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

APPENDIX I – RESPONSES AND CLARIFICATIONS TO QUESTIONS RECEIVED DURING THE NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON FRIDAY, 26 MAY 2023

<table>
<tr><th>No.</th><th>Name of Shareholder</th><th>Questions</th></tr>
<tr><td rowspan="2">1</td><td>KOH CHOOI PENG</td><td>Referring to the following statements on page 41, under Management Discussion & Analysis of the Annual Report 2023, it was mentioned that economic slowdown will have an impact on the demand for overall plastic packaging products. However, the Company invested RM44.6 million on Capex for property, plant, and equipment, infrastructure and facilities:-

"Moving from mid-2022 into 2H2022, due to uneven border openings and recovery, elevated costs, high inventory, and overstocked positions across industries, we noted broadly weakened demand and economic slowdown for our flexible plastic packaging products which are linked to logistics and warehousing, supporting different sectors and goods, including electrical and electronics, food and beverages, furniture, as well as other industrial and consumer packaging."

(a) What is the biggest Capex item invested in FY2022 and the expected improvement in the production capacity of the Company.

(b) Why is the Company proceeding with such high Capex investment despite expected the economic slowdown?</td></tr>
<tr><td colspan="2"><u>Response</u>

The most significant capital expenditure item in the financial year 2022 was the acquisition of the nano stretch film machine, and the construction of various supporting structures for the 33kV sub-station electricity power upgrade project.

Throughout the financial years 2020 and 2021, there was a notable surge in the demand for packaging, leading to commendable profitability for the Company. Our analysis has unequivocally demonstrated that packaging is an indispensable necessity and it enable, protect and improve other industries production efficiency for the long term. Consequently, the Company has adopted a strategic standpoint that emphasises on investment in cutting-edge technology to deliver sustainable packaging solutions to the industry.</td></tr>
<tr><td colspan="3"></td></tr>
</table>

(Appendix I of the Minutes of the Nineteenth Annual General Meeting of the Company held on 26 May 2023 – Cont'd)

2	KOH CHOOI PENG	A significant portion of the Group's revenue and purchases (approximately 70% and 75% respectively in FY2022) were transacted predominantly in United States Dollar ("**USD**"). Subsequent to the financial year ended 31 December 2022, the USD has further strengthened against the Ringgit Malaysia ("**RM**") and has now reached USD1:RM4.60. The foreign exchange (forex) analysis showed that a 11% strengthening of the USD will improve the profitability of the Group by RM1.033 million (page 127 of the Annual Report 2022). Can the Board confirm this will have a positive impact on profits?
	Response The forex market is highly volatile with currency values fluctuating on a daily basis. Broadly speaking, a weaker RM tends to be beneficial for exporters. However, it is crucial for us as Management to assess how the performance of a weakening RM may impact profitability, taking into consideration the specific forex positions we hold. While we cannot provide a definitive confirmation at this moment, it is undeniable that the weakness of the RM could contribute to the group short term export competitiveness and enhance a certain portion of our profits subject forex position holding. Nevertheless, it is worth noting that our Management has implemented a natural hedge strategy, which serves as a protective measure against adverse currency fluctuations. We remain mindful and vigilant in monitoring this aspect to mitigate potential risks and optimise profitability.	
3.	HO XI WEN	What is the production capacity of the Group and what is the current utilisation?
	Response The production nameplate capacity of the company currently stands at 138,000 metric tons per annum with utilisation rate ranging approximately 50%.	

(Appendix I of the Minutes of the Nineteenth Annual General Meeting of the Company held on 26 May 2023 – Cont'd)

<table>
<tr><td colspan="3"></td></tr>
<tr><td rowspan="2">4.</td><td>CHUA SONG YUN</td><td>Most plastic packaging players have been expanding their capacities aggressively over the past few years. With economic growth expected to slow down, will the industry face overcapacity and hence the compression on the margins?</td></tr>
<tr><td colspan="2"><u>Response</u>

Plastic packaging plays a crucial role as an essential item, offering reliable packaging solutions that are resilient in terms of life cycle usefulness and quality, effectively safeguarding and extending the shelf life of products. The demand for packaging is expected to remain consistent and experience growth in parallel with population demand consumption growth.

While the market witnesses a more aggressive expansion of players, resulting in potential capacity increases, the Company has proactively pursued the adoption of new technologies to produce sustainable thinner and stronger packaging film. This strategic move has paved the way for us to enter new markets, particularly in Europe and the United States of America, enabling us to capture a broader customer base.

We anticipate that the demand for our products will continue to rise, and we firmly believe that margin compression is contingent upon a comprehensive perspective, influenced by various factors such as commodity prices (e.g., resin), operating costs, and market conditions.

To address these challenges, we are committed to enhancing our internal efficiency, diligently striving to deliver favourable outcomes.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>5.</td><td>HO XI WEN</td><td>What are the major challenges that the management foresee this year?</td></tr>
<tr><td></td><td colspan="2"><u>Response</u>

As highlighted during the presentation by the Financial Controller earlier and disclosed in the Company's Annual Report under the Management Discussion & Analysis, there are several key challenges currently impacting our operations.

