

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

**APPENDIX I – RESPONSES AND CLARIFICATIONS TO QUESTIONS RECEIVED DURING THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON MONDAY, 23 MAY 2022**

No.	Name of Shareholder	Questions
1	TEH SUN NEE	<p>Referring to the following statements on page 33 of Annual Report 2021:-</p> <p>"The major capital expenditure (CAPEX) investments during the financial year 2021 and financial year 2022 include a new 9th Cast Stretch Film machine, which was successfully commissioned in December 2021".</p> <p>(a) What is the annual production capacity and what is the utilisation rate achieved by end of first quarter of 2022 Quarter?</p> <p>(b) When will the machine production expected to run at full swing?</p>
		<p><u>Response</u></p> <p>The 9th Cast Stretch Film machine is a technological advanced machine that had commenced production in December 2021. The Group is in the stage of fine tuning the machine to be fully operatable by the second quarter of 2022. Based on our data, the 9th Cast Stretch Film machine had already achieved 60% of the planned capacity by end of first quarter.</p> <p>The production name plate capacity for the 9th Cast Stretch Film machine in terms of metric ton would be 18,000 per annum and the actual production rate would reach a total of 10,000 to 12,000 metric ton per annum subject to film thickness and specifications required.</p>
2	KOH CHOOI PENG	<p>The Group's Capex in year 2020 and 2021 had been much higher than the previous years.</p> <p>(a) What will be the budgeted Capex for financial year 2022?</p> <p>(b) With huge capacity expansion by other companies in the same industries due to its good demand, can the Board provide details on the concern of overcapacity in the industry due to this massive expansion?</p>
		<p><u>Response</u></p> <p>As stated on page 33 of the Annual Report 2021, the Group had deployed RM33.2 million capital expenditure investment in year 2021 and had further allocated approximately RM29.5 million of capital expenditure investment in year 2022.</p> <p>The Group has no major concerns of overcapacity given that the packaging industry is a progressive business. The revenue growth rates are correlated to the demand of consumer consumption in essential food and beverage and fast-moving consumer goods (FMCG) segments.</p>

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3.	TAN ZE CHIEN	1) Can the management provide guidance for cost hike in resin and profit margin (whether able to pass on the cost) 2) The impact of the Russia-Ukraine war on the company 3) Any logistic issue faced by the Company?
<p><u>Response</u></p> <p>Plastic resin is a commodity product that is derived from oil and gas industry. Resin is one of the major materials used in the Group's business operations. Consequently, the Group input cost is exposed to fluctuation of commodity prices. The producers of resin would price the resins according to the crude oil cost particularly in the Asia Pacific region. The hike of resin price is inevitable as the cost is determined by the crude oil prices. To mitigate the cost pressure, the Group has put in place a cost-pass-through mechanism and these mutual understandings are well communicated with the Group's clients.</p> <p>The Group's export to Russia is negligible as the export percentage is not significant. Nevertheless, the Russia-Ukraine war may push resin price upwards, and manufacturers are buying more raw materials to stock up lest the price surges further.</p> <p>The Group has experienced significant disruptions and increases in freight costs over the past year. Ocean freight rates are expected to remain elevated for the foreseeable future due to pandemic-induced imbalances in supply and demand, tight container capacity and port congestion.</p>		
4.	FONG KAH KUEN	(a) Can the Management share how much does a cast stretch film machine (line 9 and 10) approximately cost and what is the expected payback for one of these machines? (b) How much more efficient are these new machines compared to the existing ones? (c) How much customisation is required for these machines upon purchase or are these typically a very standard machine?
<p><u>Response</u></p> <p>The 9th and 10th cast stretch film machines are nano-technology supplemental stretch film machines which can produce thinner and better property film withstand higher wrapping packaging speed. The packaging trend is moving globally towards sustainability such as incorporating the post-consumer resin (PCR) derived from chemical recycled plastic waste as inputs in the manufacturing process. As we strengthen our efforts in supporting the circular plastic economy, the addition of the new stretch film machines is in line with increasingly-stringent sustainability standards.</p> <p>The speed of the new machines might not be significantly faster. Leveraging on the new machines, we are able to innovate and produce cost-effective sustainable products with stronger structured wrapping film to the customers.</p>		

