFITS

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.

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.

### 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:

	1.1.2017	Number of ordinary shares		
		Acquired	Sold	31.12.2017
<b>Direct interest</b>				
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
<b>Indirect interest #</b>				
Lim Chun Yow	81,165,000	-	-	81,165,000
Tan See Khim	81,165,000	-	-	81,165,000
Hey Shiow 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 Shiow Hoe by virtue of their interest in shares in the Company are also deemed to have interests in shares of all the Company's subsidiaries during the financial year to the extent of the Company has an interest, in accordance with Section 8 of the Companies Act 2016.

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

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 8 to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM10,000,000 and RM14,700 respectively. No indemnity was given to or insurance effected for auditors of the Company.

### TREASURY SHARES

As at 31 December 2017, 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 20 to the financial statements.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of 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 adequate allowance for impairment losses on receivables.

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 additional allowance for impairment losses on receivables in the financial statements of the Group and of 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.

### 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.

## DIRECTORS' REPORT (CONT'D)

### 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.

### 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.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 31 to the financial statements.

### AUDITORS

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

The auditors' remuneration are disclosed in Note 6 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

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 56 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

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 financial statements set out on pages 56 to 96 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the  
abovenamed Chua Yi Fon  
on 13 April 2018  
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 2017 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 96.

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 2017, 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 2016 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 Group and 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.

#### Revenue Recognition

Refer to Note 4 in the financial statements

#### Key Audit Matter

#### How our Audit Addressed the Key Audit Matter

Consolidated revenue recorded by the Group during the year amounted to RM328.5 million. In view of the Group's large volume of transactions, we considered revenue recognition for sale of goods to be a potential cause for higher risk of material misstatement from the perspective of timing of recognition and the amount of revenue recognised. Accordingly, we regarded revenue recognition to be a key audit matter.

Our procedures included, amongst others:-

- testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements.
- reviewing the terms of sales contracts to determine the point of transfer of risk and rewards on a sample basis.
- testing the recording of sales transactions, revenue cut-off and review of credit notes after year end.
- obtaining confirmations and reviewing collections relating to material trade receivables as at financial year end.

## **INDEPENDENT AUDITORS' REPORT (CONT'D)** **To the Members of BP Plastics Holding Bhd.**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

#### **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 information included in 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 the 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 2016 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.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### 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.

#### 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: 03070/06/2019 J  
Chartered Accountant

13 April 2018  
Melaka

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Revenue</b>	4	328,556,638	324,358,053	11,300,000	15,950,000
Cost of sales		(295,669,969)	(284,485,967)	-	-
<b>Gross profit</b>		32,886,669	39,872,086	11,300,000	15,950,000
<b>Other items of income</b>					
Other income	5	2,248,590	2,834,129	461,696	1,421,387
<b>Other items of expenses</b>					
Administrative and general expenses		(11,783,450)	(11,857,962)	(588,157)	(632,907)
Selling expenses		(7,834,968)	(7,979,116)	-	-
<b>Profit before taxation</b>	6	15,516,841	22,869,137	11,173,539	16,738,480
Income tax expense	9	(2,682,365)	(5,002,024)	-	-
<b>Profit net of tax, representing total comprehensive income for the year, attributable to owners of the Company</b>		12,834,476	17,867,113	11,173,539	16,738,480
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	10	6.84	9.52		

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

## STATEMENTS OF FINANCIAL POSITION

At 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	68,866,739	75,064,729	-	-
Investment in subsidiaries	13	-	-	83,040,595	57,040,595
		68,866,739	75,064,729	83,040,595	57,040,595
<b>Current assets</b>					
Inventories	14	63,055,648	72,699,023	-	-
Trade and other receivables	15	43,766,385	47,982,791	2,000	2,000
Amount owing by a subsidiary	16	-	-	-	23,226,326
Short-term investments	17	23,181,629	19,039,922	16,221,618	19,039,922
Current tax assets		1,799,501	758,382	10,442	4,965
Cash and bank balances	18	22,046,684	26,028,585	37,829	75,719
		153,849,847	166,508,703	16,271,889	42,348,932
<b>Total assets</b>		<b>222,716,586</b>	<b>241,573,432</b>	<b>99,312,484</b>	<b>99,389,527</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	19	98,772,817	93,844,000	98,772,817	93,844,000
Share premium		-	4,928,817	-	4,928,817
Treasury shares	20	(20,740)	(20,740)	(20,740)	(20,740)
Retained earnings		68,590,362	67,015,066	138,907	224,548
<b>Total equity</b>		<b>167,342,439</b>	<b>165,767,143</b>	<b>98,890,984</b>	<b>98,976,625</b>
<b>Non-current liability</b>					
Deferred tax liabilities	21	9,012,000	9,599,000	-	-
<b>Current liabilities</b>					
Trade and other payables	22	46,362,147	65,472,289	421,500	412,902
Derivative liabilities	23	-	735,000	-	-
		46,362,147	66,207,289	421,500	412,902
<b>Total liabilities</b>		<b>55,374,147</b>	<b>75,806,289</b>	<b>421,500</b>	<b>412,902</b>
<b>Total equity and liabilities</b>		<b>222,716,586</b>	<b>241,573,432</b>	<b>99,312,484</b>	<b>99,389,527</b>

