

2018 ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 32nd Annual General Meeting (“AGM”) of Public Packages Holdings Berhad (“PPHB” or “the Company”) will be held at Angier & Borden Meeting Room, Level 4 of The Prestige Hotel, 8 Gat Lebuhr Gereja, 10300 Penang on Monday, 27 May 2019 at 10.00 a.m. for the following purposes:-

AGENDA

Ordinary Business

- | | | |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of Directors and Auditors thereon. | Please refer to Note 7 |
| 2. | To re-elect Mr. Koay Chiew Poh, a Director who retires by rotation in accordance with Article 80 of the Company’s Constitution and who, being eligible, offers himself for re-election. | Ordinary Resolution 1 |
| 3. | To re-elect Mr. Koay Teng Liang, a Director who retires in accordance with Article 80 of the Company’s Constitution and who, being eligible, offers himself for re-election. | Ordinary Resolution 2 |
| 4. | To approve the payment of Directors’ fees of not exceeding RM250,000 for the financial year ending 31 December 2019. | Ordinary Resolution 3 |
| 5. | To approve the payment of Directors’ benefits payable to Non-Executive Directors up to an amount not exceeding RM50,000 from 28 May 2019 until the conclusion of the next AGM of the Company. | Ordinary Resolution 4
Please refer to Note 8 |
| 6. | To re-appoint Messrs. Grant Thornton as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

Special Business

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

- | | | |
|----|--|---|
| 7. | AUTHORITY TO ALLOT AND ISSUE NEW SHARES
“THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.

AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Securities for the listing and quotation of the additional shares to be issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution.”

AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.” | Ordinary Resolution 6
Please refer to Note 9 |
| 8. | PROPOSED CONTINUATION OF MR. ONG ENG CHOON IN OFFICE AS INDEPENDENT DIRECTOR
“THAT authority be and is hereby given to Mr. Ong Eng Choon who had served as an Independent Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company.” | Ordinary Resolution 7
Please refer to Note 10 |

- | | |
|--|---|
| <p>9. PROPOSED CONTINUATION OF PUAN NURJANNAH BINTI ALI IN OFFICE AS INDEPENDENT DIRECTOR
 “THAT authority be and is hereby given to Puan Nurjannah Binti Ali who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company.”</p> | <p>Ordinary Resolution 8
 Please refer to Note 11</p> |
| <p>10. PROPOSED CONTINUATION OF MR. NG THIM FOOK IN OFFICE AS INDEPENDENT DIRECTOR
 “THAT authority be and is hereby given to Mr. Ng Thim Fook who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company.”</p> | <p>Ordinary Resolution 9
 Please refer to Note 11</p> |
| <p>11. PROPOSED GRANTING OF EMPLOYEES’ SHARE OPTION SCHEME AND EMPLOYEES’ SHARE GRANT SCHEME TO MADAM OOI SIEW HONG
 “THAT subject to the Employees’ Share Option Scheme (“ESOS”) and Employees’ Share Grant Scheme (“ESGS”) (ESOS and ESGS, collectively “the Scheme”) as approved by shareholders at an Extraordinary General Meeting held on 29 August 2017, the Directors of the Company be hereby authorised, at any time and from time to time during the existence of the Scheme, to offer and grant to Madam Ooi Siew Hong, being the Director of the Company’s subsidiaries who is also the spouse of Mr. Koay Chiew Poh, mother of Mr. Koay Teng Liang and Mr. Koay Teng Kheong, sister-in-law of Mr. Koay Chiew Kang and Mr. Koay Chue Beng, options to subscribe up to maximum of 2,800,000 new PPHB-ESOS Shares and/or PPHB-ESGS Shares awarded from time to time under the Scheme, subject always to the following provisions:-</p> <ul style="list-style-type: none"> (i) she must not participate in the deliberation or discussion of her own allocation of the PPHB shares issued under the Scheme; and (ii) not more than 10% of the new PPHB shares available under the Scheme shall be allocated to her, if she, either singly or collectively through persons connected with her, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, <p>provided always that it is in accordance with any prevailing guidelines, the Main Market Listing Requirements of Bursa Securities, or any other authorities as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the Scheme.</p> | <p>Ordinary Resolution 10
 Please refer to Note 12</p> |
| <p>12. PROPOSED GRANTING OF EMPLOYEES’ SHARE OPTION SCHEME AND EMPLOYEES’ SHARE GRANT SCHEME TO MR. KOAY TENG KWANG
 “THAT subject to the Scheme as approved by shareholders at an Extraordinary General Meeting held on 29 August 2017, the Directors of the Company be hereby authorised, at any time and from time to time during the existence of the Scheme, to offer and grant to Mr. Koay Teng Kwang, being the Business Development Manager of the Company who is also the son of Mr. Koay Chiew Poh, the brother of Mr. Koay Teng Liang and Mr. Koay Teng Kheong, the nephew of Mr. Koay Chiew Kang and Mr. Koay Chue Beng, options to subscribe up to maximum of 2,800,000 new PPHB-ESOS Shares and/or PPHB-ESGS Shares awarded from time to time under the Scheme subject always to the following provisions:-</p> <ul style="list-style-type: none"> (i) he must not participate in the deliberation or discussion of his own allocation of the PPHB shares issued under the Scheme; and (ii) not more than 10% of the new PPHB shares available under the Scheme shall be allocated to him, if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, | <p>Ordinary Resolution 11
 Please refer to Note 12</p> |

provided always that it is in accordance with any prevailing guidelines, the Main Market Listing Requirements of Bursa Securities, or any other authorities as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the Scheme.

13. **PROPOSED ALTERATION OR AMENDMENT OF THE CONSTITUTION OF THE COMPANY**

“THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect.

AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

**Special
Resolution 1**
Please refer to
Note 13

14. To transact any other business of which due notice shall have been given in accordance with the Company’s Constitution and the Companies Act, 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 13 May 2019. Only a depositor whose name appears on the Record of Depositors as at 13 May 2019 shall be entitled to attend the 32nd AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P’NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 26 April 2019

NOTES ON APPOINTMENT OF PROXY

- (1) A proxy may but need not be a member of the Company.
- (2) A member shall be entitled to appoint up to a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (3) Where a member is an Exempt Authorised Nominee 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 accounts it holds.
- (4) For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Sunday, 26 May 2019 at 10.00 a.m. (being the approximate time appointed for the taking of the poll at the 32nd AGM.
- (5) In the case of a corporate member, the proxy form must be executed under the corporation’s common seal or under the hand of an officer or attorney duly authorised in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
- (6) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

- (7) The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.
- (8) The Resolution 4, if passed, will enable the Company to pay meeting allowances and other benefits to non-executive directors of the Company in accordance with Section 230(1) of the Companies Act 2016.

NOTES ON SPECIAL BUSINESS

- (9) The Resolution 6, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

- (10) The Resolution 7, if passed, will enable the Independent Director who had served more than 9 years to be retained and continued to act as Independent Director of the Company to fulfil the requirements of Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2018.
- (11) The Resolutions 8 and 9 is to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Directors who had served more than 12 years to be retained and continued to act as Independent Director of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2018.
- (12) The Resolutions 10 and 11 is to seek shareholders' approval for the directors to grant Madam Ooi Siew Hong, the Director of the Company's subsidiaries and Mr. Koay Teng Kwang, the Business Development Manager of the Company to subscribe up to maximum of 2,800,000 new PPHB-ESOS Shares and/or PPHB-ESGS Shares awarded from time to time under the Scheme approved by shareholders on 29 August 2017.
- (13) The Special Resolution 1, if passed, will enable the Directors to amend the existing Constitution (Memorandum and Articles of Association) of the Company to be in line with the Companies Act, 2016, changes made to the Main Market Listing Requirements of Bursa Securities and to provide clarity to certain provisions therein.

In view of substantial amount of the proposed amendments to the Constitution, the Directors proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the proposed amendments (New Constitution) as set out in Appendix A.

ANNUAL REPORT

- (14) The Annual Report for the financial year ended 31 December 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.pph.com.my.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Ms Chiang Pei Se at telephone no. 604-6444888 or email your request to b_m@pph.com.my.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(PURSUANT TO PARAGRAPH 8.27(2) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

- 1) No individuals are standing for election as directors at the forthcoming 32nd Annual General Meeting of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2 & 3 of the Notice of the 32nd Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.
- 3) The details of the directors' interests in the securities of the Company as at 2 April 2019 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 6 tabled under Special Business as per the Notice of 32nd Annual General Meeting of the Company dated 26 April 2019 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 28 May 2018.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- : Koay Chiew Poh
Executive Chairman
- Koay Chiew Kang
Executive Director
- Koay Teng Liang
Executive Director
- Koay Teng Kheong
Executive Director
- Nurjannah Binti Ali
Independent Non-Executive Director
- Ng Thim Fook
Independent Non-Executive Director
- Ong Eng Choon
Independent Non-Executive Director
- Koay Chue Beng
Alternate Director to Koay Chiew Poh

JOINT COMPANY SECRETARIES

- : Lee Peng Loon (MACS 01258)
P'ng Chiew Keem (MAICSA 7026443)

AUDIT AND RISK MANAGEMENT COMMITTEE

- : Nurjannah Binti Ali (Independent Non-Executive Director)
Chairman
- Ng Thim Fook (Independent Non-Executive Director)
Committee Member
- Ong Eng Choon (Independent Non-Executive Director)
Committee Member

NOMINATING COMMITTEE

- : Nurjannah Binti Ali (Independent Non-Executive Director)
Chairman
- Ng Thim Fook (Independent Non-Executive Director)
Committee Member
- Ong Eng Choon (Independent Non-Executive Director)
Committee Member

REMUNERATION COMMITTEE	: Nurjannah Binti Ali (Independent Non-Executive Director) <i>Chairman</i> Ng Thim Fook (Independent Non-Executive Director) <i>Committee Member</i> Ong Eng Choon (Independent Non-Executive Director) <i>Committee Member</i> Koay Chiew Poh (Executive Chairman) <i>Committee Member</i>
SCHEME COMMITTEE	: Koay Teng Liang (Executive Director) <i>Chairman</i> Koay Chiew Kang (Executive Director) <i>Committee Member</i> Koay Teng Kheong (Executive Director) <i>Committee Member</i>
REGISTERED OFFICE	: Wisma Public Packages Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang. Tel No: 04-6444888 Fax No: 04-6436699
BUSINESS ADDRESS	: Wisma Public Packages Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang. Tel No: 04-6444888 Fax No: 04-6436699
REGISTRAR	: Tricor Investor & Issuing House Services Sdn. Bhd. (Company No.118401-V) Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Tel No: 03-2783 9299 Fax No: 03-2783 9222
AUDITORS	: Grant Thornton 51-8-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.
PRINCIPAL BANKERS	: Malayan Banking Berhad Al Rajhi Banking & Investment Corporation (Malaysia) Berhad RHB Bank Berhad AmBank (M) Berhad CIMB Bank Berhad OCBC Bank (Malaysia) Berhad Public Bank Berhad
STOCK EXCHANGE LISTING	: Main Market of Bursa Malaysia Securities Berhad Stock Name : PPHB Stock Code : 8273
WEBSITE	: http://www.pph.com.my

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, I have great pleasure to present the Annual Report and Audited Financial Statements of PPHB for the financial year ended 31 December 2018.

OVERVIEW

Given the increasingly volatile market conditions, 2018 continued to be challenging for businesses. With a cautious approach, the Group has recorded a solid performance, as evident by our best ever revenue of RM198.3 million and net profit of RM19.0 million. Cash position remains strong at RM43.6 million and gearing improved from 0.26 to 0.24.

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

PPHB is an investment holding company while the Group (PPHB and its subsidiaries) is primarily focused on the production and sale of paper packaging products. Established in 1976, PPHB is listed on the Main Market of Bursa Malaysia Securities Berhad in 1991. Over the years, the Group has transformed into a total packaging solutions provider with a focus on branding, designing and packaging. Customised packaging solutions and a full range of supply chain management service are provided to better cater for customers' needs.

The Group's operations are divided into four (4) key divisions: -

- Carton
- Offset Printing
- Paper Products
- Property Investments

Today, the Group has expanded to seven (7) manufacturing plants at Nibong Tebal, Kulim, Prai, Bayan Lepas and Shah Alam, supported by two (2) sales offices in Kuala Lumpur and Singapore. All locations are strategically selected to serve our customers of different locations.

As part of PPHB's plan to mitigate overdependence on its existing core business, the Group has expanded its businesses into Hotel Management – The Prestige Hotel which commenced business soon. The Hotel information is as below:-

The Prestige Hotel is located at 8 Gat Lebu Gereja, 10300 Penang, in the heart of the Georgetown UNESCO world heritage site. Inspired by its colonial Victorian heritage, it welcomes the urban traveller to a contemporized colonial scene, with 162 rooms, an all day dining outlet, an arcade with a mix of retail outlets, event spaces and a rooftop infinity pool.

FINANCIAL REVIEW

The table below highlights the Group's financial performance for the financial year ended 31 December 2018.

	2018	2017	2016	2015	2014
Revenue (RM'000)	198,257	177,704	166,421	161,198	153,507
Gross Profit (RM'000)	58,084	54,103	51,940	47,286	42,371
Share of Results of Joint Ventures (RM'000)	1,210	439	400	(35)	752
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) (RM'000)	32,945	30,763	30,681	28,420	25,148
Profit Before Taxation (RM'000)	24,508	20,729	21,527	18,605	16,244
Profit After Taxation (RM'000)	19,008	15,525	16,508	14,211	12,371
Net Cash From Operating Activities (RM'000)	25,062	21,761	21,052	23,581	17,333
Total Assets (RM'000)	313,902	291,202	265,883	248,703	236,258
Borrowings (RM'000)	44,707	38,455	38,012	36,561	42,029
Earnings Per Share (Sen)	10.08	8.23	8.80*	12.93	11.26
Gearing Ratio	0.24	0.26	0.24	0.27	0.35

* Comparative number of shares was restated to take into account the effect of bonus issue.

REVENUE

For the year under review, the Group achieved its best-ever revenue of RM198.3 million, representing an increase of 11.6% over previous year's revenue of RM177.7 million. Manufacturing division remains as the main contributor. The growth in revenue was mainly contributed by higher sales volume, driven by an increase in market demand by both existing customers and new customers.

PROFITABILITY

Profit before taxation for the Group improved from RM20.7 million in previous year to RM24.5 million this year, representing an improvement of 18.4%. The increase was in tandem with the increase in revenue. In addition, New Merit Development Sdn. Bhd., a joint venture company of the Group commenced operation in year 2018 and contributed to bottom line of the Group.

CASH FLOWS AND LIQUIDITY

The Group's financial position remains solid, as reflected by the strong cash position of RM43.6 million (2017: RM52.0 million). Net cash from operating activities increased to RM25.0 million, of which RM32.6 million was used for capital expenditure.

GEARING RATIO

The Group's total short term and long-term borrowings increased from RM38.5 million in previous year to RM44.7 million as at end of this financial year. The increase was mainly due to drawdown of term loans amounting to RM5.6 million for the purpose of building construction.

Gearing remains low at 0.24 (2017: 0.26) despite the capital invested for The Prestige Hotel, which is in alignment with our Management's strategy to minimise the Group's reliance on interest bearing liabilities.

OPERATIONS REVIEW

MANUFACTURING

Production facilities are an essential element of the business. During the year under review, the Group has further invested RM3.3 million in acquisition of machineries. In order to maintain a competitive edge in the industry, the Management believes that progressive and strategic capital investment is vital for the Group to keep abreast with technology changes and to enhance efficiency and productivity.

PROPERTY

Construction for The Prestige Hotel was completed early 2019 and Certificate of Completion and Compliance (CCC) will be obtained soon. The hotel is targeting to commenced its business immediately after CCC.