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	<p>The customisation of machines is usually being carried out at the design stage. The installation of the new machines may take several months to complete. We will go through the internal trial and quality assurance process to ensure that the new machines are successfully commercialised and operational.</p>	
5.	FONG KAH KUEN	<p>With reference to page 22 of the Annual Report 2021 highlighting the efforts of waste management, could you elaborate or provide an example of how recycled materials are used to produce a certain (new) product that can be sold?</p>
	<p><u>Response</u></p> <p>Globally, consumer legislators and non-governmental organisations are placing a lot of pressure on brands and industry to take action on sustainable and recyclable plastic packaging solutions.</p> <p>The Group is currently equipped with two (2) advanced mechanical recycling machines which are able to recycle and convert the Group's own internal waste into Post-Consumer Recycled Resin (PCR) or Post-Industrial Recycled Resin depending on the source of the waste. The end-products of the recycled production waste are of high quality and can be reused in certain applications such as increasing the extrusion bubble melt strength.</p>	
6.	LOOK SAI HOO	<p>How is the business prospect of the Company?</p>
	<p><u>Response</u></p> <p>The business prospect for the Group is good as we have been in the business for 32 years. The demand for plastic packaging remained robust and resilient during the pandemic, as they play a crucial supporting role to many essential sectors and goods, including logistics, electrical and electronics, food and beverages, as well as other industrial and consumer packaging.</p> <p>We can say that the growth for the industry itself is improving gradually in terms of demand. Going forward, we continue with our mandate to fulfil our clients' highly-demanding requirements for plastic packaging, not only on a larger scale but also in developing new innovations to meet the growing global and regional demand for sustainable flexible packaging solutions.</p>	

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7.	FONG KAH KUEN	Do you have further information to share about the capex breakdown plans for financial year 2022 and possibly financial year 2023? For example, how much is to be allocated to cast stretch vs blown film, upgrading old machines, land expansion (if any), factory space expansion (if any) and so on.
<p><u>Response</u></p> <p>The purchase of a new machine usually takes relatively longer delivery time of up to 12 months. The timeframe has yet to factor in the design and fabrication of steel plate form, installing utility parts and accessories in order to equip the machine to be operational. Other vendors may require at least 14 to 16 months for the delivery of the new machines.</p> <p>As for financial year 2023, we have yet to firm up the capital expenditure requirements of the Group. To this end, our growth-centric stance would be supported by an equal fervour in machinery capital expenditure to bring us to the next level of operations.</p>		
8.	CHUA SONG YUN	(a) Will rising feedstock, logistics, and labour costs including minimum wage, eat into profit margin? (b) Will we be able to pass on these rising costs entirely to customers?
<p><u>Response</u></p> <p>The rising feedstock cost would not be an issue, as the Group will pass on the additional cost to distributors and consumers despite having a lag period of 1-2 months. Plastics packaging is irreplaceable because stretch films and flexible packaging are required to improve the safety, load holding and help to improve production efficiency in food and beverage and fast-moving consumer good (FMCG) segments.</p> <p>Passing on the logistic cost is also not an issue because this is a common factor that all global importer and exporter are facing container shortage and port congestion. We have numerous types of business, some on CIF or FOB basis, depending on the arrangement transacted with the strategic business partners globally as our export sales is more than 70%. For those customers engaged in CIF basis, we will factor the shipping cost into our pricing so there would be a little lagging on effect for CIF customers depending on when the orders were placed.</p> <p>On 19 March 2022, the Malaysian government announced an increase to the minimum wage from RM1,200 to RM1,500 per month with effect from 1 May 2022. The implementation of the minimum wage by the Government has caused the Group to suffer minor impact. On an ongoing basis, we invest in process automation and digitisation to reduce the use of resources, increase productivity, and minimise human errors as well as to reduce dependence on labour, where appropriate.</p>		