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 2017

	Note	← Non-distributable →			Distributable	Total RM
		Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
<b>2017 Group</b>						
<b>Balance at 1 January 2017</b>		93,844,000	4,928,817	(20,740)	67,015,066	165,767,143
<b>Profit after taxation / Total comprehensive income</b>		-	-	-	12,834,476	12,834,476
<b>Transactions with owners</b>						
Dividends on ordinary shares	11	-	-	-	(11,259,180)	(11,259,180)
Transfer to share capital upon implementation of the Companies Act 2016	19	4,928,817	(4,928,817)	-	-	-
<b>Total transactions with owners</b>		4,928,817	(4,928,817)	-	(11,259,180)	(11,259,180)
<b>Balance at 31 December 2017</b>		98,772,817	-	(20,740)	68,590,362	167,342,439

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

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 2017

Note	← Non-distributable →			Distributable	Total RM
	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
<b>2017 Company</b>					
<b>Balance at 1 January 2017</b>	93,844,000	4,928,817	(20,740)	224,548	98,976,625
<b>Profit after taxation / Total comprehensive income</b>	-	-	-	11,173,539	11,173,539
<b>Transactions with owners</b>					
Dividends on ordinary shares	-	-	-	(11,259,180)	(11,259,180)
Transfer to share capital upon implementation of the Companies Act 2016	4,928,817	(4,928,817)	-	-	-
<b>Total transactions with owners</b>	4,928,817	(4,928,817)	-	(11,259,180)	(11,259,180)
<b>Balance at 31 December 2017</b>	98,772,817	-	(20,740)	138,907	98,890,984

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

## STATEMENTS OF CASH FLOWS

### For the Financial Year Ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Operating activities</b>				
Profit before taxation	15,516,841	22,869,137	11,173,539	16,738,480
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	9,635,244	8,634,068	-	-
(Gain)/Loss on disposal of property, plant and equipment	(50,365)	1,199	-	-
Allowance for/(reversal of) impairment loss on receivables	63,846	(25,800)	-	-
Interest income	(878,853)	(1,883,494)	(461,696)	(1,421,387)
Property, plant and equipment written off	-	2,997	-	-
Fair value changes on financial instruments	(735,000)	735,000	-	-
Unrealised loss/(gain) on foreign exchange	357,486	(399,594)	-	-
Operating cash flows before changes in working capital	23,909,199	29,933,513	10,711,843	15,317,093
Decrease/(increase) in inventories	9,643,375	(32,589,143)	-	-
Decrease/(increase) in receivables	4,320,910	(5,444,826)	-	-
(Decrease)/increase in payables	(19,490,706)	31,497,878	8,598	(12,000)
Cash flows from operations	18,382,778	23,397,422	10,720,441	15,305,093
Income taxes paid	(4,314,895)	(7,878,289)	(5,477)	(6,375)
Income taxes refunded	4,411	62,807	-	57,146
<b>Net cash flows from operating activities</b>	<b>14,072,294</b>	<b>15,581,940</b>	<b>10,714,964</b>	<b>15,355,864</b>

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 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Investing activities</b>					
Interest received		878,853	1,883,494	461,696	1,421,387
Proceeds from disposal of property, plant and equipment		51,150	6,980	-	-
Purchase of property, plant and equipment	24	(3,438,039)	(15,783,767)	-	-
<b>Net cash flows (used in)/ from investing activities</b>		<b>(2,508,036)</b>	<b>(13,893,293)</b>	<b>461,696</b>	<b>1,421,387</b>
<b>Financing activities</b>					
Advance to a subsidiary		-	-	(2,773,674)	(23,226,326)
Dividends paid	11	(11,259,180)	(16,888,770)	(11,259,180)	(16,888,770)
<b>Net cash flows used in financing activities</b>		<b>(11,259,180)</b>	<b>(16,888,770)</b>	<b>(14,032,854)</b>	<b>(40,115,096)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>305,078</b>	<b>(15,200,123)</b>	<b>(2,856,194)</b>	<b>(23,337,845)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(145,272)</b>	<b>(19,936)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 January</b>		<b>45,068,507</b>	<b>60,288,566</b>	<b>19,115,641</b>	<b>42,453,486</b>
<b>Cash and cash equivalents at 31 December</b>	18	<b>45,228,313</b>	<b>45,068,507</b>	<b>16,259,447</b>	<b>19,115,641</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the Financial Year Ended 31 December 2017

#### 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 to the financial statements.

#### 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 2016 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 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

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:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective date</b>
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
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 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 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments of MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	1 January 2018
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019
• Amendments to MFRS 112: Income Taxes Consequences of Payments on Financial Instruments classified as Equity	
• Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation	

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

#### MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

Furthermore, pursuant to MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss ("ECL") on its debt instruments. This application will result in earlier recognition of credit losses. The expected impact from implementation of MFRS 9 and the determination of ECL is expected to be immaterial to the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 2. BASIS OF PREPARATION (cont'd)

- 2.2 The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows (cont'd):

##### *MFRS 15 Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15.

The adoption of MFRS 15 is expected to have no material impact on the financial statements of the Group.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Critical Accounting Estimates and Judgements

###### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed 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.

###### **(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) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

#### 3.1 Critical Accounting Estimates and Judgements (cont'd)

##### *Key Sources of Estimation Uncertainty (cont'd)*

##### **(d) Impairment of Trade 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.

##### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

##### **(a) 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 approximately 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.2 Basis of Consolidation (cont'd)

###### (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.

###### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

#### 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 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.

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 financial assets, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.4 Financial Instruments (cont'd)

###### (a) *Financial Assets (cont'd)*

###### (i) *Financial Assets at Fair Value through Profit or Loss (cont'd)*

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 financial assets*

Held-to-maturity financial assets 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 financial assets 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 financial assets 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.

###### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

#### 3.4 Financial Instruments (cont'd)

##### (a) Financial Assets (cont'd)

###### (iv) Available-for-sale Financial Assets (cont'd)

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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.4 Financial Instruments (cont'd)

###### (c) *Equity instruments*

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

###### (i) *Ordinary Shares*

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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 reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

###### (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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

#### 3.4 Financial Instruments (cont'd)

##### (e) Derecognition (cont'd)

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.

#### 3.6 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

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.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a 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:-

Leasehold land:	Over the lease period of 50 years
Factory buildings:	50 years
Office buildings:	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, plant and equipment are not depreciated as these assets are not yet available for use.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.6 Property, Plant and Equipment (cont'd)

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 and equipment. Any changes are accounted for as a change in estimate.

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.

##### 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity financial assets 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 its value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments on the time value of money and risk specific to the asset. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

#### 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.

#### 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 are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

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

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.9 Income Tax (cont'd)

###### (c) Goods and Services Tax ("GST") (cont'd)

In addition, receivables and payables are also 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.

##### 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 bonuses 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 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of outflow occurs so that the outflow is probable, it will then be recognised as a provision.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.14 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.

##### 3.15 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.

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.

##### 3.16 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### 3.17 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.

##### 3.18 Dividend Distribution

The Company recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity. Non-cash distribution are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as separate line in statement of comprehensive income.

#### 4. REVENUE

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income from subsidiary	-	-	11,300,000	15,950,000
Sales of goods	328,556,638	324,358,053	-	-
	328,556,638	324,358,053	11,300,000	15,950,000

#### 5. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from the following financial assets:				
– fair value through profit or loss	631,707	1,691,610	461,696	1,421,387
– loans and receivables	247,146	191,884	-	-
Gain on fair value changes on financial instruments	735,000	-	-	-
Gain on foreign exchange:				
– unrealised	-	399,594	-	-
Gain on disposal of:				
– property, plant and equipment	50,365	-	-	-
Reversal of impairment loss on trade and other receivables (Note 15)	-	25,800	-	-
Miscellaneous	584,372	525,241	-	-
	2,248,590	2,834,129	461,696	1,421,387

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 6. PROFIT BEFORE TAXATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
– audit fees				
– current financial year	66,000	65,000	26,000	28,000
– overprovision in the previous financial year	(2,000)	-	(2,000)	-
– non-audit fees	4,000	5,000	4,000	5,000
Depreciation of property, plant and equipment (Note 12)	9,635,244	8,634,068	-	-
Impairment loss on trade and other receivables (Note 15)	63,846	-	-	-
Loss on disposal of property, plant and equipment	-	1,199	-	-
(Gain)/Loss on fair value changes on financial instruments	(735,000)	735,000	-	-
Loss on foreign exchange:				
– realised	2,224,600	1,745,027	-	-
– unrealised	357,486	-	-	-
Property, plant and equipment written off	-	2,997	-	-
Rental expenses (Note 7)	142,900	138,310	-	-

#### 7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Wages and salaries	14,068,986	13,739,173	187,500	187,500
Social security contribution	102,645	96,259	-	-
Defined contribution plan	1,136,420	1,167,907	-	-
Hostel rental (Note 6)	142,900	138,310	-	-
Other staff related expenses	787,863	714,316	-	-
	16,238,814	15,855,965	187,500	187,500

Included in the employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,139,953 (2016: RM2,218,061) and RM187,500 (2016: RM187,500) respectively as further disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 8. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Executive directors' remuneration:</u>				
Salaries and other emoluments	1,640,625	1,706,250	-	-
Fees	187,500	187,500	187,500	187,500
Defined contribution plan	311,828	324,311	-	-
Estimated money value of benefits-in-kind	41,071	54,071	-	-
	2,181,024	2,272,132	187,500	187,500
<u>Non-executive directors' remuneration:</u>				
Fees	204,000	192,000	204,000	192,000
Allowances	10,500	7,500	10,500	7,500
	214,500	199,500	214,500	199,500
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 7)	2,139,953	2,218,061	187,500	187,500
Total non-executive directors' remuneration	214,500	199,500	214,500	199,500
Total directors' remuneration	2,354,453	2,417,561	402,000	387,000

#### 9. INCOME TAX EXPENSE

##### Major Components of Income Tax Expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 RM	2016 RM
<u>Current income tax:</u>		
Tax expense for the year	4,800,000	3,214,000
(Over)/Underprovision in prior years	(1,530,635)	1,170,024
	3,269,365	4,384,024
<u>Deferred tax (Note 21):</u>		
Relating to origination and reversal of temporary differences	(1,259,000)	206,000
Underprovision in prior years	672,000	412,000
	(587,000)	618,000
Income tax expense recognised in profit or loss	2,682,365	5,002,024



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 9. INCOME TAX EXPENSE (cont'd)

##### Reconciliation Between Tax Expense and Accounting Profit

The reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before taxation	15,516,841	22,869,137	11,173,539	16,738,480
Taxation at Malaysian statutory tax rate of 24%	3,724,042	5,488,593	2,681,649	4,017,235
Effect of:				
– income not subject to tax	(110,807)	(341,133)	(2,822,807)	(4,169,132)
– expenses not deductible for tax purposes	227,765	241,524	141,158	151,897
– reduction in tax rate	(300,000)	-	-	-
– utilisation of tax incentives	-	(1,968,984)	-	-
(Over)/Underprovision of income tax expense in prior years	(1,530,635)	1,170,024	-	-
Underprovision of deferred tax in prior years	672,000	412,000	-	-
Income tax expense recognised in profit or loss	2,682,365	5,002,024	-	-