INVESTMENT

During the financial year, the Group's joint venture company, New Merit Development Sdn. Bhd. has commenced its business operation as investment holding company.

GROUP DEVELOPMENT

TECHNOLOGY ENHANCEMENT

To lessen the Group's reliance on manual processes, it has continued its effort and investment in digitalization initiatives. These initiatives enable the Group to automate workflow processes which will reduces possibility of human error, improves Management's accessibility to information and enable easy integration of business systems, thereby enhancing efficiency and effectiveness of the Group's core business processes.

Digitalization and automation of systems and processes are implemented across all operations in stages, after successful trial run and proven with positive results.

BUSINESS RISKS

Credit risk

It is part of the Group's practice to extend credit terms to its customers. To manage credit risks, customer evaluations are carried out before credit limits are determined. The evaluation will take into consideration factors such as the relationship with the customers, its payment history and credit worthiness. Ageing reports and re-evaluation of customers' credit terms are reviewed regularly to minimise possibility of bad debts.

Foreign currency risk

The Group has exposure to foreign currency risk mainly on sales and purchases that are nominating in US Dollar (“USD”) and Singapore Dollar (“SGD”) via its subsidiary operating company. The Group will continue to manage exposures that arise from fluctuations in foreign currencies.

As part of our effort to reduce foreign currency risk, the Group manages its foreign currencies through natural hedging mechanism, whereby proceeds received from sales and payment of purchases in the same currency are encouraged.

CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

The Group continues to uphold our commitment to invest in its efforts focusing on sustainability and Group Corporate Governance. CSR initiatives and meaningful activities have been implemented in the Company’s workplace, marketplace, community and environment. The Group recognised its corporate citizenship and fulfils its responsibilities to its employees, customers, caring for society and greening the environment based on principles of business sustainability.

DIVIDEND POLICY AND CAPITAL MANAGEMENT

The Group has not adopted any dividend policy. Taking into consideration future growth and expansion plans of the Group, the Management believes that continuous reinvestment is essential to ensure sustainable growth and further stakeholders’ value creation. The Board has not recommended any dividend payment for the financial year ended 31 December 2018.

MARKET REVIEW AND 2019 OUTLOOK

The Group expects 2019 to be another challenging year and competition remain intense. Whilst it may not be an easy year ahead, the Group is committed to continue its efforts in improving its competitiveness by implementing various strategies include automation of production processes and procurement optimisation. The Group promises to continuously tap the growth opportunities available in the market and broaden its product range.

Barring any unforeseen circumstances, the Group expects satisfactory performance for the year ahead.

DIRECTORS' INFORMATION

Koay Chiew Poh, a Malaysian, age 67, is the founder of Public Packages Holdings Berhad ("PPHB") and was appointed to the Board on 16 March 1991 as Executive Chairman of the Company. He is a member of the Remuneration Committee. He is an entrepreneur with more than 30 years' experience in the packaging and printing industry. He served as a Sales Manager for Pan Asian Paper Product Manufacturing Sdn Bhd before he joined Federal Packages Sdn Bhd. He holds directorships in several of PPHB's subsidiaries.

He is the brother of Mr. Koay Chiew Kang, Mr. Koay Chue Beng, the father of Mr. Koay Teng Liang and Mr. Koay Teng Kheong who are members of the Board. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

Koay Chiew Kang, a Malaysian, age 61, was appointed to the Board on 14 March 2012 as Executive Director. He graduated from Universiti Sains Malaysia with BSC. HBP (Hons). He has also attended the Owner/President Programme at Harvard Business School, Boston. He is a member of the Scheme Committee. He has been working with the Group as Manager in various departments, namely Administration, Production and Operation since the year 1985. Due to his extensive knowledge and experiences, he has been promoted to General Manager in year 1995. He also holds directorships in several of PPHB's subsidiaries.

He is the brother of Mr. Koay Chiew Poh, Mr. Koay Chue Beng, the uncle of Mr. Koay Teng Liang and Mr. Koay Teng Kheong who are members of the Board. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

Koay Chue Beng, a Malaysian, age 58, was re-designated as Alternate Director to Mr. Koay Chiew Poh on 25 March 2011. Prior to this, he was the Executive Director of the Company since 9 February 2002. He had served as senior management in several private limited companies and has extensive experience in sales and marketing, new market development, distribution, planning and control. He is also actively involved in community services. He holds directorships in several of PPHB's subsidiaries.

He is the brother of Mr. Koay Chiew Poh, Mr. Koay Chiew Kang, the uncle of Mr. Koay Teng Liang and Mr. Koay Teng Kheong who are members of the Board. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

Nurjannah Binti Ali, a Malaysian, age 60, was appointed to the Board on 5 February 1999 as an Independent Non-Executive Director. She is the Chairman of the Audit and Risk Management Committee and also the Chairman of the Nominating and Remuneration Committees. With an accounting background, Nurjannah has more than 15 years experience in finance and business. She is also a Director of Asia File Corporation Berhad.

She has no family relationship with any directors and/or major shareholders of the Company. She has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

She had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

Ng Thim Fook, a Malaysian, age 65, was appointed to the Board on 15 November 2002 as an Independent Non-Executive Director. He is a member of the Audit and Risk Management, Nominating and Remuneration Committees. He is the Managing Director of NG Technology Pty Ltd and Express Tech Pty Ltd. He has been in IT business for the last 22 years.

He has no family relationship with any directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

Ong Eng Choon, a Malaysian, age 67, was re-designated as Independent Non-Executive Director on 25 March 2011. Prior to this, he was the Non-Independent Non-Executive Director of the Company since 23 January 2009. He is a member of the Audit and Risk Management, Nominating and Remuneration Committees. He graduated from Tunku Abdul Rahman College, Kuala Lumpur with a Diploma in Business Administration and has more than 30 years of working experience in the field of taxation. He spent 3 years with the Inland Revenue Department and 10 years with one of the top 4 accounting firms. He is currently the Executive Director of BDO Tax Services Sdn. Bhd. He is a Chartered Accountant (Malaysia), a Fellow Member of the Chartered Association of Certified Accountants, an Associate Member of the Institute of Chartered Secretaries and Administrators and a Fellow Member of the Chartered Tax Institute of Malaysia (formerly known as Malaysian Institute of Taxation).

He has no family relationship with any directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended 5 Board meetings held in the financial year ended 31 December 2018.

Koay Teng Liang, a Malaysian, age 42, was appointed to the Board as an Executive Director on 30 January 2009. Prior to the appointment, he was the Alternate Director to Mr. Koay Chiew Lee from 17 November 2003 until 23 January 2009. He is the Chairman of the Scheme Committee. He graduated from University of Melbourne, Australia with a Bachelor in Commerce (Hons) and Bachelor in International Business from Flinders University, Australia. He has also attended the Owner/President Programme at Harvard Business School, Boston. Prior to joining the Company, he was attached with Teckwah Industrial Corporation Limited, Singapore as a Program Executive. He holds directorships in several of PPHB's subsidiaries.

He is the son of Mr. Koay Chiew Poh, nephew of Mr. Koay Chiew Kang, Mr. Koay Chue Beng and brother of Mr. Koay Teng Kheong who are members of the Board. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

Koay Teng Kheong, a Malaysian, age 38, was appointed to the Board as an Executive Director on 25 March 2011. He is a member of the Scheme Committee. He graduated from Monash University, Australia with a Masters in Management and Bachelor in Information Systems from University of Melbourne, Australia. He holds directorships in Public Packages Asia (S) Pte Ltd., a 100% owned indirect subsidiary of PPHB prior to this appointment and has actively participated and contributed towards the Group's revenue and management.

He is the son of Mr. Koay Chiew Poh, nephew of Mr. Koay Chiew Kang, Mr. Koay Chue Beng and brother of Mr. Koay Teng Liang who are members of the Board. He has no conflict of interest with the Company and has not committed any offences within the past 10 years other than traffic offences, if any.

He had attended all the 5 Board meetings held in the financial year ended 31 December 2018.

KEY SENIOR MANAGEMENT

Koay Chiew Kang

Executive Director/Group Managing Director

Age : 61

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 12 of the Annual Report.)

Koay Chiew Lee

Managing Director

Age : 57

Gender : Male

Nationality : Malaysian

Qualifications: -

- Diploma in Financial Accounting, Kolej Tunku Abdul Rahman
- Master of Business Administration, National University of Singapore

Working experience: -

- More than 32 years' experience in the packaging industry.
- Joined the Group as Manager and has worked with the Group in various departments, including Administration, Production and Operation.
- Holds directorship in several subsidiaries of the Group.
- He is the brother of Mr. Koay Chiew Poh, Mr. Koay Chiew Kang, Mr. Koay Chue Beng, and the uncle of Mr. Koay Teng Liang, Mr. Koay Teng Kheong who are members of the Board.

Appointment to current position: December 1997

Tan Soo Huat

Managing Director

Age : 68

Gender : Male

Nationality : Malaysian

Qualifications: -

- Malaysia Certificate of Examination (MCE)

Working experience: -

- More than 40 years' experience in the packaging industry.
- Joined the Group as Manager and has worked with the Group in various departments, including Administration, Production and Operation.
- Holds directorship in several subsidiaries of the Group.

Appointment to current position: July 1991

Koay Teng Liang

Executive Director/Managing Director

Age : 42

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 13 of the Annual Report.)

Koay Teng Kheong

Executive Director

Age : 38

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 13 of the Annual Report.)

Gooi Chye Soon*Executive Director*

Age : 56
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Science (Hons), University of Malaya

Working experience: -

- More than 24 years' experience in the packaging industry.
- Joined the Group as Production Manager and advanced to General Manager/Director, prior promotion to current position.

Appointment to current position: October 2016

Loo Weng Keen*General Manger/Director*

Age : 49
Gender : Male
Nationality : Malaysian

Qualifications: -

- Master of Business Administration (UK), Anglia Ruskin University

Working experience: -

- More than 26 years' experience in the packaging industry.
- Joined the business development division of the Group and advanced to General Manager, prior promotion to current position.

Appointment to current position: January 2017

Lau Chee Pong*General Manager*

Age : 52
Gender : Male
Nationality : Malaysian

Qualifications: -

- Sijil Pelajaran Malaysia ("SPM")

Working experience: -

- More than 30 years' experience in the packaging industry.
- Was working in a publishing company prior joining the Group.
- Joined the offset printing division of the Group in 1987 and advanced in the division prior promotion to current position.

Appointment to current position: June 2011

Tan Peck Sian*General Manager*

Age : 44
Gender : Male
Nationality : Malaysian

Qualifications: -

- Advanced Diploma BTEC National Printing Management, West Herts College (UK)

Working experience: -

- More than 20 years' experience in the packaging industry.
- Was working in a printing company prior joining the Group.
- Joined the Group as Sales Executive and was promoted to General Manager of PPH Display Design Sdn Bhd, a subsidiary of the Group, prior promotion to current position.

Appointment to current position: May 2008

Sonny Cheah Soo Chuan*Marketing Director*

Age : 40
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Information System, University of Melbourne

Working experience: -

- More than 14 years' experience in the packaging industry.
- Was working in the IT industry in Singapore prior joining the Group.
- Joined the Group as a Management Trainee and advanced in the business development division.
- Was promoted to Marketing Manager, prior promotion to current position.
- He is the nephew of Mr. Koay Chiew Poh, Mr. Koay Chiew Kang, Mr. Koay Chue Beng, and the cousin of Mr. Koay Teng Liang, Mr. Koay Teng Kheong who are members of the Board.

Appointment to current position: June 2010

Kenny Cheah Soo Chye*General Manager, Business Development*

Age : 38
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Economics and Commerce, University of Melbourne

Working experience: -

- More than 12 years' experience in the packaging industry.
- Joined the customer service division of the Group and moved to business development division.
- Was promoted to Senior Business Development Manager, prior promotion to current position.
- He is the nephew of Mr. Koay Chiew Poh, Mr. Koay Chiew Kang, Mr. Koay Chue Beng, and the cousin of Mr. Koay Teng Liang, Mr. Koay Teng Kheong who are members of the Board.

Appointment to current position: January 2017

Khoo Soo Choon

Admin, Human Resource Manager

Age : 57
Gender : Female
Nationality : Malaysian

Qualifications: -

- Master of Human Resource Management, University of Derby

Working experience: -

- More than 27 years' experience in the packaging industry.
- Was working in the banking industry prior joining the Group.
- Joined the Group as Executive Secretary and was promoted to current position.

Appointment to current position: September 2008

Chuah Tin Nee

Senior Operation Manager

Age : 57
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Association of Business, United Kingdom

Working experience: -

- More than 29 years' experience in the packaging industry.
- Was working in the legal industry prior joining the Group.
- Joined the Group in various departments, including Administration, Production and Operation.
- Was promoted to Operation Manager, prior promotion to current position.

Appointment to current position: March 2015

Che Puan Abdullah

Government General Affairs Manager

Age : 56
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Business Administration, University Utara Malaysia (UUM)

Working experience: -

- More than 28 years' experience in the packaging industry.
- Joined the Group as Human Resource Executive, prior promotion to current position.

Appointment to current position: September 2008

Wong Lai Chuen*Operation Manager*

Age : 52
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Business Administration, University of Mount Union

Working experience: -

- More than 24 years' experience in the packaging industry.
- Was working in the silk screen printing industry prior joining the Group.
- Joined the Group as Marketing Executive, prior promotion to current position.

Appointment to current position: April 2015

Chiang Pei Se*Corporate Manager*

Age : 42
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Accounting, University Utara Malaysia (UUM)
- Chartered Accountant, Malaysia Institute of Accountants

Working experience: -

- More than 12 years' experience in the packaging industry.
- Was working in the accounting firms prior joining the Group.
- Joined the Group as Group Accountant, prior promotion to current position.

Appointment to current position: April 2015

Notes:-**1. Family Relationship with Director and Shareholder**

None of the Key Senior Management has any family relationship with any director and/or major shareholder of PPHB, other than indicated above.

2. Conflict of Interest

None of the Key Senior Management has any conflict of interest with PPHB.

3. Conviction of Offences

None of the Key Senior Management has been convicted of any offences (other than traffic offences), in the past 5 years and there are no public sanctions or penalties imposed by any regulatory bodies during the financial year.

STATEMENT OF CORPORATE GOVERNANCE

The Board recognises the importance of adopting and maintaining high standards of corporate governance and is fully committed to conducting the Group's affairs in a transparent and objective manner, with full accountability and integrity. The Board strives to safeguard shareholders' investments and stakeholders' interests, thereby enhancing their values. This Corporate Governance Statement pursuant to paragraph 15.25 of the Bursa Malaysia Listing Requirements outlines the Group's corporate governance practices and aims to provide vital insights to the shareholders, potential investors and stakeholders. The full CG Report 2018 is available on the Company's website, www.pph.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

The Board is fully responsible for the overall governance and performance of the Group in accordance with Group's objective. The Board's role is to lead and control the Group's business and affairs on behalf of shareholders. The Board takes into consideration interests of all stakeholders in their decision making so as to ensure the Group's objective of creating long term shareholder value. The Board assumes the following key responsibilities, among others: -

- a. Develop and evaluate the Group's succession planning and talent management plans;
- b. Review, approve and monitor implementation of the strategies and business plans of the Group;
- c. Monitor and evaluate performance of the Group's business operations and activities;
- d. Oversee conduct of the Group's business, ensuring that affairs are carried out ethically and in full compliance with relevant laws and regulations;
- e. Identify principal risks and ensure execution of appropriate Risk Management and Internal Control procedures;
- f. Ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for orderly succession of the Board;
- g. Evaluate the adequacy and integrity of Company's financial and non-financial reporting of the Group; and
- h. Supervise the implementation of shareholders' communication policy.