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9.	FONG KAH KUEN	<p>From the discussion on the known risk 'Workforce and Labour Shortage' set out in the Management Discussion and Analysis on page 35 of the Annual Report 2021, it is mentioned about adoption of technology to reduce reliance on labour-intensive output.</p> <p>Would you be able to share some current and historical number of workers under the group? Some current initiatives you have begun to adopt?</p>
<p><u>Response</u></p> <p>Shortage of manpower will remain unsolved until the Government allows manufacturing sectors to bring in foreign workers. The upward adjustment in the minimum wage to RM1,500 inevitably increases the Group's labour cost including the statutory contribution. The Group has about 400 staff comprising local and foreigners in its workforce. Currently, 50% of the Group's workforce comprised foreign workers and the percentage is not constant as we are gradually reducing the reliance on foreign workers.</p> <p>We aim to prioritise more on hiring of local workers. In order to mitigate the effects from manpower shortage and the increasing labour cost, the Group continues to implement several mitigating strategies to convert manual operations into automated processes to reduce dependence on labour. The Group always reviews its workflow processes in order to improve efficiencies. Significant improvement was achieved in terms of output per headcount as compared to a year ago.</p> <p>We have and will continue to invest into automation of production processes and systems that enable us to become less dependent on labour and achieve more efficiency.</p>		
10.	FONG KAH KUEN	<p>How much does Management set aside for research and development on an annual basis? Or is it more ad-hoc on a need to basis.</p>
<p><u>Response</u></p> <p>Through research and development, upgrading of machinery and equipment, adoption of technology as well as upskilling of employees, the Group has been focusing on product innovation and operational efficiencies improvement, continuously keeping in sight of its mission in supplying reliable and high-quality packaging products.</p> <p>In order to ensure our relevance and competitive edge in the market, we continue to closely engage and understand customers' needs and expectations, and research and develop the right products or services to meet their demands.</p> <p>We will continue to ride on the global trend of innovation and expand our research and development into advanced flexible plastic packaging solutions to</p>		

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		meet latest market needs in plastic. We do not set aside a fixed amount for research and development as the Group is constantly working with our customers to do new film application sample and trial in innovation, research and development activities.
11.	SIOW CHON JET	Is the Management confident that the revenue and profit will continue to grow in financial year 2022, as well as maintain or increase the dividend payout?
	<u>Response</u>	<p>The business environment is always full of challenges. The challenges have intensified since the outbreak of Covid-19. Issues such as supply chain disruptions, hike in freight costs, shortages in manpower emerged undoubtedly. With the availability and rapid roll-out of the vaccination plan worldwide, the company is confident that the world economic will gradually back to its normalisation.</p> <p>Apart from launching new products, the Group always interacts closely with customers to explore further enhancement on existing products. The Group has laid down concrete plans for further capacity expansion through installation of newer cast film machines such as the 9th and 10th cast film machines. Barring any unforeseen circumstances, we expect that the Group's revenue and profitability will continue to be on an upward trajectory.</p> <p>The Group has a dividend policy of distributing a minimum 40% payout of its net profits annually. Over the years since the dividend policy announcement in 2016, the dividends declared are in reflection of financial position, operating performance and future investment needs of the Group in order to ensure stable and sustainable returns to shareholders.</p>
12.	FONG KAH KUEN	<p>The cast stretch film space is extremely competitive, besides competitive pricing, right gauging as well nurturing existing relationships, how does Management foresee being able to stay ahead of the competition as well as onboard new customers?</p> <p>How about the outlook for the blown film segment including form-fill-seal?</p>
	<u>Response</u>	<p>The Group has been focusing on the sale of customised and differentiated premium quality stretch film products rather than selling low price, large quantity price sensitive bulk volume orders.</p> <p>The Group collaborates with customers to supply innovative right-gauge stretch film to meet their demand and to stay competitive.</p> <p>By investing into the latest Nano technology, the Group is capable of producing stronger and lighter Machine Grade stretch film without compromising film versatility and durability.</p>