Firstly, the uneven recoveries across markets had led to supply chain disruptions. Our operations are impacted in view that certain equipment suppliers have been unable to deliver and supply the special tailored-made machine parts and components as scheduled. Delivery date remains unknown despite it has been long outstanding for a few months.

Secondly, the geopolitical tension between the United States of America and China has further slow down the global economy recovery, sluggish the intra</td></tr>
</table>

(Appendix I of the Minutes of the Nineteenth Annual General Meeting of the Company held on 26 May 2023 – Cont'd)

	regional trade activities and weaken the demand of packaging products. Thirdly, we are facing significant challenges such as high inflation, elevated energy prices lead to higher electricity cost, higher labour and salary due to new employment act comes into effect on 1st January 2023 and higher global interest rates which have weaken the global demand. These factors collectively pose a formidable set of obstacles for our industry at present.	
6.	CHUA SONG YUN	Understand that the electricity tariff for medium and high voltage users will jump from 3.7sen/kWh to 20sen/kWh starting this year. What will be the expected impact in terms of amount to our company for the financial year 2023?
	<u>Response</u> The rise in energy costs is a global phenomenon, affecting all regions worldwide. This is primarily due to higher coal and gas pricing to generate electricity. Consequently, all major Malaysia packaging film competitors are also facing higher energy price due to increased of the Imbalance Cost Pass-Through (ICPT) from 3.7 sen to 20 sen on 1 H 2023. Since March 2022, BP Plastics has subscribed about 50% of our electricity consumption with TNB on Green Electricity Tariff (GET) which will be reviewed yearly. Based on Suruhanjaya Tenaga (Energy Commission), ICPT rate on 1 H 2023 was capped the cost at 3.7 sen. This proactive measure has helped us to partially offset the impact of the energy cost escalation. Based on the internal computation, the overall increase in electricity costs amounting to 41% due to ICPT rate hike from 3.7 sen to 20 sen. We have managed to insulate ourselves during the first half of 2023 with the achievement of around 50% of the electricity consumption from the renewable GET source. However, for the second half, the new ICPT rate will be announced by the Government toward the end of June 2023. By then, we could only determine the extent of our exposure. As the coal and gas price have shown sign of softening, there is a possibility chance of a reduced ICPT rate based on the mechanism which is to be announced by energy commission on every six months.	
7.	TEH KIAN LANG	Will year 2023 be a better year than year 2022?

(Appendix I of the Minutes of the Nineteenth Annual General Meeting of the Company held on 26 May 2023 – Cont'd)

<table>
<tr><td></td><td colspan="2"><u>Response</u>

Year 2023 will continue to pose more challenges. However, there are positive developments that could potentially mitigate some of these challenges. Notably, resin prices have experienced a decline, which can positively reduce our input cost. Additionally, we have successfully commissioned 2nd unit of Nano stretch film machine by the end of 2022, capitalising on new technologies to produce sustainable thinner and better-quality stretch film with less packaging material for high speed packaging.

Furthermore, in line with global sustainability efforts, we have invested in two (2) new units of coextrusion blown film equipment. These new units will contribute to our goal of producing better quality film for food and beverage packaging. Moreover, there is a potential for blending with recycled materials to further enhance our sustainable practices. Currently, we have 2 units of in-house recycling machines which can help to reinforce our commitment of recycling and reuse all internal generate post industrial plastic packaging waste within our operations.

Despite the challenges, we are determined to work diligently and strive for strong profitability in the year 2023. Through our efforts and dedication, we aim to deliver favourable financial results.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>8.</td><td>HO XI WEN</td><td>The Group's net margin has reduced from 10% to 6%, what is the level of margin are the management looking at this year? Will there be any improvement in the cost of doing business this year?</td></tr>
<tr><td></td><td colspan="2"><u>Response</u>

The general industrial margin typically falls within the range of 8-12% on Profit Before Tax (PBT). While we are unable to disclose specific profit forecasts, we are committed to enhancing internal efficiencies and reducing the cost of doing business. Through these efforts, we aim to achieve improved results compared to the previous year. Our focus remains on delivering better outcomes and optimising performance throughout the current year.</td></tr>
<tr><td colspan="3"></td></tr>
</table>

(Appendix I of the Minutes of the Nineteenth Annual General Meeting of the Company held on 26 May 2023 – Cont'd)

9.	KOH CHOOI PENG	The challenging market condition will impact both the profit margins of the Company's product and directly its net profits. However, the Group's balance sheets are very healthy with no borrowing. Can the Board assure the shareholders it will strive to maintain the absolute amount of dividend payout of 5.5 Sen in financial year 2022 for financial year 2023?
	Response The Board takes cognisant of the global economic challenges and the business environment. Our dividend policy entails distributing more than 40% of our profits to shareholders. Moreover, based on our past 5-year dividend payout trend, the Company has consistently distributed more than 50% of the profit after tax (PAT) to shareholders. It is crucial to note that dividend payout is subject to our capex requirements and other financial commitments. While we strive to meet the dividend policy adopted by the Board, it is worth mentioning that historically we have surpassed this minimum requirement and delivered better results to our shareholders. Ultimately, our commitment lies in ensuring a balance between fulfilling the capex requirement and providing returns to our shareholders through dividend payments. We aim to maintain a prudent approach while striving to deliver favourable dividends based on our financial performance and obligations.	