Succession planning of the Group was set as below: -

- a. Developing a recruitment and communication strategy;
- b. Identifying expected critical position vacancies;
- c. Determining critical position;
- d. Identifying current and future competencies;
- e. Identifying gaps in current employees' competency levels;
- f. Developing individual development plans for employees;
- g. Developing and implementing coaching and mentoring programmes; and
- h. Assisting with leadership transition and development.

The Board delegates the authority and responsibility of managing day-to-day operations of the Group to the Management Team led by the Executive Chairman. The Management Team is also responsible for implementation of business plans and strategies, policies and decisions approved by the Board and communicating matters to the Board.

Executive Chairman

The Executive Chairman acts as a spokesperson for the Board and represents the Group to the shareholders. He is responsible for the overall strategic direction of the Group and takes a leading role in creating an effective corporate governance system, setting the tone at the top of practising and promoting ethical practices, good governance, as well as legal and regulatory compliances. He is also responsible for managing the boardroom dynamics, promoting a culture of openness and debate to build a high-performance board and effectuate robust decision making.

Executive Directors

The Executive Chairman is supported by the three (3) Executive Directors in day-to-day management of the Group. The Executive Directors form part of the Senior Management team and have an overall responsibility over the business operations, organisational effectiveness and efficiencies, formulation of strategies and implementation of Board policies and decisions. They are also responsible for fostering relationships with regulators and stakeholders. In light of their technical expertise and knowledge of the business and its industry, they add value to the Board's decision-making process by offering an intimate view of the workings within the Group as well as the strategic plan in action.

Independent Non-Executive Directors

The Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement, enabling their contribution towards corporate accountability. They take into account interest of the Group, shareholders, stakeholders and the communities in which the Group conducts its business, providing their unbiased and impartial views, advice and judgement. It is also their responsibility to ensure financial information announced are accurate and that the Risk Management and Internal Control systems are robust and defensible. Furthermore, the Independent Non-Executive Directors play a key role in the evaluation and review of the Board's performance and remuneration.

The Board had established several Board Committees whose compositions and Terms of Reference are in accordance with Bursa Malaysia Listing Requirements and the best practices prescribed by MCGG. The Board Committees are as below: -

- a. Audit and Risk Management Committee ("ARMC");
- b. Nominating Committee;
- c. Remuneration Committee; and
- d. Scheme Committee.

Matters Reserved for The Board

The Board Charter further defines matters that are reserved for the Board's deliberations and decision making. These matters require approvals from the Board, except where they are expressly delegated by the Board to the Management. The reserved matters include: -

- a. Approval of results announcements, Annual Report and financial statement;
- b. Matters covered by statutory requirements, Best Practice Guide and Corporate Governance;
- c. Annual review on the remuneration package for the Board;
- d. Revision of Board Remuneration Policy;
- e. Develop and evaluate the Group's succession planning and talent management plans;
- f. Monitor and evaluate performance of the Group's business operations and activities;
- g. Oversee conduct of the Group's business, ensuring that affairs are carried out ethically and in full compliance with relevant laws and regulations;
- h. Dividend policy;
- i. Supervise the implementation of shareholders' communication policy; and
- j. Matters that may have material impacts on the system of internal controls; or significantly exposes the Company and the Group to financial or operating risks.

These reserved matters are reviewed at least once every year.

Company Secretaries

The joint Company Secretaries assume key advisory roles to the Board on matters in relation to statutory and regulatory compliances, best corporate governance practices, Board's policies and procedures, as well as directors' duties and responsibilities. The Board is satisfied with the performances and competencies demonstrated.

During the financial year, the Company Secretaries have performed, among others, the following tasks: -

- a. Served notices on close period to the Directors notifying them of the close periods for trading of shares, pursuant to Bursa Malaysia Listing Requirements;
- b. Attended all Board meetings and ensured meetings are properly convened;
- c. Ensured accurate recording of minutes of proceedings and proper maintenance of secretarial records;
- d. Supported the Board in ensuring adherence to Board policies and procedures; and
- e. Facilitated the provision of information as requested by the directors.

Time Commitment

Directors are expected to devote sufficient time and effort to carry out their responsibilities. The Board will seek commitment from directors at the time of appointment. Directors are advised to notify the Chairman or the Board before accepting new directorship.

During the year, the Board is satisfied with the level of time commitment given by the directors as stipulated in the Terms of Reference towards fulfilling their roles and responsibilities as directors of the Group. The table on the next page sets out number of Board meetings held and attendance record of the directors during the financial year 2018. The Alternate Director will replace those directors who were unable to attend the Board meetings.

<u>Name of Director</u>	<u>Attendance</u>
Koay Chiew Poh	5/5
Koay Teng Liang	5/5
Koay Teng Kheong	5/5
Koay Chiew Kang	5/5
Nurjannah Binti Ali	5/5
Ng Thim Fook	5/5
Ong Eng Choon	5/5

Each member of the Board must not hold more than five (5) directorships in public listed companies. This is in compliance with the Bursa Malaysia Listing Requirements which states that directors should not sit on the boards of more than five (5) listed companies to ensure that their commitment and have the time to focus and fulfill their roles and responsibility effectively.

Training

The Board acknowledges the importance of continuous education and training in discharging its duties effectively. The Board on a continuous basis evaluates and determines the training needs of its directors. The Board members were encouraged to attend forum, seminars, trade fairs (locally and internationally) and industry conferences which enables themselves gaining insights on new developments in the business environment. Field trips to company operations by the directors and meetings with Senior Management are arranged to gain actual knowledge of staff, factory and department. All the directors had attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities and had also completed and obtained the requisite Continuing Education Programme (CEP) points accordingly.

During the financial year, the types of trainings attended by the directors were as follows: -

- (a) Koay Chiew Poh
 - Tzu-Chi Entrepreneur Camp, Taiwan
- (b) Koay Teng Liang
 - FMM Business Best Practices Seminar – Employee Engagement for High Performance and Retention
- (c) Koay Teng Kheong
 - FMM Penang Business Luncheon Talk – Building Management
- (d) Koay Chiew Kang
 - Tax Seminar – Budget 2019
- (e) Nurjannah Binti Ali
 - Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide
 - Tax Seminar – Budget 2019
- (f) Ng Thim Fook
 - Sarawak International Business Exhibition & Conference Seminar
- (g) Ong Eng Choon
 - Seminar Percukaian Kebangsaan 2018
 - Tax Audits & Investigations – Issues, Strategies & Appeals

The training programmes and seminars attended by the directors during the financial year ended 31 December 2018 are, inter-alia, on areas relating to corporate governance, risk management and sustainability. The directors will continue to undergo other relevant training programmes as appropriate to further enhance their professionalism and contribution to the Board.

Code of Ethics and Conduct

A Code of Ethics and Conduct with the objective of creating an ethical corporate climate had been adopted by the Group. It provides guidance on the standards of behaviours expected from the directors, employees as well as any other persons who represent the Group in execution of their duties and functions. Furthermore, it advises the Board on the manner in which it should act when making decisions. In formulation of the Group's Code of Ethics and Conduct, reference has been made to the Code of Ethics for directors, highlighting principles in relation to transparency, integrity, accountability and corporate social responsibility. A copy of the Code of Ethics and Conduct is published on the Group's website.

The Code outlines the principles on conducting business and interaction with business partners, customers, government and community and general work place behaviour. It provides guidance on maintaining confidentiality and disclosure of information, disclosure of conflict of interest, internal control and anti-competition practices and duty to protect the Group's assets. All employees are required to read, understand and abide by the Code. The code is subject to regular review.

Whistle-blowing policy

Any director or employee, who knows of or suspects a violation of the Code, is encouraged to lodge report with the Human Resources Manager of the Group. The violation may include fraud, criminal, misuse of confidential information and etc. The Group views false and malicious allegations seriously and will investigate and take appropriate action. The Group will treat all information received confidentially and protect the identity and interest of all whistle-blowers. There have been no reported incidents pertaining to whistle-blowing during the year.

Supply of Information

Members of the Board are supplied with unrestricted and timely information to enable effective discharge of their duties and responsibilities.

To facilitate the directors' time planning, the Board meetings as well as Board Committee meetings are scheduled and circulated to them before the beginning of every year. Special Board meetings may be convened to consider urgent proposals or matters that require expeditious decisions or deliberation by the Board. Relevant agendas and board papers containing management and financial information are distributed in advance of each Board meeting for their perusal and consideration, to enable active participation during meetings and to facilitate informed decision making. Furthermore, all directors are regularly updated on the statutory and regulatory requirements relating to their duties and responsibilities.

The directors have individual and independent access to the advice and dedicated support services of the Joint Company Secretaries in ensuring effective functioning of the Board. The Board may interact directly with the Management Team on issues under their respective purview. In addition, the Board may consult external experts for their independent and professional opinion in furtherance of its duties, at the Group's expense.

Board Charter

The Board Charter delineates the Board's strategic intent and sets out key values and principles of the Group. It defines the roles, powers and responsibilities of the Board and its directors. It acts as a source of reference and primary induction literature for prospective Board members, as well as assisting the Board in assessment of its collective performance and that of each individual director.

The Board Charter is reviewed at least once every year, reflecting changes in regulations and best practices, and to update its relevance and effectiveness. A copy of the Board Charter can be accessed from the Group's website – www.pph.com.my.

2. BOARD COMPOSITION

Composition and Size of the Board

The Board comprises four (4) Executive Directors and three (3) Independent Non-Executive Directors, in compliance with paragraph 15.02 of the Bursa Malaysia Listing Requirements where at least one third (1/3) of the Board members must be Independent Directors. Members of the Board are of diverse backgrounds, specialisation, experience, character and age.

Tenure of Independent Directors

The Code stipulates that tenure of an Independent Director should not exceed a cumulative term of nine (9) years. If the Board intends to retain Independent Directors beyond nine (9) years, it should justify and seek for annual shareholders' approval. If the Board continues to retain the Independent Directors after the twelve (12) years, the Board should seek annual shareholders' approval through two-tier voting process. However, this does not preclude the director from continuing to serve on the Board as an Independent Director, subject to strong justifications provided by the Board and approvals sought from shareholders. Rather than tenure of an Independent Director's service, the Board places greater emphasis on the director's ability to exercise unbiased judgement and his contribution towards the effective functioning of the Board.

Puan Nurjannah Binti Ali and Mr. Ng Thim Fook have served as Independent Director for tenure of twelve (12) years while Mr. Ong Eng Choon has served for tenure of nine (9) years. On 25 February 2019, the Nominating & Remuneration Committees have assessed and are satisfied that both directors: -

- a. Have fulfilled the criteria of independence as per definition set out under Chapter 1 of the Bursa Malaysia Listing Requirements;
- b. Have committed sufficient time and exercised due care during their tenure, actively participating in board meetings and discussions;
- c. Are able to capitalise on their familiarity, insights and knowledge of the Group's operations and contribute positively towards deliberations and decision-makings of the Board;
- d. Have discharged their professional duties in good faith and in the best interest of the Group and shareholders;
- e. Have vigilantly safeguarded the interest of minority shareholders, as well as stakeholders of the Group; and
- f. Have the calibre, qualifications, experience and personal qualities to challenge management in an effective and constructive manner.

The Board, therefore, recommends the retention of Puan Nurjannah Binti Ali, Mr. Ng Thim Fook and Mr. Ong Eng Choon as Independent Non-Executive Directors at the forthcoming 32nd Annual General Meeting ("AGM").

Nominating Committee

The Nominating Committee of the Company has been established since 2002. The Committee Members are as follows:-

Puan Nurjannah Binti Ali	- Chairman, Independent Non-Executive Director
Mr. Ng Thim Fook	- Member, Independent Non-Executive Director
Mr. Ong Eng Choon	- Member, Independent Non-Executive Director

The Terms of Reference and roles of Nominating Committee are as below: -

- i. To review annually and recommend to the Board with regard to the tenure, desirable balance and composition in board membership and committees, including required mix of skills, experience and core competencies of the Board.
- ii. Establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board and reviewing the performance of the members of the Board.
- iii. To consider, review, evaluate and recommend to the Board any new board appointment, whether of executive or non-executive position, to fill board vacancies as and when they arise. The Nominating Committee shall recommend to the Board with regard to the candidate for directorship based on the following: -
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity; and
 - In the case of candidates for the position of Independent Non-Executive Directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.
- iv. Reviewing of Board succession plan for directors.
- v. Ensuring that orientation and education programmes are provided to new members of the Board.
- vi. To review re-election and retirement by rotation of directors at the AGM.

No new directors were appointed during the past few years. In the event of new appointment, the process of selection and appointment is set as below: -

- a. *Search*
 - Identify the criteria that the prospective candidates should possess: age group, sex, qualifications, experience, personal attributes, skills and integrity.
 - Variety approaches and sources will be used to identify the most suitable candidates, which include sourcing from a directors' registry, recommendation of fellow Board members, business associate or trade organisation, open advertisement or use of independent search firms.
- b. *Selection*
 - After initial assessment of the CVs, a verification check is conducted through various contacts such as bankers, business associates and etc.
 - Formal interview of short-listed candidates to assess suitability and ensure that they are aware of expectations and level of commitment required.
- c. *Nomination*
 - Recommend to the Board the nomination of successful candidates.

d. *Appointment*

- Based on the recommendations by the Nominating Committee, the Board approves the appointment via resolution.
- Board to approve any other appointments to sub-committees, if appropriate.
- Issue letter of appointment setting out terms and conditions of appointment such as period of office, compensation and benefits, duties and responsibilities and termination.

He/she will stand for election at the next AGM in accordance with the Constitution of the Company.

The Nominating Committee will also ensure that the procedures for appointing new directors are transparent, rigorous and that appointments were made on merit and against objective criteria for the purpose.

The Nominating Committee meets as and when required, and at least once a year. During the financial year under review, the Nominating Committee held one (1) meeting on 25 February 2019, which was attended by all three (3) members. The Nominating Committee undertook an evaluation process involving the Board, Board Committees and director self and peer assessment. The criteria and procedures were as below: -

- a. The Nominating Committee conducted the Board Evaluation via questionnaires. The Committee assessed the effectiveness in term of composition, conduct, accountability and responsibility of the Board and Board Committees in accordance with the Terms of Reference. The directors' self and peer assessment is conducted to evaluate the mix of skills, experience and individual director's ability to contribute to the development of strategy and exercise independent judgement towards effective functioning of the Board. The Committee also evaluates the independence of Independent Directors based on the criteria of "Independence" as prescribed by the Bursa Malaysia Listing Requirements.
- b. The evaluation process is led by Chairman of the Committee with the support from the Company Secretary. The Nominating Committee will review feedbacks gathered from the evaluation identifying areas for improvements, to enhance effectiveness of the Board and recommend actions to be taken.
- c. The Board Evaluation carried out was properly documented.

The Board is satisfied with the level commitment given by the Directors towards fulfilling their roles and responsibilities. The assessment results, therefore, form a basis for Nominating Committee to recommend to the Board for re-appointment of Directors.

On the same day, the Board had also performed the activities as below: -

- i. Identified the directors who are due to re-election by rotation or re-appointment pursuant to the Company's Constitution;
- ii. Recommended on the retention of Independent Directors who had served the Group for more than nine (9) years term; and
- iii. Determined training needs of directors.

The Board acknowledges recommendation of the Code pertaining to the establishment of Boardroom gender diversity policy. As at date of this Annual Report, the Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of suitability of candidates as new Board member or as a member of workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting needs of the Group, regardless of gender. The Board currently has one (1) female director.

Remuneration Committee

The members of the Remuneration Committee are as follows: -

Puan Nurjannah Binti Ali	- Chairman, Independent Non-Executive Director
Mr. Ng Thim Fook	- Member, Independent Non-Executive Director
Mr. Ong Eng Choon	- Member, Independent Non-Executive Director
Mr. Koay Chiew Poh	- Member, Executive Chairman

The specific responsibility of the Remuneration Committee is reviewing the remuneration framework and package for the members of the Board and recommends the same to the Board for approval. The remuneration of directors is set at levels that would enable the Company to attract and retain directors with relevant expertise and the experience necessary in managing the Group effectively. Directors do not participate in decisions regarding their own remuneration packages. The remuneration package of the Executive Chairman is approved by the full Board on the recommendation of the Remuneration Committee.