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

#### 10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company 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 earnings per share for the years ended 31 December:

	Group	
	2017 RM	2016 RM
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	12,834,476	17,867,113
	<b>Number of Shares</b>	<b>Number of Shares</b>
Weighted average number of ordinary shares for basic earnings per share computation	187,688,000	187,688,000
Basic earnings per share (sen)	6.84	9.52

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 11. DIVIDENDS

	Group and Company	
	2017	2016
	RM	RM
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
– 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
– Fourth single tier interim dividend for 2016: 2 sen per share	3,753,060	-
– First single tier interim dividend for 2017: 2 sen per share	3,753,060	-
– Second single tier interim dividend for 2017: 2 sen per share	3,753,060	-
	11,259,180	16,888,770

#### 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
<b>Group</b>					
<b>Cost:</b>					
<b>At 1 January 2016</b>	32,941,778	111,771,793	7,231,842	-	151,945,413
Additions (Note 24)	177,746	15,222,504	857,609	-	16,257,859
Disposals and write off	-	(364,360)	(15,125)	-	(379,485)
<b>At 31 December 2016 and 1 January 2017</b>	33,119,524	126,629,937	8,074,326	-	167,823,787
Additions (Note 24)	-	1,389,420	595,363	1,453,256	3,438,039
Disposals and write off	-	-	(836,460)	-	(836,460)
<b>At 31 December 2017</b>	33,119,524	128,019,357	7,833,229	1,453,256	170,425,366

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

	* 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
<b>Group</b>					
<b>Accumulated depreciation:</b>					
<b>At 1 January 2016</b>	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)
<b>At 31 December 2016 and 1 January 2017</b>	6,590,158	79,263,534	6,905,366	-	92,759,058
Depreciation charge for the year (Note 6)	645,447	8,526,581	463,216	-	9,635,244
Disposals and write off	-	-	(835,675)	-	(835,675)
<b>At 31 December 2017</b>	7,235,605	87,790,115	6,532,907	-	101,558,627
<b>Net carrying amount</b>					
At 31 December 2016	26,529,366	47,366,403	1,168,960	-	75,064,729
At 31 December 2017	25,883,919	40,229,242	1,300,322	1,453,256	68,866,739

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

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

##### \* Land and buildings

	Freehold land RM	Leasehold land RM	Factory buildings RM	Office buildings RM	Total RM
<b>Cost:</b>					
<b>At 1 January 2016</b>	1,089,647	8,017,903	21,321,205	2,513,023	32,941,778
Additions	-	-	177,746	-	177,746
<b>At 31 December 2016 and 31 December 2017</b>	1,089,647	8,017,903	21,498,951	2,513,023	33,119,524
<b>Accumulated depreciation:</b>					
<b>At 1 January 2016</b>	-	1,849,048	4,048,709	49,770	5,947,527
Depreciation charge for the year	-	165,191	427,180	50,260	642,631
<b>At 31 December 2016 and 1 January 2017</b>	-	2,014,239	4,475,889	100,030	6,590,158
Depreciation charge for the year	-	165,191	429,996	50,260	645,447
<b>At 31 December 2017</b>	-	2,179,430	4,905,885	150,290	7,235,605
<b>Net carrying amount</b>					
<b>At 31 December 2016</b>	1,089,647	6,003,664	17,023,062	2,412,993	26,529,366
<b>At 31 December 2017</b>	1,089,647	5,838,473	16,593,066	2,362,733	25,883,919

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 2017

#### 13. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost		
At the beginning of year	57,407,741	57,407,741
Addition during the financial year	26,000,000	-
At the end of year	83,407,741	57,407,741
Accumulated impairment losses	(367,146)	(367,146)
	83,040,595	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
		2017	2016	
<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	
	2017 RM	2016 RM
At cost:		
Raw materials	47,208,558	55,709,905
Work-in-progress	6,093,212	5,680,776
Spare parts	1,223,921	1,160,961
Finished goods	8,529,957	10,147,381
	63,055,648	72,699,023

During the financial year, the amount of inventories recognised as an expense amounted to RM295,669,969 (2016: RM284,485,967).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	39,779,518	46,043,257	-	-
Less: Allowance for impairment	(63,846)	-	-	-
	39,715,672	46,043,257	-	-
<b>Other receivables</b>				
Sundry receivables	4,050,713	1,939,534	2,000	2,000
	43,766,385	47,982,791	2,000	2,000
Total trade and other receivables	43,766,385	47,982,791	2,000	2,000
Add: Cash and bank balances (Note 18)	22,046,684	26,028,585	37,829	75,719
Less: GST recoverable	(40,099)	-	-	-
Total loans and receivables	65,772,970	74,011,376	39,829	77,719

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 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	
	2017 RM	2016 RM
Neither past due nor impaired	26,222,179	35,686,706
1 to 30 days past due not impaired	8,826,986	7,252,835
31 to 60 days past due not impaired	2,994,344	2,365,579
61 to 90 days past due not impaired	1,253,025	462,725
91 to 120 days past due not impaired	228,509	248,233
More than 120 days past due not impaired	190,629	27,179
Impaired	13,493,493	10,356,551
	63,846	-
	39,779,518	46,043,257