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	We have achieved significant improvement in the performance of our blown film lines for form-fill-seal (FFS), unlocking higher output with improved energy efficiency. The prospects for blown film lines for FFS are promising.	
13.	LOO CHI KHAI	Do have more details on the environmental, social, and governance (" <b>ESG</b> ") planning for the Company?
	<p><u>Response</u></p> <p>We recognise the importance of addressing the environmental, social and governance ("<b>ESG</b>") aspects of our operations, towards accomplishing our vision to be the plastics packaging specialist of choice in the Asian region, and our mission to produce reliable and high-quality packaging products.</p> <p>We have taken an integral approach in addressing ESG sustainability in order to ensure long-term business resilience and competitive success. Referring to the Sustainability Statement set out in the Annual Report 2021, we have been using solar panels at our factories since 2019 that lead to reduction in overall electricity consumption, and thus also reduce our GHG emission in the atmosphere.</p> <p>As ESG covers a wide range of segments in our organisation, we do not have anything concrete to share at this juncture. The Board and the Management are still in the midst of discussions on the proposed establishment of ESG roadmap or policies or blueprint for the coming years, which includes setting targets to be cascaded group wide.</p>	
14.	ALVIN YEO TAW YONG	What is the level of inventory which the company is building due to supply chain issue and does the Company source most of the raw materials locally?
	<p><u>Response</u></p> <p>The Group does not encourage speculations and we maintain a stable inventory of approximately 2 months to buffer fluctuations.</p> <p>The Group mainly sources for other materials locally, while the supply of plastic resins is sourced from overseas due to the quality of the resins that are not available locally and pricing which is more competitive.</p>	
15.	KOH CHOOI PENG	<p>With reference to the List of Group Properties as disclosed on pages 128-129 of the Annual Report 2021, it is noted a parcel of 3.2687 acres agricultural land and a parcel of 2 acres building land are still vacant despite having been acquired more than 10 years ago.</p> <p>In addition, the Group acquired another piece of agricultural land in 2020 despite having the abovementioned vacant properties. Appreciate the Board/Management's explanation on</p>

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		the future use of the vacant land and the newly acquired land.
	<u>Response</u>	<p>The 3.2687 acres agricultural land was acquired before the Group relocated to the present site. The initial plan was to build a factory on the land given that the location is not too far from Batu Pahat town. At the moment, we do have any plans for the said agricultural land.</p> <p>The 2 acres agricultural land has been earmarked for construction of foreign workers' hostels. We are currently awaiting the approvals from the relevant authorities to proceed with the construction.</p> <p>The agricultural land that was acquired in 2020 with the intention to enhance the welfare of the local employees of the Group by providing them with staff quarters.</p>
16.	CHAN CHEE WAI	Would the Management consider to implement Dividend Reinvestment Plan other than cash dividend payout to the shareholders?
	<u>Response</u>	The Management responded that the proposal to implement Dividend Reinvestment Plan shall be a matter reserved for the decision of the Board.
<b>Additional Questions from Shareholders, Corporate Representatives and Proxies that were not responded during the AGM</b>		
1.		Revenue registered in 2021 was RM447,127,959. Total how many tonnes of product were sold in 2021?
	<u>Response</u>	Unable to disclose the actual sales volumes but in fact sales quantity increased year-on-year by 14.42% as explained in the page 31 of Annual Report.
2.		Will the Board consider giving any door gifts, token or e-vouchers to the shareholders who attend this virtual online AGM?
	<u>Response</u>	The Company is not giving food or vouchers as door gift at this point of time. We believe that giving dividends regularly is the most appropriate way to appreciate our long-term shareholders.
3.		1) The Trade Receivables in FY2021 has increase substantially. What is reason for the big increase other the increase of Revenue? 2) Has there been an increase in collections after 31 Dec 2021? 3) What are the reasons for the sharp turnabout in the figures trade and other