The current remuneration policy for directors is as follows: -

(a) Components of remuneration packages and link between the remuneration and business strategy as below: -

(i) Remuneration package of Executive Directors

The remuneration package of the Executive Directors consists both fixed and performance-linked elements. The performance of Executive Directors is reviewed annually by taking into consideration: -

1. The remuneration package that supports Group's objective and strategies;
2. Accountability and responsibility; and
3. Yearly performance.

(ii) Fees for Non-Executive Directors

The fees of directors, including Non-Executive Directors, are endorsed by the Board for approval by the shareholders of the Company at the AGM. All Non-Executive Directors are paid annual fixed director fees for serving as members of the Board. The director fee reflects the experience, level of responsibilities and contribution, and the time spent in attending to the Group matters.

(b) Nature of commitments

The Remuneration Committee held its annual meeting on 25 February 2019 to review remuneration package of the Executive Directors and Senior Management. This is to ensure the remuneration packages offered are in line with the Group policies and can attract or retain directors who contribute to the success of the Group. During the meeting, the Committee had also reviewed the Independent Non-Executive Director remuneration packages, benefits and expenses to be incurred by them in the course of carrying out their duties. The proposed Director's fee and benefits for the financial year 2019 will be tabled for shareholders' approval in the forthcoming AGM of the Company.

The aggregate remuneration of the Directors of the Group paid or payable by the Group for the financial year under review are as follow: -

	Fee RM'000	Salary RM'000	Bonus RM'000	Other emoluments RM'000	Benefit in-kind RM'000	Total RM'000
Executive Director						
Koay Chiew Poh	-	160	-	48	-	208
Koay Chiew Kang	-	300	275	228	17	820
Koay Teng Liang	-	300	150	374	7	831
Koay Teng Kheong	-	291	150	247	18	706
Koay Chue Beng	-	264	160	159	-	583
Non-Executive Director						
Nurjannah Binti Ali	56	-	-	-	-	56
Ng Thim Fook	-	-	-	-	-	-
Ong Eng Choon	30	-	-	-	-	30
Total	86	1,315	735	1,056	42	3,234

The details of the aggregate remuneration (including salary, bonus, benefits in-kind and other emoluments) of the top (5) senior management staff in band of RM50,000 during the financial year are as below: -

Remuneration Range	Number of Senior Management Staff
Between 300,001 – RM350,000	1
Between 350,001 – RM400,000	3
Between 400,001 – RM450,000	1

In view of competitive pressures in the labor market on retaining talent, the Board has opted not to disclose the remuneration of senior management on named basis as recommended by the Malaysia Code on Corporate Governance 2017 (MCCG 2017). The Board believes that disclosure of the remuneration bands is sufficient to meet the objectives of the MCCG 2017.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The ARMC is tasked to oversight the role on effectiveness of Audit and Risk Management of the Group. Currently, the Committee consist of three (3) Independent Non-Executive Directors. They undertake its role and responsibilities as set out set out in pages 28 to 31 of this Annual Report.

Assessment of suitability and independence of External Auditors

Through the Audit Committee, the Board maintains a transparent and professional relationship with the Group's External Auditor, Grant Thornton. The External Auditors are invited to attend the Audit Committee meetings to discuss their audit plans, audit findings and statutory financial statements. The Audit Committee meets with the External Auditors at least twice a year without presence of the Executive Directors, Senior Management Team or Internal Auditor to discuss management reports and management's response where the External Auditors are invited to raise any matter that required the Board's attention.

Great emphasis is placed on the objectivity, suitability and independence of the External Auditors. The Audit Committee has performed its annual assessment of the performance, technical competency and independence of the External Auditors and obtained written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement for the financial year prior recommending their re-appointment to the Board. Shareholder's approval will be sought at the forthcoming AGM.

Risk management and internal control

The Board acknowledges its responsibilities to maintain a sound internal control system including financial controls, operational and compliance controls as well as governance and risk management to safeguard of shareholders' investments, stakeholders' interests and the Group's assets. The Statement on Risk Management and Internal Control of the Group are set out in pages 28 to 31 of this Annual Report.

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders

The Board recognises the importance of a high quality, ongoing dialogue as it helps to build trusts and understanding, as well as providing better appreciation of the Group's objectives, quality of its management and challenges. Shareholders, prospective investors and stakeholders are kept abreast with the development of the Group through timely release of financial results, along with various announcements made to Bursa Securities. During the AGM, the Chairman delivers a brief presentation on the financial performance and activities of the Group throughout the year. Members of the Board are available to respond to any questions, shareholders may have. The External Auditor are also present to provide their professional and independent clarification on the issues and concerns raised by shareholders.

Conduct of general meetings

The AGM is the primary forum for dialogue and interaction with both institutional and individual shareholders. Members of the Board, the Senior Management team as well as the External Auditors are present to provide clarification to any questions that shareholders may have in relation to the business activities of the Group. It also provides an ideal opportunity for shareholders to communicate their expectations and concerns.

During the meeting, the Chairman will inform shareholders, proxies and corporate representative on their rights to demand for a poll vote at the commencement of a general meeting. In line the Group's Constitution, substantive resolutions are put to vote by poll and the outcome announced to Bursa Securities.

At the 31st AGM held on 28 May 2018. Members of the Board, the Company Secretaries and External Auditors have attended the Meeting. All resolutions put to the Meeting were unanimously approved.

Additional Compliance Information

The following information is provided in compliance with paragraph 9.25 of the Bursa Malaysia Listing Requirements.

1. **Audit Fees and Non-Audit Fees**

The amount of audit fees and non-audit fees received by the External Auditors of the Group during the financial year ended 31 December 2018 are as below:-

PAID BY	AUDIT FEE (RM'000)	NON-AUDIT FEE (RM'000)
Company	23	-
Group	139	-

2. **Material Contracts involving Directors and Substantial Shareholders**

There were no material contracts entered by the Company and its subsidiaries involving directors and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

3. **Utilisation of Proceeds Raised from Corporate Proposal**

The Company does not have any corporate proposal during the financial year ended 31 December 2018.

4. **Recurrent Related Party Transaction of A Revenue or Trading Nature**

Other than related party transactions entered into the ordinary course of business as disclosed in Note 32 to the financial statements, there are no other significant recurrent related party transactions of a revenue or trading nature.

5. **Employees' Share Scheme**

At an Extraordinary General Meeting held on 29 August 2017, the Company's shareholders approved the establishment of a Scheme, comprises of an Employee Share Option Scheme ("ESOS") and an Employee Share Grant Scheme ("ESGS"). The Scheme is administered by the Scheme Committee which is appointed by the Board, in accordance with the By-laws of the Scheme. The Scheme shall be in force for a period of five (5) years commencing from 6 October 2017, unless extended for another five (5) years.

The Company does not grant any options under the ESOS and ESGS during the year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to present the following statement on Risk Management and Internal Control of the Group which has been prepared pursuant to paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the “Statement on Risk Management Control: Guidelines for Directors of Listed Issuers”.

BOARD RESPONSIBILITY

The Board recognises the importance of effective Risk Management and Internal Control practices to safeguard shareholders’ investments and Group’s assets. The Board acknowledges its overall responsibility to identify principal risks within the Group, ensure implementation of appropriate systems to manage these risks, as well as review the adequacy and integrity of the Group’s system of internal control.

These systems are designed to manage Group’s risks within the acceptable level, rather than eliminate risk of non-achievement of the Group’s policies, goals and objectives. Therefore, these systems only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives. For the purpose of these statements, joint ventures are not dealt with as part of the Group.

The ARMC had been set up on 26 February 2018 to oversee and ensure the effectiveness implementation of the Risk Management and Internal Control of the Group. The members of ARMC are as below: -

Puan Nurjannah Binti Ali	- Chairman, Independent Non-Executive Director
Mr. Ng Thim Fook	- Member, Independent Non-Executive Director
Mr. Ong Eng Choon	- Member, Independent Non-Executive Director

Risk Management Team

The Risk Management activities were delegated to Risk Management Team to oversees and executes Risk Management and Internal Control systems with the following objectives: -

- Ensuring uninterrupted delivery of goods and services in the event of disruptions;
- Safeguarding the Group’s assets and reputation;
- Preserving the safety and health of employees;
- Ensuring that operations are not adversely affected by the environment;
- Ensuring compliance of regulatory requirements; and
- Promoting risk awareness and maintaining a risk-controlled culture.

The team led by the Group Managing Director and assisted by Senior Management, identifies and evaluates potential risks during periodical Internal Unit Meetings. Significant matters and relevant mitigation plans are reported by Group Managing Director to the Audit Committee and Board in Board meetings during the financial year. Thereafter, mitigations plans are executed by Senior Management and monitored by the team.

Risk Management Framework

Risk Management is firmly embedded in the Group’s management system as the Group believes that prudent Risk Management is vital for sustainability and enhancement of shareholders’ value. To ensure alignment of activities with the Group’s strategic objectives and compliance with regulatory requirements, the Group has implemented a Risk Management framework to identify, measure, assess and manage significant risks affecting the Group. This framework is reviewed periodically to ensure its relevance and adequacy to managing risks, which continue to evolve along with changing business environment. This review is conducted by the Board via Audit Committee.

Risk Management Process

Risks which might affect the Group’s operations and business includes exposure to market dynamics and environmental factors, competition, changes in the supply chain, customers’ behaviour, occupational health and safety, Group’s reputation, business continuity, adequacy of internal controls and many more. Although some factors might not be within control of the Group, risks are nevertheless identified, classified and where possible action plans developed to mitigate those risks.

The Group's Risk Management process are categorised into four broad processes as follows:-



(a) Risk Identification

All potential events that could adversely impact the achievement of business objectives, including failure to capitalise on opportunities are identified. Informal management discussions are held by the Executive Directors with the Senior Management Team to identify potential business-related risk throughout the financial year. Updates and feedbacks are generally reported by Divisional and Departmental Head.

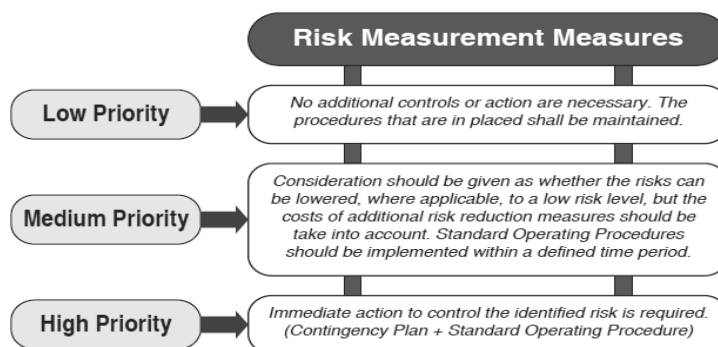
(b) Risk Evaluation and Categorisation

The identified risks are then evaluated to determine their impact on the relevant business strategies and objectives, and the likelihood of each risk. The Risk Matrix shown below is utilized to classify the impact and likelihood of each risk event ranging from "Low Priority to High Priority". This will then assist the Group in optimal allocation of resources and preparation of most appropriate responses to manage and mitigate identified risks.

		IMPACT (EFFECT)		
		IRREVERSIBLE	TOLERABLE	NEGLECTIBLE
LIKELIHOOD	VERY LIKELY	HIGH PRIORITY	HIGH PRIORITY	MEDIUM PRIORITY
	LIKELY	HIGH PRIORITY	MEDIUM PRIORITY	LOW PRIORITY
	UNLIKELY	MEDIUM PRIORITY	LOW PRIORITY	LOW PRIORITY

(c) Risk Mitigation

Risk mitigation involves development of mitigation plans designed to manage, eliminate or reduce risk to an acceptable level. In this stage, risk owners with vast experience (usually Senior Managers of the Group) are responsible for identifying of action plans. Impact of risks can be categorized as Low, Medium or High Priority and appropriate responses are developed as outlined in the table below:-



(d) Risk Monitoring & Review

As part of the Risk Management process, frequent meetings are held between the Group Managing Director, Risk Management Team, Division Heads and Senior Managers. Identified risks and action plans are monitored, reviewed and revised on an on-going basis to ensure adequacy and effectiveness. The monitoring of risk is further enhanced by internal audits carried out in accordance with internal audit plan approved by the Audit Committee.

Risk Profile

The implementation of the Risk Management Process had resulted the identification of number of risks that may impact the Group's business. The significant risks identified: -

- Risk of outstanding debts; and
- Risk of stock ageing

Internal Control

The Group's internal control system encompasses controls relating to financial, operational, risk management as well as compliance with laws, regulations, policies and guidelines. The effectiveness and integrity of these internal controls is overseen and periodically reviewed by the Board, while operationally monitored by Management of various organization levels. Through well-planned delegation of responsibilities, the Risk Management Team proactively identifies, analyses, mitigates and monitors significant business risks, ensuring that the risks are within tolerance limit established by the Board. Regular reviews are performed to ensure the Risk Management and Internal Control system is adequate and remains effective.

The key elements of the Group's internal control system and activities are described as below: -

- **Risk Management Process**

Risk Management system is in place to assist the Board in assessing overall risks exposure of the Group and ensuring appropriate implementation of systems to manage those risks. ARMC is reviewing periodically the effectiveness, adequacy and integrity of the Group's risk management framework and internal control system to ensure appropriate implementation of systems to manage those risks.

- **Organisation Structure**

A formal organisation structure is in place to define the function, reporting line and responsibility of Management staff. This organisation structure serves to facilitate quick response to changes in the evolving business environment supervision of day to day business operations and accountability for operation performance.

- **Financial Review Control**

Audit Committee meets quarterly to review the quarterly financial reports and to ensure the financial reports are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 so as to give a true and fair view of the Group's financial position. These financial statements are presented to the Board for approval prior being released to Bursa Malaysia.

- **Policies, Procedures and Limit of Authority**

Standard operating procedures are established for operating units and departments within the units, illustrating detailed operating procedures and controls, at all levels and in all functions. Activities such as approvals, authorizations, verifications, reconciliations, operating performance assessments, security of assets and segregation of duties are included. The manuals are reviewed and updated on an on-going basis to ensure compliance with internal controls, directive, laws and regulations.

- **Internal Audit**

Periodic review of the Group's internal control system is executed by the Internal Audit Division, in accordance with annual plan approved by the Audit Committee. The Head of Internal Audit examines, evaluates and reports the effectiveness and efficiency of the Group's internal control system. Findings and corrective measures are communicated to Division Heads and Senior Managers of the respective departments. Subsequently, audit findings, recommendations and management responses are reviewed by the Audit Committee during Audit Committee Meetings and directed to the Board for rectification.

- **Compliance Audit**

Yearly audits are carried out by SIRIM in relation to the ISO 9001:2008 Quality Management System (ISO9001) and ISO14001:2004 Environment Management System (ISO14001). These audits ensure compliance with international standards and conditions improvement of product and service quality as well as environmental performance.

- **Employees' Competency**

Employment and termination procedures are established and annual performance appraisals are performed to confirm employees' competency. Furthermore, training and development programs are provided to enhance employees' knowledge, skills and abilities for effective and efficient job performance.

- **Insurance and Safeguard of Assets**

Group assets are insured to ensure protection against mishaps and other perils which might result in material losses. Annual reviews are performed by the Management during policy renewals to maintain sufficient coverage.

REVIEW OF STATEMENT

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this statement for inclusion in the 2018 Annual Report. Based on their review, the External Auditors believe that these Statements are consistent with their understanding of the process adopted by the Board in assessing the adequacy and integrity of the Group's system of internal control. These Statements were approved by the Board on 01 April 2019.