#### 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 RM13,493,493 (2016: RM10,356,551) 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 2017

#### 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	
	2017 RM	2016 RM
Trade receivable – nominal amounts	63,846	-
Less: Allowance for impairment	(63,846)	-
	-	-

##### Movement in allowance accounts:

	Group	
	2017 RM	2016 RM
At 1 January	-	111,319
Charge for the year (Note 6)	63,846	-
Written off	-	(85,519)
Reversal of impairment loss on receivables (Note 5)	-	(25,800)
At 31 December	63,846	-

#### 16. AMOUNT OWING BY A SUBSIDIARY

	Company	
	2017 RM	2016 RM
Non-trade balances	-	23,226,326

In the previous 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			
	2017 RM	Market value	2016 RM	Market value
Carrying amount	Carrying amount			
Fair value through profit or loss financial assets – Money market funds (Note 18)	23,181,629	23,181,629	19,039,922	19,039,922

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 17. SHORT-TERM INVESTMENTS (cont'd)

	Company			
	2017 RM	Market value	2016 RM	Market value
	Carrying amount		Carrying amount	
Fair value through profit or loss financial assets – Money market funds (Note 18)	16,221,618	16,221,618	19,039,922	19,039,922

Investment in money market funds are placed with licensed investment banks and asset management companies in Malaysia which are highly liquid and readily convertible to cash.

Included in the money market funds of the Group and of the Company are Islamic money market fund amounting to RM5,768,761 (2016: RM18,726,538).

The weighted average effective interest rates for the money market funds of the Group and of the Company at the reporting date were 3.58% (2016: 3.35%) and 3.59% (2016: 3.35%) respectively.

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

#### 18. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash on hand and at banks	21,471,684	26,028,585	37,829	75,719
Repository deposits with a licensed bank	575,000	-	-	-
Cash and bank balances (Note 15)	22,046,684	26,028,585	37,829	75,719
Short-term investments classified as fair value through profit or loss financial assets (Note 17)	23,181,629	19,039,922	16,221,618	19,039,922
Cash and cash equivalents	45,228,313	45,068,507	16,259,447	19,115,641

The weighted average effective interest rates for the repository deposits with a licensed bank of the Group at the reporting date were 2.80% (2016: nil).

The average maturities of deposits of the Group as at the reporting date were 10 days (2016: nil).



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 19. SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of shares		RM	RM
<b>Authorised</b>				
At 1 January/31 December	N/A	400,000,000	N/A	200,000,000

N/A – Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

	2017	2016	2017	2016
	Number of shares		RM	RM
<b>Issued and fully paid</b>				
At 1 January	187,688,000	187,688,000	93,844,000	93,844,000
Transferred from share premium account	-	-	4,928,817	-
At 31 December	187,688,000	187,688,000	98,772,817	93,844,000

- (i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

#### 20. 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 (2016: Nil). The repurchased shares in the previous financial years are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016. None of the treasury shares held were resold or cancelled during the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 21. DEFERRED TAX LIABILITIES

	At 1 January RM	Recognised in Profit or Loss (Note 9) RM	At 31 December RM
<b>Group</b>			
<b>2017</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	9,691,000	(509,000)	9,182,000
Unrealised gain/(loss) on foreign exchange	84,000	(254,000)	(170,000)
	9,775,000	(763,000)	9,012,000
<i>Deferred Tax Assets</i>			
Fair value changes on financial instruments	(176,000)	176,000	-
	9,599,000	(587,000)	9,012,000
<b>2016</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	8,981,000	710,000	9,691,000
Unrealised gain 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

#### 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Current</b>				
<i>Trade payables</i>				
Third parties	38,869,856	55,603,620	-	-
<i>Other payables</i>				
Sundry payables	5,428,028	6,867,399	-	-
Accrued operating expenses	2,064,263	3,001,270	421,500	412,902
	7,492,291	9,868,669	421,500	412,902
	46,362,147	65,472,289	421,500	412,902
Total trade and other payables	46,362,147	65,472,289	421,500	412,902
Add: Derivative liabilities	-	735,000	-	-
Less: GST payable	-	(13,823)	-	-
Total financial liabilities	46,362,147	66,193,466	421,500	412,902

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 22. TRADE AND OTHER PAYABLES (cont'd)

##### (a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2016: 30 to 60 days) terms.

##### (b) Sundry Payables and Accrued Operating Expenses

These amounts are non-interest bearing and normally settled within twelve months (2016: twelve months).

#### 23. DERIVATIVE LIABILITIES

	Contract/Notional Amount		Derivative liabilities	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>The Group</b>				
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 reporting period. The settlement dates on forward currency contracts range between 1 to 2 (2016: 1 to 2) months after the end of previous reporting period.
- (b) In previous financial year, the Group has recognised a loss of RM735,000 arising from fair value changes of derivatives 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 27 B to the financial statements.

#### 24. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2017 RM	2016 RM
Cash payments	3,438,039	15,783,767
Unpaid amount classified as other payables	-	474,092
	3,438,039	16,257,859

#### 25. COMMITMENTS

	Group	
	2017 RM	2016 RM
Approved and contracted for: Property, plant and equipment	16,403,834	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 26. 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 transactions with the related parties during the financial year:-

	2017 RM	Company 2016 RM
<b>Subsidiaries</b>		
Dividend income	11,300,000	15,950,000

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.