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	payables for FY21 as compared to those in FY20?
	<p><u>Response</u></p> <p>The increase in receivables were primarily in line with increase in the revenue.</p> <p>As at end March this year, Company has collected back approximately RM17mil from customers as result of trade and other receivables has reduced to RM53.38 mil (as at 31.3.2022) compared to RM70.92 mil (as at 31.12.2021).</p> <p>The increase in payables were in line with increase in inventory in order to build a stable inventory of approximately 2 months to buffer fluctuations.</p>
4.	Please elaborate on the reinvestment allowances at the subsidiary level and how much balance and when you can expect it to be fully utilized?
	<p><u>Response</u></p> <p>At the subsidiary level, we expect that Reinvestment Allowance (RA) will be fully utilised in the same year of assessment and no balance to be carried forward.</p>
5.	1) Would management be setting internal targets with regards to GP or PBT margins for the company? 2) The revenue split is 75%/25% in favour of stretch film. Would you be able to share the GP or PBT margin breakdown between the two major segments of the business please?
	<p><u>Response</u></p> <p>We do not set specific/fixed internal targets with regards to margins, especially in view of external uncontrollable external factors, which include amongst others, the volatility of commodities prices. We do however, take note of general industry or peers' profitability as benchmark and continue to remain prudent in our internal cost rationalisation and pricing strategies, while maintaining competitiveness.</p> <p>Sorry that we are unable to disclose more details on the margin and breakdown of our business segments, which are deemed commercially sensitive and proprietary information.</p>
6.	Could you share how much is the capex for the 9th and 10th cast stretch film (in \$\$ terms) machine? And what would be the expected payback period for such a machine.
	<p><u>Response</u></p> <p>We will not be able to share specific details of our investment for individual project.</p>

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	We have disclosed in our Annual Report that we have spent RM33.2 million in FY2021 and budgeted another RM29.5 million for FY2022 capex in pursuit of strategic investment plans to grow and expand into new technology and facilities to keep up with the market requirement for sustainable packaging film.
7.	Is BP Plastics impacted by the one-off Cukai Makmur? If yes, please provide an estimated amount of Cukai Makmur.
	<u>Response</u> No. Cukai Makmur is one-off corporate tax on companies that make more than RM100mil taxable income for year of assessment 2022. BPPLAS Group and subsidiary company level is not expected to beyond this threshold.
8.	Will the company be holding hybrid AGM/EGM for the coming year?
	<u>Response</u> We note your suggestion and to study the feasibility.
9.	When will the directors' fee be paid if approved?
	<u>Response</u> Directors' fees are paid at the end of financial year ending 31 December 2022.
10.	What is in sundry receivables of RM8mil?
	<u>Response</u> Deposits paid to trade suppliers.
11.	The CG Report stated that the Company had applied Practice 13.5. The Practice required questions from shareholders be made visible to all meeting participants during the meeting itself. As the company did not display the questions from shareholders, the company do not apply Practice 13.5.
	<u>Response</u> The Board is mindful that conduct of virtual AGM is important in ensuring meaningful engagement between the board, senior management and shareholders, and endeavour to put in place the necessary facilities and use of appropriate online meeting platforms. MCCG is good practices introduced by Securities Commission (SC) but not compulsory to apply all suggested recommendation/practices as it is not meant to be prescriptive but rather more of good practice guidance(s). As explained in the CG report Practice 13.5 (page 67), questions posed by shareholders prior to and during the meeting as well as the Company's responses were presented (i.e. displayed on screen and made

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	visible to all meeting participants) and read out/answered during the AGM. Subsequently, minutes of the AGM with an Appendix containing the list of shareholders' Q&A will be uploaded to the corporate website. Therefore, we have applied the main recommendation in Practice 13.5. Nevertheless, we highly appreciate your feedback and will take note to further improve for future AGM(s) to enhance on effective interactions for all meeting participants.
12.	Will the new substation cater for more machines moving forward?
	<u>Response</u>  Yes, the new 33KVA substation will increase electricity supply capacity and cater for more incoming machines in future.
13.	The latest Sustainability Statement in the 2021 Annual Report has seen a marked improvement compared to the previous years. However, the Statement still lack detailed disclosure in certain aspects. For e.g. there were disclosure on solar power production. However, there were no details on the amount in RM savings from the usage. Please refer to the Sustainability Statement of your 2 major listed competitors located in Kedah for benchmarking in future Sustainability Statements disclosure.
	<u>Response</u>  We note your suggestion. Our Annual solar energy saving is about RM500,000 per annum.
14.	May I know the company's longest relationship with customers? and what are the percentage of repeated customers?
	<u>Response</u>  The Company has been serving local and overseas customers in different segment for many years since the Company established in year 1991. Take example, Lee Rubber Group is one of longest relationship customers we are serving well until today. We do not have the further analyse on percentage of repeated customers as they have different purchasing pattern and strategy. However, we believe that mostly customers are repeat to order from us as BPPLAS always strive for provide superior products quality and focusing to deliver satisfactory performance.