CONCLUSION

In the Board meeting held on 01 April 2019, the Group Managing Director has given assurance to the Board that the Risk Management and Internal Control system is operating adequately and effectively, in all material aspects during the financial year under review.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The details of attendances of each Audit Committee members at Audit Committee meetings held during year 2018 are as follows: -

NAME OF AUDIT COMMITTEE MEMBER	ATTENDANCE AT AUDIT COMMITTEE MEETINGS
Puan Nurjannah Binti Ali Chairman, Independent Non-Executive Director	5
Mr. Ng Thim Fook Member, Independent Non-Executive Director	5
Mr. Ong Eng Choon Member, Independent Non-Executive Director	5

TERMS OF REFERENCE

The full Terms of Reference setting out the Audit Committee composition, meeting procedures, authority, and functions and duties can be viewed at Company's website, www.pph.com.my.

SUMMARY OF ACTIVITIES

The Audit Committee has discharged its duties as set out in its Terms of Reference. During the financial year, the activities of the Audit Committee include: -

1. FINANCIAL REPORTING

- (a) The Audit Committee reviewed the unaudited quarterly financial results with management before submission to the Board of Directors for consideration, approval and release to Bursa Malaysia Securities Berhad. The reviews were focused on: -
- Changes in or implementation of major accounting policy changes;
 - Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - Compliance with accounting standards and other legal requirements.

2. EXTERNAL AUDIT

- (a) On 25 November 2018, the Audit Committee reviewed with the External Auditors the audit plan of the Group and of the Company for the financial year ended 2018, outlining their scope of work, recent development in the Group, financial reporting updates and proposed fees for statutory audit prior to the commencement of the annual audit.
- (b) On 26 February 2019 and 01 April 2019, the Audit Committee reviewed the results of the External Auditors' audited report together with management's response to the findings of the External Auditors before recommending for Board's approval.
- (c) The Audit Committee met with the External Auditors without presence of management on 25 November 2018, 26 February 2019 and 01 April 2019, to discuss assistance provided by the management to them during the course of audit, and audit findings which they would want to bring to the attention of the Audit Committee.
- (d) On 01 April 2019, the Audit Committee assessed the suitability of External Auditors based on Bursa Malaysia's Corporate Governance Guide Second Edition on their: -
- Caliber and quality of work;
 - Independence and objectivity;
 - Communication; and
 - Professionalism.

The Audit Committee was satisfied that External Auditors meet all the established criteria. In addition, Audit Committee obtained written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement for the financial year. Accordingly, recommendation was made to the Board for their re-appointment to audit the financial statements for the next financial year upon shareholders' approval.

3. INTERNAL AUDIT

- (a) On 26 February 2018, the Audit Committee reviewed and approved the internal audit plans for the financial year ended 2018. During the exercise, Audit Committee reviewed the adequacy and relevance of the scope, functions, resources, risk-based audit plans, and results of the internal audit processes, with the Head of Internal Audit, and confirmed that she has the necessary authority to carry out the work.
- (b) Audit reports based on audit plan approved by the Audit Committee were presented by the Head of Internal Audit on 28 May 2018, 27 August 2018, 26 November 2018 and 25 February 2019. The Head of Internal Audit also provided updates to the Audit Committee in respect of implementation of management plans or agreed course of action on the findings reported during audit.
- (c) On 25 February 2019, the Audit Committee reviewed performance of the Internal Auditors based on adequacy of the scope, competency and resources of the Internal Audit function prior to recommendations to the Board of Directors on their appointment.

4. RECURRENT RELATED PARTY TRANSACTIONS (RRPT)

- (a) Reviewed the related party transactions entered into by the Group and by the Company and the disclosure of such transactions in the Annual Report of the Company. The review includes: -
 - The transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Group and its minority shareholders;
 - Adequate oversight over the internal control procedures with regard to such transactions; and
 - Compliance with policy on related party transactions.
- (b) Reviewed the proposals and circular to shareholders in connection with recurrent related party transactions of revenue or trading nature prior to submitting to Bursa Malaysia Securities Berhad, if any.

5. OTHERS

- (a) Audit Committee reviewed the extent of the Group's compliance with the principles and recommendations set out under the Malaysian Code of Corporate Governance ("MCCG") for the purpose of preparing the Statement of Corporate Governance and the Statement of Risk Management and Internal Control for inclusion in the Company's Annual Report for year ended 31 December 2018. Audit Committee had recommended to the Board action plans to address the identified gaps between the Group's existing Corporate Governance practices and prescribed Corporate Governance principles and recommendations under the Code.
- (b) Reviewed and revised its Terms of Reference for compliance with the new amendments to the Bursa Listing Requirements affecting the Audit Committee, for recommendation to the Board for its approval.
- (c) Reviewed the Employee Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Internal Audit function reports directly to the Audit Committee. Its responsibilities include the provision of reasonable assurance to all levels of management concerning the overall control over assets and the effectiveness of the system of internal control in achieving the Company's overall objectives. The Internal Audit function also includes various internal audits on all operating units of the Group and to submit its findings and recommendations to the Committee and Senior Management of the subsidiaries.

ACTIVITIES OF INTERNAL AUDIT FUNCTION

The Internal Audit function is carried out by a team of in-house Internal Auditors, who reports directly to the Audit Committee. The Internal Auditors have direct access to Audit Committee on all internal control and audit issues. The role of Internal Auditors are assisting the Audit Committee in reviewing, examining and evaluating the effectiveness of the Group's internal control system whilst ensuring that there is an appropriate balance of controls and risks in achieving its business objective.

The Internal Auditors are an independent function from the Group's operations. The Internal Auditors adopt a risk-based approach towards the planning and conduct of audits consistent with the Group's objective in designing, implementing and monitoring of control system. Annual internal audit plan is developed in consideration of the audit history and Group's risk that the Board and Management are focused in, and approved by Audit Committee during the first Audit Committee meeting of the year.

The Internal Auditors carried out its activities based on the annual internal audit plan approved by Audit Committee. During year 2018, the Internal Auditors completed a total of 34 audit assignments. The audit covered various operation areas of the Group, which were as below: -

- (i) Procurement Management;
- (ii) Sales and Account Receivable Management;
- (iii) Inventory and Warehouse Management;
- (iv) Human Resource and Payroll Management;
- (v) Production and Quality Control Management; and
- (vi) GST Compliance.

After each audit, the findings and recommendations are submitted to the heads of the subsidiaries in which the audit was carried out. The management of the audited subsidiary is obliged to respond to the findings and recommendations to the in-house Internal Auditors. Thereafter, a follow up audit is carried out to ensure that the recommendations of the in-house Internal Auditors are followed through.

The External Auditors also meet up with the in-house Internal Auditors twice a year to exchange views and audit findings. The External Auditors will also review the recommendations given by the in-house Internal Auditors to the Group or its subsidiaries in which the audit was carried out.

Head of Internal Audit meet with the Audit Committee on quarterly basis. The internal audit reports on audits conducted at each audited subsidiary are presented and reported at the Audit Committee meeting.

In summary, the Board of Directors, working with the Audit Committee, carries out the ongoing process monitoring the effective application of policies, processes and activities related to internal control and are responsible to ensure that the Group's system of internal control is in place.

During the year ended 31 December 2018, the Group incurred **RM265,000** to carry out the Internal Audit function performed by the in-house Internal Auditors.

STATEMENT OF SUSTAINABILITY

PPHB is committed to ensure that all our business activities are performed to high standards of social and environmental conduct to maximise long-term value creation, essentially benefiting our stakeholders. This statement describes how PPHB manages the sustainability strategies in economic, environment and social (“ESS”) issue.

Sustainability Structure

The Board is closely supported by Senior Managements who is responsible for developing and executing the sustainability strategy plans. A comprehensive program will be drawn up and will be presented to the Board on yearly basis. The team is led by the Managing Directors. They are responsible to develop a set sustainability targets together with action plans to achieve the target.

Stakeholder engagement

PPHB recognised the important of stakeholder engagement and committed to continuously engage various stakeholders in timely, effective and transparent manner. Our approaches to our direct and indirect stakeholders are summaries as below: -

Stakeholder	Type of engagement	Outcome
Customers	- Regular/Periodic audit on operation - Customer’s feedback - Ad-hoc meeting - Innovative offerings	- Long term relationships - Price competitive - Quality products - Timely delivery
Employee	- Procurement practices and competitive remuneration - Annual performance appraisal - Training programs - Meetings and gatherings - Annual festive gathering and birthday celebration - Staff briefing	- Compensation and benefits - Continuous learning and skill upgrading - Safety and health - Better work environment
Investors/ Shareholders	- Financial results - Company announcements - Annual reports - Circulars - AGM - Corporate website	- Strong and sustainable financial performance - Continuous business growth - Transparency
Government	- Participation with programs organised by government bodies - Meetings	- Regulatory compliance - Transparency
Supplier	- Fair procurement - Transparency - Product quality - Inventory/supply commitment - Delivery - Payment	- Cost efficiencies - Quality products - Maintaining partnership
Communities	- Donations to charitable organisations - Provide industrial training to graduates - Scholarships - Local employment (include disable persons) - Organising Corporate Social Responsibility (CRS) activities	- To give back to the community

Material Sustainability Matters

During the financial year, various initiatives undertaken by the Group are summarised as below: -

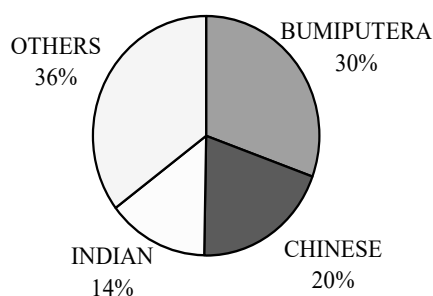
1. ECONOMIC

Equal opportunities

The Group has extended employment opportunities to people with disabilities such as the visually impaired and provides support as well as assistance to employees with disability. As at year end, a total 17 disable persons were employed.

In addition, the Group practices fair work opportunities in its workplace and does not discriminate people against age, gender, ethnicity or nationality, apart from preference for locals over foreigners in its staff recruitment. The career advancement opportunities were based on individual performance. As at 31 December 2018, PPHB have total of 982 (2017: 1,077) staffs across the Group and 28.9% (2017: 30.5%) of the workforce comprise women employees, including executive and Senior Managements.

The ethnicity of the workforce is as follow:



Safe and Healthy Environment

The Group strives to provide a safe and healthy working environment for all employees. Safety education and trainings on emergency responses are held to inculcate a conscientious attitude as well as increase awareness among employees. During the year, there were 2 fire drill and evacuation exercises from PPHB's properties had been conducted.

Continuous Training

The Group stresses on continuous training and upgrading knowledge and skills of employees in discharging their responsibilities effectively. In-house training in different areas are frequently organised to increase the competency among of workers. Employees are also encouraged and sponsored to attend external seminars, workshops and exhibitions, keeping abreast of new developments in respective field of expertise.

Fair Compensation and Benefits

Other than standard fair remuneration policy, employees are rewarded based on their contribution to the Group. The "Chairman Award" event was introduced to reward the Group's top performing employee. Employee's contribution is measure against its respective key performance indicators. Employees with excellent performance were awarded with attractive cash rewards.

The Group complies with the statutory requirement to contribute to the Employees' Provident Fund ("EPF"), Social Security Organisation ("SOCSO") and Employment Insurance System ("EIS"). The Group also bears the cost of outpatient medical attention and fees of employees. In addition, employees are insured under the Group Hospitalisation and Surgical Scheme.

The Group also incorporates a wellness program in its corporate culture, to promote healthier work environment and lifestyles. Vegetarian lunch boxes are provided to selected operations as an effort to encourage health-conscious eating habits. This activity is also a way of giving back to the employees, acknowledge their hard work and rewarding employees by subsidising their cost of living.

2. ENVIRONMENTAL

5S Organisation Method

The 5S (Sort, Set in Order, Shine, Standardise and Sustain) workplace organisation method is embedded in the corporate culture, highlighting the importance of an organised work space which eliminates waste, reduces costs and boosts productivity, thus increasing effectiveness and efficiency of the Group's business conducts.

Waste Maintenance and Management

The Group recognises its responsibility towards the environment and makes every effort to protect, preserve and minimise adverse impacts of its operations. The 3R's initiative of reduce, reuse and recycle are implemented throughout the organisation. In operation, the waste produced were properly segregated, converted or recycled. Reputable and licensed waste collectors were engaged to handle the waste. Whilst for office buildings, its employees are encouraged to switch off non-essential lightings and recycling paper are practiced at all times.

3. SOCIAL

Charitable Event

The Group continues its support to a wide range of charities. During the year, the Group has made donations to numerous charitable organisations, including the Buddhist Tzu Chi Merit Society Malaysia and Penang Han Chiang Associated Chinese School Association.

Scholarship

The Group has sponsored the cost for full time Malaysian students pursuing studies for diploma and bachelor's degree at local institutions of higher learning. As at to-date, eight (8) students were rewarded under Group's scholarship programme.

Industrial Training

The Group supports internship programmes of several local universities and/or colleges. Students are assigned to different positions within the Group's operation with the aim of providing practical training in their designated job area. It also allows students to gain insights into how business organisations operate in general. Furthermore, these internship programmes enable the Group to tap into talents from local universities and/or colleges upon their graduations. In year 2018, a total of 7 interns were provided the opportunity.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and the results and cash flows of the Group and of the Company for the financial year then ended. As required by the Act and the Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

The directors consider that in preparing the financial statements for the year ended 31 December 2018, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The directors have responsibility for ensuring the Group and the Company keep accounting records, which disclose with reasonable accuracy financial position of the Group and of the Company, which also enable them to ensure that the financial statement comply with the Act. The directors have general responsibility for taking steps as are reasonably open to them to safeguard the shareholders' interest and the assets of the Group and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2018**.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of financial, administrative and advisory services to its subsidiaries.

The principal activities of its subsidiaries are stated in Note 6 to the financial statements.

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

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation for the financial year	19,008	8,837

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2018** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

No dividend has been declared or paid by the Company since the end of the previous financial year.

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

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are as disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

EMPLOYEE SHARE GRANT SCHEME ("ESGS")

The Company's ESGS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 29 August 2017. The ESGS will be in force for a maximum period of five years till 6 October 2022.

The salient features, terms and details of the ESGS are disclosed in Note 36 to the financial statements.

DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:

Directors of the Company:

Koay Chiew Poh
Koay Chiew Kang
Koay Teng Liang
Koay Teng Kheong
Nurjannah Binti Ali
Ng Thim Fook
Ong Eng Choon
Koay Chue Beng (alternate director to Koay Chiew Poh)

Directors of the subsidiaries:

Koay Chiew Lee
Koay Chew Guan
Tan Soo Huat
Ooi Siew Hong
Loo Weng Keen
Gooi Chye Soon
Che Puan Bt. Abdullah
Wong Lai Chuen
Tan Peck Sian
Koay Chue Beng
Teoh Ewe Seng (resigned on 28.5.18)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	-----Number of ordinary shares -----			
	Balance at 1.1.18	Bought	Sold	Balance at 31.12.18
Direct Interest:				
Koay Chiew Poh	7,283,394	-	-	7,283,394
Koay Chiew Kang	1,834,107	-	-	1,834,107
Koay Chue Beng	634,900	-	-	634,900
Koay Teng Liang	99,995	-	-	99,995
Koay Teng Kheong	20,000	-	-	20,000
Deemed Interest:				
Koay Chiew Poh	84,287,434	-	-	84,287,434
Koay Chiew Kang	6,923,423	-	-	6,923,423
Koay Chue Beng	6,745,714	-	-	6,745,714

The remaining directors in office at the end of the financial year do not have any interest in shares in the Company.