##### (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	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries and other emoluments	2,116,785	2,214,787	-	-
Fees and allowances	187,500	187,500	187,500	187,500
Defined contribution plan	374,442	384,540	-	-
Estimated money value of benefits-in-kind	77,107	54,071	-	-
	2,755,834	2,840,898	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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 27. 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:

	<b>Note</b>
Trade and other receivables (current)	15
Trade and other payables (current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

##### 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 at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value Level 1 RM	Fair Value of Financial Instruments Carried At Fair Value Level 2 RM	Total Fair Value RM	Carrying Amount RM
<b>Group</b>				
<b>2017</b>				
<b>Financial assets</b>				
Short-term investment				
– Fair value through profit or loss	23,181,629	-	23,181,629	23,181,629
<b>2016</b>				
<b>Financial assets</b>				
Short-term investment				
– Fair value through profit or loss	19,039,922	-	19,039,922	19,039,922
<b>Financial liabilities</b>				
Derivative liabilities				
– Forward foreign currency contract	-	(735,000)	(735,000)	(735,000)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

##### B. Fair Value Hierarchy (cont'd)

	Fair Value of Financial Instruments Carried At Fair Value Level 1 RM	Total Fair Value RM	Carrying Amount RM
<b>Company</b>			
<b>2017</b>			
<b>Financial assets</b>			
Short-term investment			
– Fair value through profit or loss	16,221,618	16,221,618	16,221,618
<b>2016</b>			
<b>Financial assets</b>			
Short-term investment			
– Fair value through profit or loss	19,039,922	19,039,922	19,039,922

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

#### 28. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### 28.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

###### (a) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. Impairment is estimated by management based on prior experience and the current economic environment.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 28. FINANCIAL INSTRUMENTS (cont'd)

##### 28.1 Financial Risk Management Policies (cont'd)

###### (a) Credit Risk (cont'd)

###### 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 of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

###### Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

###### 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.

###### (b) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 28. FINANCIAL INSTRUMENTS (cont'd)

##### 28.1 Financial Risk Management Policies (cont'd)

###### (c) Market Risk

###### Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Indonesia Rupiah ("IDR") and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Approximately 75% (2016: 79%) of the Group's sales are denominated in foreign currencies whilst almost 80% (2016: 89%) 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.

###### Foreign Currency Exposure

	Group	
	2017 RM	2016 RM
<u>Trade and other receivables</u>		
United States Dollar	8,759,531	17,547,536
Singapore Dollar	8,842,055	7,952,695
Indonesia Rupiah	2,522,979	2,465,905
Euro	1,979,762	1,502,581
	22,104,327	29,468,717
<u>Cash and bank balances</u>		
United States Dollar	14,605,509	734,140
Singapore Dollar	3,566,299	1,488,767
Euro	830,399	696,729
	19,002,207	2,919,636
<u>Trade and other payables</u>		
United States Dollar	(33,226,029)	(50,615,372)
Singapore Dollar	-	(43,116)
Euro	(59,800)	(1,483,849)
	(33,285,829)	(52,142,337)
<u>Net amount</u>		
United States Dollar	(9,860,989)	(32,333,696)
Singapore Dollar	12,408,354	9,398,346
Indonesia Rupiah	2,522,979	2,465,905
Euro	2,750,361	715,461



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 28. FINANCIAL INSTRUMENTS (cont'd)

##### 28.1 Financial Risk Management Policies (cont'd)

###### (c) Market Risk (cont'd)

###### 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.

		Group	
		2017 RM	2016 RM
		Increase/(decrease) in profit net of tax	
USD/RM	– strengthened 5% (2016: 4%)	(374,000)	(983,000)
	– weakened 5% (2016: 4%)	374,000	983,000
SGD/RM	– strengthened 5% (2016: 2%)	472,000	143,000
	– weakened 5% (2016: 2%)	(472,000)	(143,000)
IDR/RM	– strengthened 5% (2016: 6%)	96,000	112,000
	– weakened 5% (2016: 6%)	(96,000)	(112,000)
Euro/RM	– strengthened 5% (2016: 1%)	104,000	5,000
	– weakened 5% (2016: 1%)	(104,000)	(5,000)

#### 29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt 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.

#### 30. SEGMENT INFORMATION

##### (a) Geographical Location

	Group			
	2017 RM	%	2016 RM	%
Operating revenue:				
Asia countries	204,580,697	62%	214,743,878	66%
Malaysia	80,540,524	25%	68,448,249	21%
Others	43,435,417	13%	41,165,926	13%
	328,556,638	100%	324,358,053	100%

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the Financial Year Ended 31 December 2017

#### 30. 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% (2016: Nil) of the Group revenue.

#### 31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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 replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Company upon its initial implementation are:-

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

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

#### 32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 13 April 2018.

## ANALYSIS OF SHAREHOLDINGS

As At 22 March 2018

### 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	: 2,639

### DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders		No. of Shares Issued	
		%		%
1 - 99	42	1.59	1,637	0.00
100 – 1,000	265	10.04	196,577	0.10
1,001 - 10,000	1,583	59.99	7,540,721	4.02
10,001 – 100,000	670	25.39	20,777,665	11.07
100,001 – 9,382,649*	75	2.84	33,226,400	17.71
9,382,650 and above**	4	0.15	125,910,000	67.10
<b>Total</b>	<b>2,639</b>	<b>100.00</b>	<b>187,653,000</b>	<b>100.00</b>