By virtue of his shareholding in the Company, **Mr. Koay Chiew Poh** is also deemed interested in the shares of all the subsidiaries of the Company, to the extent that the Company has interests.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Group and of the Company are as follows:

	COMPANY RM'000	SUBSIDIARIES RM'000	GROUP RM'000
Fee	86	-	86
Salaries, allowance and bonus	-	4,722	4,722
Defined contribution plans	-	778	778
Benefits-in-kind	-	97	97
	86	5,597	5,683

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the share options granted pursuant to the Employee Share Grant Scheme.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given or insurance effected for any of the directors, officers or auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts off; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had 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:

- (i) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; and
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading; and
- (iv) that 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.

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

- (i) 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; and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
- (ii) 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 to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The total amount of fees receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2018 are RM138,700 and RM23,000 respectively.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....
Koay Chiew Poh

.....
Koay Teng Liang

Penang,

Date: 12 April 2019

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 48 to 105 are properly 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 2018** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors

.....
Koay Chiew Poh

.....
Koay Teng Liang

Date: 12 April 2019

STATUTORY DECLARATION

I, **Ooi Siew Hong**, the officer primarily responsible for the financial management of **Public Packages Holdings Berhad** do solemnly and sincerely declare that the financial statements set out on pages 48 to 105 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **12th**)
day of **April 2019**.)
)

.....
Ooi Siew Hong
(I/C No. 530304-07-5174)

Before me,

.....
Goh Suan Bee
No.: P125
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PUBLIC PACKAGES HOLDINGS BERHAD

Company No. 162413-K
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Public Packages Holdings Berhad**, which comprise the statements of financial position as at **31 December 2018** of the Group and of the Company, and the statements of 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 significant accounting policies, as set out on pages 48 to 105.

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 2018** 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 judgment, 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.

Independent Auditors' Report To The Members Of Public Packages Holdings Berhad (cont'd)

Company No. 162413-K

(Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<i>Appropriateness and measurement of carrying amount and existence of property, plant and equipment (Refer to Notes 2.6 and 4 to the financial statements)</i> The Group carries significant property, plant and equipment which comprise mainly of land, buildings, plant and machinery. There are a number of areas that could impact the carrying amount of property, plant and equipment, these include: - the decision to capitalise the assets; - the selection of appropriate useful lives of the assets; and - the indication of impairment where assets are not recoverable at their carrying amount. As property, plant and equipment represents a material amount to the Group, there is a risk that expenditure on property, plant and equipment is inappropriately recognised against <i>MFRS 116 Property, Plant and Equipment</i> and that assets are not recoverable at their carrying amount.	Our audit procedures included, amongst others: - Obtaining an understanding of: - the Group's capitalisation process; - the Group's assessment on the useful lives attributed to the assets; - how the Group identifies impairment indicators; and - how the Group makes the accounting estimates for impairment. - Reviewing the estimated useful lives, residual values and depreciation method; - Performing physical sighting on a sample basis; - Reviewing the safeguard controls over the physical custody of property, plant and equipment; - Assessing indication of impairment and adequacy of impairment loss of property, plant and equipment; - Performing depreciation reasonableness test; and - Examine ownership, including title deeds sighting of properties with significant values.
<i>Allowance for expected credit losses of trade receivables (Refer to Notes 2.6 and 9 to the financial statements)</i> The Group has significant trade receivables as at the reporting date and is subject to credit risk exposures. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures included, amongst others: - Obtaining an understanding of: - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the loss allowance of trade receivables; and - how the Group makes the accounting estimates for loss allowance. - Reviewing the application of the Group's policy for calculating the expected credit loss. - Considering the ageing of the trade receivables and testing the reliability thereon. - Evaluating techniques and methodology applied for the expected credit loss approach against the requirements of MFRS 9. - Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.

There are no key audit matters in the audit of the separate financial statements of the Company.

Independent Auditors' Report To The Members Of Public Packages Holdings Berhad (cont'd)

Company No. 162413-K

(Incorporated in Malaysia)

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 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 scepticism 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 of the Company's internal control.

**Independent Auditors' Report To The Members Of
Public Packages Holdings Berhad (cont'd)**
Company No. 162413-K
(Incorporated in Malaysia)

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 6 to the financial statements.

Other Matter

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.

Grant Thornton
No. AF: 0042
Chartered Accountants

Penang

Date: 12 April 2019

John Lau Tiang Hua
No. 01107/3/2020 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		GROUP		COMPANY	
	NOTE	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	148,650	121,513	1	1
Investment properties	5	10,715	10,715	-	-
Investment in subsidiaries	6	-	-	56,884	56,884
Investment in joint ventures	7	21,042	22,631	15,100	15,100
Other investments	8	1,479	1,615	*	*
Trade receivable	9	693	1,904	-	-
		<u>182,579</u>	<u>158,378</u>	<u>71,985</u>	<u>71,985</u>
Current assets					
Inventories	10	21,745	22,464	-	-
Trade receivables	9	51,713	46,378	-	-
Other receivables, deposits and prepayments	11	2,818	3,693	2	2
Amount due from subsidiaries	12	-	-	55,483	33,148
Tax recoverable		2,265	1,875	18	17
Cash and cash equivalents	13	52,782	58,414	13,615	26,700
		<u>131,323</u>	<u>132,824</u>	<u>69,118</u>	<u>59,867</u>
TOTAL ASSETS		<u>313,902</u>	<u>291,202</u>	<u>141,103</u>	<u>131,852</u>
EQUITY AND LIABILITIES					
Share capital	14	94,361	94,361	94,361	94,361
Revaluation reserve	15	386	386	29,345	29,345
Fair value adjustment reserve	16	228	364	-	-
Foreign translation reserve	17	1,276	1,280	-	-
Retained profits	18	126,585	107,577	16,676	7,839
Total equity		<u>222,836</u>	<u>203,968</u>	<u>140,382</u>	<u>131,545</u>
Non-current liabilities					
Finance lease liabilities	19	5,633	8,896	-	-
Borrowings	20	10,300	5,418	-	-
Deferred tax liabilities	21	8,662	9,086	-	-
		<u>24,595</u>	<u>23,400</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	22	11,061	11,013	-	-
Other payables and accruals	23	15,301	14,027	46	24
Contract liabilities	24	459	-	-	-
Finance lease liabilities	19	3,774	4,540	-	-
Borrowings	20	34,407	33,037	675	283
Provision for taxation		1,469	1,217	-	-
		<u>66,471</u>	<u>63,834</u>	<u>721</u>	<u>307</u>
Total liabilities		<u>91,066</u>	<u>87,234</u>	<u>721</u>	<u>307</u>
TOTAL EQUITY AND LIABILITIES		<u>313,902</u>	<u>291,202</u>	<u>141,103</u>	<u>131,852</u>

* Represents RM1

The accompanying notes form an integral part of these financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	NOTE	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	25	198,257	177,704	9,796	6,924
Cost of sales		<u>(140,173)</u>	<u>(123,601)</u>	<u>-</u>	<u>-</u>
Gross profit		58,084	54,103	9,796	6,924
Other income		2,064	2,311	-	-
Selling and distribution expenses		(16,010)	(16,725)	-	-
Administrative expenses		<u>(18,212)</u>	<u>(16,651)</u>	<u>(874)</u>	<u>(414)</u>
Profit from operations		25,926	23,038	8,922	6,510
Finance costs		(2,628)	(2,748)	(31)	(23)
Share of results of joint ventures		<u>1,210</u>	<u>439</u>	<u>-</u>	<u>-</u>
Profit before taxation	26	24,508	20,729	8,891	6,487
Taxation	27	<u>(5,500)</u>	<u>(5,204)</u>	<u>(54)</u>	<u>(52)</u>
Profit for the financial year		19,008	15,525	8,837	6,435
Other comprehensive (loss)/income, net of tax:					
Items that will be reclassified subsequently to profit or loss					
Fair value adjustment on available-for-sale financial assets		(136)	128	-	-
Foreign currency translation differences for foreign operations		(4)	(227)	-	-
Other comprehensive (loss)/income for the financial year		<u>(140)</u>	<u>(99)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year, attributable to owners of the Company		<u>18,868</u>	<u>15,426</u>	<u>8,837</u>	<u>6,435</u>
Basic earnings per share attributable to owners of the Company (sen per share)	28	<u>10.08</u>	<u>8.23</u>		

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

		----- Attributable to Owners of the Company -----						
		----- Non-distributable -----				Distributable -		
	NOTE	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Foreign Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
2018								
Balance at beginning		94,361	-	386	364	1,280	107,577	203,968
Total comprehensive income for the financial year		-	-	-	(136)	(4)	19,008	18,868
Balance at end		94,361	-	386	228	1,276	126,585	222,836
2017								
Balance at beginning		54,949	1,295	386	236	1,507	130,005	188,378
Total comprehensive income for the financial year		-	-	-	128	(227)	15,525	15,426
Transition to no-par value regime on 31 January 2017		1,295	(1,295)	-	-	-	-	-
<i>Transactions with owners:</i>								
Bonus issue	14	37,953	-	-	-	-	(37,953)	-
Issuance of shares pursuant to ESGs	14	164	-	-	-	-	-	164
Total transactions with owners		38,117	-	-	-	-	(37,953)	164
Balance at end		94,361	-	386	364	1,280	107,577	203,968

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

			-----Non-distributable-----	- Distributable -		
	NOTE	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
2018						
Balance at beginning		94,361	-	29,345	7,839	131,545
Total comprehensive income for the financial year		-	-	-	8,837	8,837
Balance at end		94,361	-	29,345	16,676	140,382
2017						
Balance at beginning		54,949	1,295	29,345	39,357	124,946
Total comprehensive income for the financial year		-	-	-	6,435	6,435
Transition to no-par value regime on 31 January 2017		1,295	(1,295)	-	-	-
Transactions with owners:						
Bonus issue	14	37,953	-	-	(37,953)	-
Issuance of shares pursuant to ESGS	14	164	-	-	-	164
Total transactions with owners		38,117	-	-	(37,953)	164
Balance at end		94,361	-	29,345	7,839	131,545

The accompanying notes form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	24,508	20,729	8,891	6,487
Adjustments for:				
Bad debts	37	31	640	-
Depreciation	5,809	7,286	-	-
Dividend income from joint ventures	-	-	(1,500)	-
Dividend income from quoted investments	(71)	(77)	-	-
Dividend income from unquoted subsidiaries	-	-	(7,450)	(5,800)
Dividend income from short term funds	(1,343)	(1,224)	(586)	(864)
Fair value adjustment on investment properties	-	(1,308)	-	-
Impairment loss on goodwill on consolidation	-	56	-	-
Impairment loss on investment in a joint ventures	1,299	-	-	-
Interest expense	2,628	2,748	31	23
Interest income	(92)	(65)	(260)	(260)
Inventories written off	-	117	-	-
(Gain)/Loss on disposal of property, plant and equipment	(65)	228	-	-
Property, plant and equipment written off	-	265	-	-
Reversal of allowance for expected credit losses	(10)	-	-	-
Share of results of joint ventures	(1,210)	(439)	-	-
Unrealised loss on foreign exchange	58	254	-	-
Operating profit/(loss) before working capital changes	31,548	28,601	(234)	(414)
Decrease/(Increase) in inventories	719	(2,930)	-	-
Increase in receivables	(3,292)	(1,642)	-	-
Increase in payables	1,777	4,207	22	2
Cash generated from/(used in) operations	30,752	28,236	(212)	(412)
Dividend received	2,914	1,301	9,536	6,664
Interest paid	(2,628)	(2,748)	(31)	(23)
Interest received	86	65	260	260
Income tax paid	(6,181)	(5,956)	(65)	(65)
Income tax refunded	119	863	10	45
Net cash from operating activities	25,062	21,761	9,498	6,469
CASH FLOWS FROM INVESTING ACTIVITIES				
* Acquisition of property, plant and equipment	(32,571)	(17,073)	-	-
Proceeds from disposal of property, plant and equipment	238	820	-	-
Proceeds from issuance of shares pursuant to ESGs	-	164	-	164
Purchases of other investments	-	(157)	-	-
Placement of fixed deposits	(3,000)	-	-	-
Net change in subsidiaries	-	-	(22,975)	(6,582)
Net cash used in investing activities	(35,333)	(16,246)	(22,975)	(6,418)
Balance carried forward	(10,271)	5,515	(13,477)	51

The accompanying notes form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	(10,271)	5,515	(13,477)	51
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loans	5,581	1,827	-	-
Drawdown/(Repayment) of bills payable and trust receipts	2,378	(1,843)	-	-
(Repayment)/Drawdown of finance lease liabilities	(4,577)	4,643	-	-
(Repayment)/Drawdown of murabahah financing	(600)	2,305	-	-
Repayment of term loans	(792)	(944)	-	-
Net cash from financing activities	1,990	5,988	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,281)	11,503	(13,477)	51
Effects of changes in exchange rates on cash and cash equivalents	(42)	(111)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	51,964	40,572	26,417	26,366
CASH AND CASH EQUIVALENTS AT END	43,641	51,964	12,940	26,417
Represented by:				
Cash and cash equivalents (Note 13)	49,571	58,209	13,615	26,700
Bank overdrafts	(5,930)	(6,245)	(675)	(283)
	43,641	51,964	12,940	26,417
* Acquisition of property, plant and equipment				
Total acquisition	33,119	18,047	-	-
Acquired under finance lease	(548)	(974)	-	-
Total cash acquisition	32,571	17,073	-	-

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Wisma Public Packages, Plot 67, Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2019.

Principal Activities

The principal activities of the Company are investment holding and the provision of financial, administrative and advisory services to its subsidiaries.

The principal activities of its subsidiaries are stated in Note 6 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset 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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- | | |
|---------|---|
| Level 2 | Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable. |
| Level 3 | Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable. |

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (“RM”) which is also the Group’s and the Company’s functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2.4 Adoption of Amendments/Improvements to MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Initial application for the above standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption except for:

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 in relation to classification, measurement and impairment are recognised in retained profits.

The natures of the changes of adopting MFRS 9 are described below:

Classification and measurement

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group. The Group continued to measure at fair value all financial assets previously held at fair value under MFRS 9. The changes in the classification of the Group’s trade receivables and other financial assets (i.e., other receivables, refundable deposits and cash and cash equivalents) previously classified as loans and receivables as at 31 December 2017 which are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest, are now classified and measured as debt instruments and measured at amortised cost beginning 1 January 2018.

Impairment

The adoption of MFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing MFRS 9’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach. MFRS 9 requires the Group to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss and for contract assets.

The Group applies simplified approach to recognise lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information. Given that (i) the customers of the Group are mainly well established and financially sound companies with no history of default in prior years, the management considers the historical default rate of the financial assets to be minimal; and (ii) the customers of the Group operate in the geographical regions where no adverse change in the business environment is anticipated, the management considers that the forward looking default rate to be minimal across all ageing bands. As a result, no provision for impairment of trade receivables and contract assets is made as the impact is insignificant.

For other financial assets measured at amortised cost, the Group applies general approach to recognise 12-month ECL as there is no significant increase in credit risk since initial recognition. After considering the factors as set out in Note 3.7.3, the management is of opinion that ECL rate applied for other financial assets measured at amortised cost is insignificant as the risk of default is low and the outstanding balance is insignificant.

The Group has not designated any financial liabilities as at fair value through profit or loss and therefore, there are no changes to the classification and measurement for the Group's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The adoption of MFRS 15 results in changes in accounting policies for revenue recognition, and has no material financial impact on the substance of the principals applied by the Group to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remains generally unaltered. No adjustment to the opening balance of retained profits had been made as there are no changes in timing of the revenue recognition. The comparative information which was reported under MFRS 111, MFRS 118 and related Interpretations was not restated.

Presentation of contract liabilities

In previous financial years, deposits received from customers are part of contract balances which were presented in the consolidated statement of financial position under "Other payables and accruals".

Under MFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

To reflect the changes of adopting MFRS 15 as disclosed in Note 23 and 24 to the financial statements, the Group has reclassified "Deposits received" of RM3,959,965 which was included under "Other payables and accruals" in the previous financial year to contract liabilities as at 1 January 2018.

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2019

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 16 Leases

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today’s accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group is currently assessing the impact of MFRS 16 and plan to adopt MFRS 16 on the required effective date using the modified retrospective approach.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

Plant and machinery are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery to be within 5 to 30 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery. A reduction in the estimated useful lives of the plant and machinery would increase the depreciation charge and decrease the non-current assets.

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least once a year or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Inventories

The management reviews for damage, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(v) Provision for expected credit losses (“ECL”) of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below:

3.1 Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of an investment in a subsidiary, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) **Joint arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for each of its interest in the joint venture using the equity method.

Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) **Transactions eliminated on consolidation**

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

3.2 **Goodwill**

Goodwill represents the excess of the cost of acquisition of subsidiaries and jointly controlled entities over the Group's interest in the fair value of the identifiable net assets at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is presented separately in the statement of financial position while goodwill arising on the joint ventures is included within the carrying amount of investment in joint ventures.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. Impairment losses on goodwill are not reversed.

For the purpose of the impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

3.3 **Property, Plant and Equipment**

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

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	2%
Leasehold land and buildings	Amortise over lease period of 45 to 52 years
Apartments	Amortise over lease period of 85 years
Plant and machinery	3.3% - 20%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Electrical installations	10%
Renovation	10%

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each financial period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceed and its carrying amount is included in profit or loss.

3.4 Investment Properties

Investment properties are properties which are held either to earn rental or for capital appreciation or for both. Such properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at fair value. Fair value of the investment properties is determined by comparing its current value with recent sale of similar properties in the vicinity with appropriate adjustments made to different location, floor area and other relevant factors before arriving to the fair value of the investment properties.

Gains or losses arising from changes in the fair value of such properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3.3 up to the date of change in use.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.6 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and non-current assets (or disposal groups) classified as held for sale) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of CGU that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. To compute the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Financial Instruments

3.7.1 Initial recognition and measurement

Financial assets or financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.7.2 Classification and measurement of financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets, other than those designated as hedging instruments, are classified into the following categories:

- amortised cost ("AC");
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

However, in the current financial year, the Group does not have any financial assets which are categorised as FVTPL.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

(i) Debt investments

Quoted debt instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instrument is not designated as at FVTPL. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(ii) Equity investments

This category comprises investments in equity that is not held for trading and any subsequent changes to their fair value are recognised in OCI. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of the cost of investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Previous financial year

Financial assets were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement. However, the Group did not have any financial assets that were categorised (i) at fair value through profit or loss and (ii) held-to-maturity except for loans and receivables and available for sale financial assets category.

Financial assets as loans and receivables

Loans and receivables category comprises debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Financial assets as available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

3.7.3 Financial assets - Impairment

All financial assets are subject to review for impairment.

Current financial year

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements include loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

Stage 1

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;

Stage 2

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and

Stage 3

- financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime ECL' are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) is assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3.7.4 Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.7.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7.6 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 the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.

3.7.7 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.8 **Inventories**

Inventories comprising raw materials, work-in-progress, finished goods and other consumables are carried at the lower of cost and net realisable value. Inventories that are damaged and obsolete are written off. Cost is determined on the first-in, first-out basis. Cost of raw materials and other consumables includes purchase price and other incidental costs. Cost of work-in-progress and finished goods include cost of raw materials, direct labour and attributable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sales.

3.9 **Cash and Cash Equivalents**

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.10 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation 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 measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.11 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.12 **Revenue Recognition**

According to MFRS 15, revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue of the Group and of the Company are measured on the following basis:

3.12.1 **Revenue from sale of goods**

Revenue is recognised at a point in time when control of the goods is transferred to the customer, generally on the delivery of the goods.

3.12.2 **Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset.

3.12.3 Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

3.12.4 Revenue from lease rental

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3.12.5 Provision of management services

Revenue is recognised on the dates the services are rendered and completed which is upon the satisfaction of performance obligation at a point in time.

3.12.6 Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.13 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Some of the Group's foreign subsidiaries also make contributions to their respective country's statutory pension schemes.

Employee share grant scheme ("ESGS")

ESGS are offered in recognition of the individual contributions of selected management officers of the Group and executive directors of the Company ("Scheme Participants") towards the development, growth and success of the Group. The ESGS will be vested to the Scheme Participants at no consideration, subject to the Scheme Participants' fulfilment of vesting conditions to be stipulated and determined by the Scheme Committee, which may include, amongst others, the achievement of individual performance as measured by qualitative and quantitative key performance indicators, during such period as stipulated in the ESGS. The cost of these share-based transactions with Scheme Participants is measured by reference to the fair value of the share grant which is equivalent to five (5) day volume average market price on which the share grant are granted and exercised. This cost is recognised in profit or loss as at the end of the reporting period.

3.14 **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available to set off against the unutilised tax incentive.

3.15 **Goods and Services Tax (“GST”) and Sales and Service Tax (“SST”)**

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The Finance Ministry has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.16 **Foreign Currency**

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve ("FTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

3.17 **Share Capital, Share Issuance Expenses and Dividends**

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Prior to Companies Act 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

3.18 Segment Reporting

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. All operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Directors, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.20 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group.
- (ii) Has significant influence over the Group.
- (iii) Is a member of the key management personnel of the Group or of the ultimate holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both the Group and the Company entity are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the ultimate holding company or the Group.
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. **PROPERTY, PLANT AND EQUIPMENT**

GROUP

2018

	At cost				
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance at end RM'000
Freehold land and buildings	59,360	26	-	-	59,386
Leasehold land and buildings	16,076	735	-	-	16,811
Apartments	565	-	-	-	565
Plant and machinery	100,449	1,523	(128)	(17)	101,827
Motor vehicles	5,098	129	(871)	-	4,356
Furniture, fittings and office equipment	10,652	137	(18)	(43)	10,728
Electrical installations	871	6	-	-	877
Renovation	2,661	204	-	-	2,865
Capital work-in-progress	14,216	30,359	(7)	-	44,568
	209,948	33,119	(1,024)	(60)	241,983
	Accumulated depreciation				
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Balance at end RM'000
Buildings	4,497	294	-	-	4,791
Leasehold land and buildings	5,258	805	-	-	6,063
Apartments	285	7	-	-	292
Plant and machinery	62,170	4,036	(30)	(17)	66,159
Motor vehicles	3,523	323	(812)	-	3,034
Furniture, fittings and office equipment	10,069	210	(9)	(43)	10,227
Electrical installations	678	30	-	-	708
Renovation	1,955	104	-	-	2,059
	88,435	5,809	(851)	(60)	93,333
					Carrying amount RM'000
Freehold land and buildings					54,595
Leasehold land and buildings					10,748
Apartments					273
Plant and machinery					35,668
Motor vehicles					1,322
Furniture, fittings and office equipment					501
Electrical installations					169
Renovation					806
Capital work-in-progress					44,568
					148,650

2017

	At cost						Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassification RM'000	Foreign currency translation RM'000	
Freehold land and buildings	59,231	129	-	-	-	-	59,360
Leasehold land and buildings	12,806	2,891	-	-	379	-	16,076
Apartments	565	-	-	-	-	-	565
Plant and machinery	95,468	1,608	(1,444)	(1,434)	6,251	-	100,449
Motor vehicles	6,402	400	(1,704)	-	-	-	5,098
Furniture, fittings and office equipment	10,498	97	-	-	61	(4)	10,652
Electrical installations	861	10	-	-	-	-	871
Renovation	2,517	82	-	-	63	(1)	2,661
Capital work-in-progress	8,140	12,830	-	-	(6,754)	-	14,216
	<u>196,488</u>	<u>18,047</u>	<u>(3,148)</u>	<u>(1,434)</u>	<u>-</u>	<u>(5)</u>	<u>209,948</u>
	Accumulated depreciation					Foreign currency translation RM'000	Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000			
Buildings	4,210	287	-	-	-	-	4,497
Leasehold land and buildings	4,561	697	-	-	-	-	5,258
Apartments	278	7	-	-	-	-	285
Plant and machinery	58,621	5,501	(783)	(1,169)	-	-	62,170
Motor vehicles	4,426	414	(1,317)	-	-	-	3,523
Furniture, fittings and office equipment	9,837	235	-	-	(3)	-	10,069
Electrical installations	647	31	-	-	-	-	678
Renovation	1,842	114	-	-	(1)	-	1,955
	<u>84,422</u>	<u>7,286</u>	<u>(2,100)</u>	<u>(1,169)</u>	<u>(4)</u>		<u>88,435</u>
						Carrying amount RM'000	
Freehold land and buildings							54,863
Leasehold land and buildings							10,818
Apartments							280
Plant and machinery							38,279
Motor vehicles							1,575
Furniture, fittings and office equipment							583
Electrical installations							193
Renovation							706
Capital work-in-progress							<u>14,216</u>
							<u>121,513</u>

COMPANY

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2018			
At cost	171	-	171
Accumulated depreciation	170	-	170
Carrying amount	1	-	1
2017			
At cost	171	-	171
Accumulated depreciation	170	-	170
Carrying amount	1	-	1

- (a) The carrying amount of property, plant and equipment of the Group held under finance lease are as follows:

	GROUP	
	2018 RM'000	2017 RM'000
Plant and machinery	13,257	15,255
Motor vehicles	762	1,166
	14,019	16,421

Leased assets are pledged as security for the related finance lease liabilities (Note 19).

- (b) The carrying amount of property, plant and equipment of the Group charged to licensed banks as securities for banking facilities granted to the subsidiaries are as follows:

	GROUP	
	2018 RM'000	2017 RM'000
Freehold land	23,078	23,078
Plant and machinery	829	870
	23,907	23,948

5. **INVESTMENT PROPERTIES**

	GROUP	
	2018	2017
	RM'000	RM'000
At fair value:		
Balance at beginning	10,715	9,407
Fair value adjustment recognised in profit or loss	-	1,308 *
Balance at end	10,715	10,715
At fair value:		
Leasehold land	5,800	5,800
Buildings	4,915	4,915
	10,715	10,715

* The directors revalued the investment properties in this financial year based on an independent valuer's opinion on the open market value basis.

A subsidiary's investment properties with carrying amount of **RM7,700,000** (2017: RM7,700,000) are charged to financial institutions for banking facilities granted to that subsidiary.

The analysis of the income and direct expenses of the investment properties are as follows:

	GROUP	
	2018	2017
	RM'000	RM'000
Rental income	160	180
Direct expenses		
- Rental generating	37	44
- Non-rental generating	13	13

For fair value of investment properties for disclosure purpose, refer to Note 34 to the financial statements.

6. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2018	2017
	RM'000	RM'000
Unquoted shares		
- At valuation	49,884	49,884
- At cost	7,000	7,000
	56,884	56,884

The details of the subsidiaries, all of which were incorporated in Malaysia, except where indicated are as follows:

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2018	2017	
Direct subsidiaries			
Public Packages Sdn. Bhd.	100%	100%	Manufacturing and retailing of corrugated cartons and packing materials.
PPH Printing & Packaging (Penang) Sdn. Bhd.	100%	100%	Manufacturing of offset printed display boxes.

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2018	2017	
PPH Printing & Packaging (Kulim) Sdn. Bhd.	100%	100%	Manufacturing of gift and display boxes.
Public Packages Properties Sdn. Bhd.	100%	100%	Property investment.
PPASIA Media Packaging Sdn. Bhd.	100%	100%	Design and sale of paper products.
PPH Plaza Sdn. Bhd.	100%	100%	Property development and hotel management. However, the subsidiary did not undertake such activities during the financial year. Instead the subsidiary lets out its property for rental income.
PPH Resources Sdn. Bhd.	100%	100%	Investment holding.
PPH Management (M) Sdn. Bhd.	100%	100%	Provision of management services.
Indirect subsidiaries			
Public Packages (NT) Sdn. Bhd.	100%	100%	Manufacturing of corrugated cartons.
Public Packages (Prai) Sdn. Bhd.	100%	100%	Manufacturing and retailing of corrugated cartons and packing materials.
# Tharco Container (Malaysia) Sdn. Bhd.	-	100%	Dormant.
Quay Hotel Sdn. Bhd.	100%	100%	Dormant.
Public Packages (Shah Alam) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated cartons and packing materials.
PPH Display Design Sdn. Bhd.	100%	100%	Trading of paper products and providing poster printing services.
Public Packages Asia Sdn. Bhd.	100%	100%	Manufacturing of paper products and packaging materials.
* Public Packages Asia (S) Pte. Ltd. (Incorporated in Singapore)	100%	100%	Total packaging solution provider.
* Not audited by Grant Thornton.			

2018

- # Tharco Container (Malaysia) Sdn. Bhd. (“Tharco”) was successfully strike off from the register of the Companies Commission of Malaysia on 13 December 2018. The deconsolidation of Tharco does not have any material impact on the financial statements of the Group.

7. INVESTMENT IN JOINT VENTURES

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	19,112	19,112	15,100	15,100
Share of results:				
Previous year	10,519	10,080	-	-
Current year	1,210	439	-	-
	11,729	10,519	-	-
Less: Dividend received	(8,500)	(7,000)	-	-
Impairment losses	(1,299)	-	-	-
	21,042	22,631	15,100	15,100

The details of the joint ventures, all of which were incorporated in Malaysia, except where indicated are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2018	2017	
Direct			
^ PPH Teckwah Value Chain Sdn. Bhd.	50%	50%	Investment holding and the provision of management services to related companies.
New Merit Development Sdn. Bhd.	50%	50%	Investment holding.
Indirect			
^ Kyaw Tha PPH Co., Ltd (Incorporated in Myanmar)	25%	25%	Manufacturing, sale and export of paper products and packaging.

^ Not audited by Grant Thornton.

The following table summarises the financial information of PPH Teckwah Value Chain Sdn. Bhd. ("PTVC"), New Merit Development Sdn. Bhd. ("NMD") and Kyaw Tha PPH Co., Ltd. ("KYAW") adjusted for any differences in accounting policies and reconciled the information to the carrying amount of the Group's interest in the joint ventures, which are accounted for using the equity method.

GROUP	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
As at 31 December 2018				
Assets and liabilities				
Non-current assets	12,193	31,927	-	44,120
Current assets excluding cash and cash equivalents	12,413	1,198	-	13,611
Cash and cash equivalents	6,715	1,280	-	7,995
Non-current liabilities	(430)	-	-	(430)
Current liabilities	(5,520)	(14,618)	-	(20,138)
Net assets	25,371	19,787	-	45,158
Reconciliation of net assets to carrying amount				
Group's share of net assets	12,685	9,893	-	22,578
Goodwill	(10)	(1,526)	-	(1,536)
Carrying amount in the statement of financial position	12,675	8,367	-	21,042

	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
Year ended 31 December 2018				
Results				
Revenue	37,090	1,488	-	38,578
Cost of sales excluding depreciation	(29,585)	-	-	(29,585)
Depreciation	(839)	-	-	(839)
Other income excluding interest income	1,338	-	-	1,338
Interest income	168	-	-	168
Interest expense	(23)	-	-	(23)
Other expenses	(6,148)	(106)	-	(6,254)
Profit before taxation	2,001	1,382	-	3,383
Taxation	(615)	(347)	-	(962)
Profit after taxation	1,386	1,035	-	2,421
Group's share of total comprehensive income	693	517	-	1,210
Contingent liabilities				
Corporate guarantee extended by PTVC to licensed banks for banking facilities granted to a subsidiary of PTVC	5,000	-	-	5,000

During the financial year, the Group has fully impaired the investment in Kyaw Tha PPH Co., Ltd.