**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	2,136	26	88,373,140	396,050	47.09	0.21
2.	Body Corporate						
	a) Bank/Finance Companies	1	-	282,600	-	0.15	-
	b) Investment Trusts/ Foundation/Charities	-	-	-	-	-	-
	c) Industrial and Commercial Companies	21	2	82,181,050	7,601	43.79	0.01
3.	Government Agencies/Institutions	-	-	-	-	-	-
4.	Nominees	444	9	14,803,109	1,609,450	7.89	0.86
5.	Others	-	-	-	-	-	-
	<b>Total</b>	<b>2,602</b>	<b>37</b>	<b>185,639,899</b>	<b>2,013,101</b>	<b>98.92</b>	<b>1.08</b>

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### As At 22 March 2018

#### 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	% <sup>1</sup>	No. of Shares Issued	% <sup>1</sup>
LG Capital Sdn. Bhd.	81,000,000	43.16	-	-
Lim Chun Yow	16,976,403	9.05	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:**

- (<sup>1</sup>) 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.
- (<sup>1</sup>) excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 22 March 2018.

#### 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	% <sup>1</sup>	No. of Shares Issued	% <sup>1</sup>
Lim Chun Yow	16,976,403	9.05	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	-	-
Chuah Sue Yin	-	-	-	-

**Note:**

- (<sup>1</sup>) 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; and
  - His spouse's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.
- (<sup>1</sup>) excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 22 March 2018.

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### As At 22 March 2018

#### THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares	% <sup>1</sup>
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 Shiow 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 (PHEIM)</i>	1,730,000	0.92
7.	Hey Shiow Hoe	1,460,000	0.78
8.	Lim Chun Yow	1,460,000	0.78
9.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (RHBIslamic)</i>	1,438,600	0.77
10.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 14)</i>	1,266,600	0.67
11.	Gan Hong Liang	1,196,250	0.64
12.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust</i>	1,170,000	0.62
13.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Smart Treasure Fund</i>	1,149,700	0.61
14.	Tan Gian Hock	1,125,000	0.60
15.	Teuh Chin Keong	1,115,200	0.59
16.	Lim Chin Siong	1,055,000	0.56
17.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)</i>	670,000	0.36
18.	Soh Yong Beng	620,700	0.33
19.	Tan Soon Lan	581,150	0.31
20.	Lam Jin Fatt	550,000	0.29
21.	Yeoh Kean Beng	493,000	0.26
22.	Lim Boon Kheng	481,000	0.26
23.	Lim Siau Mei	476,400	0.25
24.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Tang Khai Yew (PCS)</i>	434,600	0.23
25.	Lim Ying Ying	404,950	0.22
26.	Tan Suan Chin	400,000	0.21
27.	Maybank Nominees (Tempatan) Sdn Bhd <i>Lim Chin Siong</i>	394,400	0.21
28.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (MYBK AM SCE)</i>	379,400	0.20
29.	Siow Kin Leong	354,500	0.19
30.	Lim Kew Seng	310,050	0.17
	<b>Total</b>	<b>150,415,900</b>	<b>80.14</b>

**Note:**

<sup>(1)</sup> excluding a total of 35,000 ordinary shares bought-back by the Company and retained as treasury shares as at 22 March 2018.

## 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)	14	19.11.2003	1,641	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 – 23 years  Double-Storey Office Building – 21 years	08.06.1994  28.08.1996	1,647	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)	20	29.04.1997	1,457	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)	14	28.05.2003	2,004	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)	16	07.11.2001	2,958	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)	12	07.04.2006	12,724	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	4	01.11.2014	1,307	(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	4	01.11.2014	1,055	(06-Oct-11)



## NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the FOURTEENTH 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 Wednesday, 30 May 2018 at 3:00 p.m. for the following purposes:-

### AGENDA

- |    |  |   |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.                                       | <b>Please refer to Explanatory Note A</b> |
| 2. | To re-elect the following Directors who retire by rotation pursuant to Article 92 of the Company's Articles of Association and being eligible, offered themselves for re-election:                   |   |
|    | (i) Mr. Tan See Khim   | <b>Resolution 1</b>                       |
|    | (ii) Mr. Lim Kim Hock  | <b>Resolution 2</b>                       |
| 3. | To re-elect Ms. Chuah Sue Yin who retires pursuant to Article 98 of the Company's Articles of Association, and being eligible, offers herself for re-election.                                       | <b>Resolution 3</b>                       |
| 4. | To approve the following payment of fees and benefits to Ms. Chuah Sue Yin, the Independent Non-Executive Director:-   |   |
|    | (i) Director's fees of RM12,000 for the period from 1 October 2017 until 31 December 2017.   | <b>Resolution 4</b>                       |
|    | (ii) Director's benefits up to an amount of RM2,800 for the period from 1 October 2017 until 30 May 2018.  | <b>Resolution 5</b>                       |
| 5. | To approve the payment of Directors' fees of RM252,000 in aggregate for the financial year ending 31 December 2018.  | <b>Resolution 6</b>                       |
| 6. | To approve the payment of Directors' benefits up to an amount of RM28,000 in aggregate to the Non-Executive Directors from 1 June 2018 until the next Annual General Meeting of the Company in 2019. | <b>Resolution 7</b>                       |
| 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.  | <b>Resolution 8</b>                       |

### As Special Business

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

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 8. ORDINARY RESOLUTION

#### AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO THE COMPANIES ACT 2016

Resolution 9

“THAT, subject always to the Companies Act 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby empowered, pursuant to the Companies Act 2016, to issue and allot shares in the Company at any time to such persons 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 pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

### 9. ORDINARY RESOLUTION

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

Resolution 10

“THAT subject to the passing of Ordinary Resolution 2, 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 in accordance with the Malaysian Code on Corporate Governance.”

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: 30 April 2018

#### EXPLANATORY NOTE A

*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.*

#### EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS

##### 1. Payment of Directors' Fees and Benefits

*Section 230(1) of the Companies Act 2016 (“Act”) 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 fees and benefits payable to the Directors at the Fourteenth Annual General Meeting (“14th AGM”) of the Company in Resolutions 4 to 7.*

##### 1.1 Resolutions 4 and 5 – Payment of Director's fees and benefits to Ms. Chuah Sue Yin, the Independent Non-Executive Director

*At the Thirteenth Annual General Meeting (“13th AGM”) of the Company held on 26 May 2017, the Company obtained the shareholders' approval for the payment of Directors' fees on current financial year basis, i.e. for financial year ended 31 December 2017. In the event the Directors' fees proposed is insufficient due to enlarged Board size, approval will be sought at the 14th AGM for additional fees to meet the shortfall.*

*Ms. Chuah Sue Yin (“Ms. Chuah”) was appointed as an Independent Non-Executive Director of the Company with effect from 1 October 2017. Accordingly, she will be entitled for the Director's fees in respect of the financial year ended 31 December 2017 to be pro-rated from her date of appointment to the Board.*

*At the 13th AGM of the Company held on 26 May 2017, the Company also obtained the shareholders' approval for the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM16,800 from 1 January 2017 until 30 May 2018, being the appointed date of holding the 14th AGM of the Company. The Directors' benefits is in respect of meeting attendance allowance per meeting day payable to each Non-Executive Director for attendance of Board and/or Board Committee meetings.*

*Accordingly, Ms. Chuah is entitled for the meeting attendance allowance based on the number of Board and/or Board Committee meetings attended by her during the course of period from 1 October 2017 until 30 May 2018.*

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS (cont'd)

#### 1. Payment of Directors' Fees and Benefits (cont'd)

##### 1.2 Resolution 6 – Payment of Directors' fees for the financial year ending 31 December 2018

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 AGM for additional fees to meet the shortfall.

##### 1.3 Resolution 7 – Payment of Directors' benefits to the Non-Executive Directors

The proposed Resolution 7, if passed, will authorise the payment of benefits to the Non-Executive Directors up to an amount of RM28,000 from 1 June 2018 until the next AGM of the Company in year 2019 ("Period"). The Directors' benefits payable for the Period comprises the meeting attendance allowance payable to the Non-Executive Directors for attendance of Board and/or Board Committee meetings, whenever meetings are called during the Period.

#### 2. Resolution 9 – Authority to issue and allot shares pursuant to the Companies Act 2016

The proposed Resolution 9 is for the purpose of seeking a renewal of the general mandate given to the Directors of the Company to issue and allot shares as approved by the shareholders at the 13th AGM of the Company ("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.

Resolution 9, if passed, will empower the Directors of the Company pursuant to the Act, from the date of the 14th AGM of the Company, 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 percent (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 AGM 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).

#### 3. Resolution 10 – 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, the Board via the Nominating and Remuneration Committee after having assessed the independence of Mr. Lim Kim Hock, regarded him to be independent, based amongst others, the following justifications and recommends that the approval of the shareholders be sought to re-appoint Mr. Lim Kim Hock 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 the Board Committee that he serves 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.

#### Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2018 ("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 forty-eight (48) hours before the time appointed of holding the above Meeting or at any adjournment thereof.

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

**(PURSUANT TO PARAGRAPH 8.27(B) OF THE MAIN MARKET LISTING REQUIREMENTS  
OF BURSA MALAYSIA SECURITIES BERHAD)**

There were no Directors standing for election at the forthcoming Fourteenth Annual General Meeting of the Company.

# PROXY FORM

<b>CDS Account No.</b>	
<b>Number of Shares Held</b>	



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 Fourteenth 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 Wednesday, 30 May 2018 at 3:00 p.m. and at any adjournment thereof.

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 re-elect Mr. Tan See Khim who retires pursuant to Article 92 of the Company’s Articles of Association, and being eligible, has offered himself for re-election.		
2.	To re-elect Mr. Lim Kim Hock who retires pursuant to Article 92 of the Company’s Articles of Association, and being eligible, has offered himself for re-election.		
3.	To re-elect Ms. Chuah Sue Yin who retires pursuant to Article 98 of the Company’s Articles of Association, and being eligible, has offered herself for re-election.		
4.	To approve the payment of Director’s Fees of RM12,000 to Ms. Chuah Sue Yin, the Independent Non-Executive Director for the period from 1 October 2017 until 31 December 2017.		
5.	To approve the payment of Director’s benefits up to an amount of RM2,800 to Ms. Chuah Sue Yin, the Independent Non-Executive Director for the period from 1 October 2017 until 30 May 2018.		
6.	To approve the payment of Directors’ Fees of RM252,000 for the financial year ending 31 December 2018.		
7.	To approve the payment of Directors’ benefits up to an amount of RM28,000 in aggregate to the Non-Executive Directors from 1 June 2018 until the next Annual General Meeting of the Company in 2019.		
8.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
9.	Authority to issue and allot shares pursuant to the Companies Act 2016.		
10.	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 \_\_\_\_\_ 2018

\_\_\_\_\_  
Signature of Member /Common Seal

**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
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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.
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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 forty-eight (48) hours before the time appointed of holding the above Meeting or at any adjournment thereof.

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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

[www.bpplas.com](http://www.bpplas.com)