	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
As at 31 December 2017				
Assets and liabilities				
Non-current assets	5,701	9,500	3,873	19,074
Current assets excluding cash and cash equivalents	12,259	9,078	2,196	23,533
Cash and cash equivalents	15,102	178	31	15,311
Non-current liabilities	(177)	-	-	(177)
Current liabilities	(5,900)	(4)	(1,931)	(7,835)
Exchange fluctuation reserve	-	-	1,028	1,028
Net assets	26,985	18,752	5,197	50,934
Reconciliation of net assets to carrying amount				
Group's share net of assets	13,492	9,376	1,299	24,167
Goodwill	(10)	(1,526)	-	(1,536)
Carrying amount in the statement of financial position	13,482	7,850	1,299	22,631

	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
Year ended 31 December 2017				
Results				
Revenue	37,786	-	6,586	44,372
Cost of sales excluding depreciation	(29,556)	-	(7,276)	(36,832)
Depreciation	(873)	-	(395)	(1,268)
Other income excluding interest income	750	-	68	818
Interest income	270	-	-	270
Interest expense	(10)	-	-	(10)
Other expenses	(6,283)	(49)	(681)	(7,013)
Profit/(Loss) before taxation	2,084	(49)	(1,698)	337
Taxation	(184)	-	(246)	(430)
Profit/(Loss) after taxation	1,900	(49)	(1,944)	(93)
Group's share of total comprehensive income/(loss)	950	(25)	(486)	439
Contingent liabilities				
Corporate guarantee extended by PTVC to licensed banks for banking facilities granted to a subsidiary of PTVC	5,000	-	-	5,000
Commitments				
Contracted and not provided for				
- Investment property	-	14,500	-	14,500

8. OTHER INVESTMENTS

	2018 RM'000	2017 RM'000
GROUP		
# Financial assets at fair value through other comprehensive income		
Unquoted investments in Malaysia		
- at valuation	10,286	10,286
- at cost	510	510
Impairment	(10,796)	(10,796)
Carrying amount	*	*
Quoted investments at fair value		
- in Malaysia	277	340
- outside Malaysia	1,202	1,275
	1,479	1,615
Total carrying amount	1,479	1,615
COMPANY		
# Financial assets at fair value through other comprehensive income		
Unquoted investments in Malaysia		
- at valuation	10,286	10,286
Impairment	(10,286)	(10,286)
Carrying amount	*	*

* Represents RM1

Upon adoption of MFRS 9 on 1 January 2018, other investment previously classified under available for sales financial assets are now reclassified under financial assets at fair value through other comprehensive income.

9. **TRADE RECEIVABLES**

	GROUP	
	2018	2017
	RM'000	RM'000
Non-current assets		
Total amount	2,068	2,612
Less: Receivable within next twelve months included under current assets	(1,375)	(708)
	693	1,904
Current assets		
Trade receivables	51,852	46,527
Less: Allowance for expected credit losses/ Impairment losses		
Balance at beginning	(149)	(149)
Recovered	10	-
Balance at end	(139)	(149)
	51,713	46,378
Total	52,406	48,282

The currency profile of trade receivables are as follows:

	GROUP	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	41,358	40,355
US Dollar	8,237	6,686
Singapore Dollar	2,811	1,241
	52,406	48,282

The trade receivables are non-interest bearing and are generally on **30 to 90 days** (2017: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

In the financial year ended 31 December 2013, a subsidiary had entered into a settlement agreement with a debtor having financial difficulties. The debt repayment terms are as follows:

Principal sum	Repayment terms	Commencement date
RM		
4,405,341	84 equal monthly instalments of approximately RM52,445 each.	July 2013

10. **INVENTORIES**

	GROUP	
	2018	2017
	RM'000	RM'000
Raw materials	9,053	8,007
Work-in-progress	1,926	5,085
Finished goods	9,740	7,652
Other consumables	1,026	1,720
	21,745	22,464

	GROUP	
	2018	2017
	RM'000	RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	140,173	123,484
Inventories written off	-	117
	<u>140,173</u>	<u>123,601</u>

11. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	GROUP	
	2018	2017
	RM'000	RM'000
Total amount	4,400	5,275
Less: Allowance for expected credit losses/ Impairment losses	(1,582)	(1,582)
	<u>2,818</u>	<u>3,693</u>
Represented by:		
Other receivables	766	1,166
Refundable deposits	455	874
Prepayments	1,442	1,136
GST receivables	155	517
	<u>2,818</u>	<u>3,693</u>

The currency profile of other receivables, deposits and prepayments are as follows:

	GROUP	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	2,421	2,763
US Dollar	361	355
Singapore Dollar	36	51
Euro	-	524
	<u>2,818</u>	<u>3,693</u>

	COMPANY	
	2018	2017
	RM'000	RM'000
Total amount	1,502	1,502
Less: Allowance for expected credit losses/ Impairment losses	(1,500)	(1,500)
	<u>2</u>	<u>2</u>
Represented by:		
Refundable deposits	2	2
	<u>2</u>	<u>2</u>

12. **AMOUNT DUE FROM SUBSIDIARIES**

	COMPANY	
	2018	2017
	RM'000	RM'000
Interest bearing @ 6.25% (2017: 6.25%) per annum	4,163	4,163
Non-interest bearing	51,320	28,985
	55,483	33,148

The amount due from subsidiaries is unsecured and is repayable on demand.

13. **CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unencumbered:				
Short term funds with licensed financial institutions	36,177	42,784	13,485	25,399
Fixed deposits with licensed banks	150	-	-	-
Cash and bank balances	13,244	15,425	130	1,301
	49,571	58,209	13,615	26,700
Encumbered:				
Fixed deposits with licensed banks	3,211	205	-	-
	52,782	58,414	13,615	26,700

The currency profile of cash and cash equivalents are as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	48,899	53,019	13,615	26,700
US Dollar	910	1,610	-	-
Australian Dollar	15	-	-	-
Singapore Dollar	2,958	3,785	-	-
	52,782	58,414	13,615	26,700

The encumbered fixed deposits of the Group are charged to licensed banks as security for banking facilities granted to certain subsidiaries.

The effective interest rates per annum of the fixed deposits and short term funds at the end of the reporting period are as follows:

GROUP	2018	2017
	%	%
Short term funds with licensed financial institutions	3.20 to 3.84	3.72
Fixed deposits with licensed banks	2.72	2.81
COMPANY		
Short term funds with a licensed financial institution	3.20	3.72

14. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
Balance at beginning	188,624	109,896	94,361	54,949
Transition to no-par value regime on 31 January 2017	-	-	-	1,295
Bonus issue	-	78,497	-	37,953
Issuance of share pursuant to ESGS	-	231	-	164
Balance at end	188,624	188,624	94,361	94,361

2017

During the previous financial year, the issued and paid-up share capital was increased from RM54,948,249 to RM94,360,156 by way of the following:

- (i) Bonus issue of 78,496,503 new ordinary shares on the basis of five (5) bonus share for every seven (7) existing ordinary shares held through the capitalisation of RM37,953,490 from retained profits;
- (ii) 230,500 new ordinary shares arising from the exercise of options under Employee Share Grant Scheme ("ESGS") at an exercise price of RM0.71 per share; and
- (iii) Transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM1,294,762 to become part of the Company's share capital.

15. **REVALUATION RESERVE**

GROUP

This is in respect of the surplus on revaluation of property net of deferred tax and is non-distributable.

COMPANY

This is in respect of surplus on revaluation of the Company's investment in subsidiaries and is non- distributable.

16. **FAIR VALUE ADJUSTMENT RESERVE**

GROUP

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, recognised through other comprehensive income.

17. **FOREIGN TRANSLATION RESERVE**

GROUP

This is in respect of foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

18. **RETAINED PROFITS**

COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

19. **FINANCE LEASE LIABILITIES**

	GROUP	
	2018	2017
	RM'000	RM'000
Non-current liabilities		
Within one year	4,187	5,172
More than one year and less than two years	3,857	5,400
More than two years and less than five years	2,123	4,125
More than five years	45	100
	10,212	14,797
Finance charges	(805)	(1,361)
	9,407	13,436
Carrying amount at end	(3,774)	(4,540)
Amount due within one year included under current liabilities	5,633	8,896
Current liabilities	3,774	4,540

The effective interest rates for finance lease liabilities range from **2.54% to 3.70%** (2017: 2.54% to 3.37%) per annum. The finance lease liabilities are secured by way of the leased assets (Note 4 (a)) and corporate guarantees of the Company.

20. **BORROWINGS**

	2018	2017
	RM'000	RM'000
GROUP		
Non-current liabilities		
Term loans	10,300	5,418
Current liabilities		
Bank overdrafts	5,930	6,245
Bill payables	24,580	22,204
Term loans	2,936	909
Murabahah financing	961	3,679
	34,407	33,037
Total	44,707	38,455
COMPANY		
Current liabilities		
Bank overdraft	675	283

The borrowings are secured by way of:

- (i) legal charge over the land and building and plant and machinery of certain subsidiaries;
- (ii) pledged of fixed deposits of certain subsidiaries;
- (iii) negative pledge;
- (iv) facility agreement;
- (v) joint and several guarantee of subsidiaries; and
- (vi) corporate guarantees of the Company.

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
GROUP						
2018						
Bank overdrafts	7.95 to 8.35	5,930	5,930	-	-	-
Bill payables	3.95 to 5.43	24,580	24,580	-	-	-
Term loans	4.91 to 8.10	13,236	2,936	711	5,904	3,685
Murabahah financing	3.70 to 8.00	961	961	-	-	-
2017						
Bank overdrafts	7.70 to 9.15	6,245	6,245	-	-	-
Bill payables	3.69 to 5.31	22,204	22,204	-	-	-
Term loans	4.66 to 7.75	6,327	909	825	3,530	1,063
Murabahah financing	3.45 to 8.00	3,679	3,679	-	-	-
COMPANY						
2018						
Bank overdraft	8.35	675	675	-	-	-
2017						
Bank overdraft	8.35	283	283	-	-	-

21. **DEFERRED TAX LIABILITIES**

	GROUP	
	2018 RM'000	2017 RM'000
Balance at beginning	9,086	10,241
Transfer to profit or loss	(510)	(1,009)
	8,576	9,232
Under/(Over) provision in prior year	86	(146)
	8,662	9,086
Represented by:		
Deferred tax assets	(546)	(799)
Deferred tax liabilities	9,208	9,885
	8,662	9,086

The deferred tax liabilities/(assets) are represented by temporary differences arising from:

	GROUP	
	2018	2017
	RM'000	RM'000
- Property, plant and equipment	6,417	6,206
- Revaluation, net of related depreciation	3,327	3,414
- Unabsorbed tax losses	(938)	(452)
- Unabsorbed capital allowances	(144)	(82)
	8,662	9,086

22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	10,944	10,451
US Dollar	63	539
Singapore Dollar	46	23
Hong Kong Dollar	8	-
	11,061	11,013

The trade payables are non-interest bearing and are normally settled on **30 to 120 days** (2017: 30 to 120 days) terms.

23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
* Other payables	10,815	9,883	21	-
Accruals	3,424	3,097	25	24
Deposits received	123	68	-	-
GST payables	94	979	-	-
SST payable	845	-	-	-
	15,301	14,027	46	24

* Included in other payables is deposits received from customers amounting to RM3,959,965 upon placing sales orders. Under MFRS 15, this amount is reclassified to contract liabilities as at 1 January 2018 and disclosed separately in Note 24.

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	14,652	13,593	46	24
Singapore Dollar	567	433	-	-
Others	82	1	-	-
	15,301	14,027	46	24

GROUP

Included in other payables is an amount of **RM971** (2017: RM3,472) due to a company in which certain directors of the Company have financial interests. It is unsecured, non-interest bearing and is repayable on demand.

24. CONTRACT LIABILITIES

	GROUP	
	2018	2017
	RM'000	RM'000
Contract liabilities arising from receiving deposits for sales orders	459	-

The Group has initially applied MFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of MFRS 15, "Deposits received" for sales orders which were previously included under "Other payables and accruals" were reclassified to contract liabilities as at 1 January 2018.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

All deposits received are expected to be settled within one year from date of receipt.

Movements in contract liabilities:

	GROUP
	2018
	RM'000
Balance at the beginning - reclassified from other payables and accruals	3,960
Decrease in contract liabilities as a result of recognising the corresponding revenue during the financial year	(3,960)
Increase in contract liabilities as a result of receiving deposits from customers upon placing of sales orders	459
Balance at the end	459

25. REVENUE

25.1 Disaggregated revenue information

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sales of goods	197,261	176,314	-	-
Rental income	410	523	-	-
Interest income	-	-	260	260
Dividend income	586	864	9,536	6,664
Management fee income	-	3	-	-
	198,257	177,704	9,796	6,924

Geographical segments

	Group	
	2018 RM'000	2017 RM'000
Malaysia	187,390	165,169
Other Asia countries	10,464	11,876
Europe countries	93	62
United States of America	267	376
Others	43	221
	198,257	177,704

Timing of revenue recognition

Sales of goods is recognised at a point in time upon the satisfaction of performance obligations which is upon the delivery of goods to customers.

25.2 Contract balances

Contract balances derived from revenue from contracts with customers of the Group is the trade receivables amounting RM52,406,000 disclosed in Note 9 to the financial statements.

25.3 Performance obligations

Performance obligations of respective revenue is disclosed in Note 3.12 to the financial statements.

26. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging:				
Audit fee				
- Company's auditors				
- current year	139	121	23	23
- under provision in prior year	-	11	-	-
- Other auditor	13	14	-	-
Bad debts	37	31	640	-
Depreciation	5,809	7,286	-	-
Directors' fee for non-executive directors	86	78	86	78
Hire of equipment and machinery	390	401	-	-
Impairment loss on goodwill on consolidation	-	56	-	-
Impairment loss on investment in a joint venture	1,299	-	-	-
* Interest expense	2,628	2,748	31	23
Inventories written off	-	117	-	-
Loss on disposal of property, plant and equipment	-	288	-	-
Property, plant and equipment written off	-	265	-	-
Realised loss on foreign exchange	79	386	-	-
Rental of warehouse	146	162	-	-
Rental of machinery	43	-	-	-
Rental of motor vehicles	234	224	-	-
Rental of premises	411	544	-	-
Unrealised loss on foreign exchange	58	254	-	-
** Staff costs	40,433	39,302	-	-

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Fair value adjustment on investment properties	-	1,308	-	-
Interest income	92	65	260	260
Gain on disposal of property, plant and equipment	65	60	-	-
Gross dividend from				
- joint venture	-	-	1,500	-
- unquoted subsidiaries	-	-	7,450	5,800
- Malaysian quoted shares	71	77	-	-
- short term funds	1,343	1,224	586	864
Lease rental income	111	151	-	-
Realised gain on foreign exchange	407	73	-	-
Rental income	510	659	-	-
Reversal of allowance for expected credit losses	10	-	-	-

*** Interest expense**

- Bank overdrafts	419	444	31	23
- Bill payables	1,176	1,222	-	-
- Finance lease	641	768	-	-
- Term loans	228	279	-	-
- Murabahah profit	159	30	-	-
- Others	5	5	-	-
	2,628	2,748	31	23

**** Staff costs**

- Salaries, wages, overtime, allowance and bonus	36,603	35,454	-	-
- Shared-based payment	-	164	-	-
- EPF	3,478	3,376	-	-
- SOCSO and EIS	352	308	-	-
	40,433	39,302	-	-

Directors' emoluments

Included in the Group's staff costs is directors' emoluments as shown below:

	GROUP	
	2018	2017
	RM'000	RM'000
Executive directors of the Company:		
- Salaries, bonus and wages	2,605	3,340
- Shared-based payment	-	70
- EPF, SOCSO and EIS	501	594
	3,106	4,004
- Benefits-in-kind	42	71
	3,148	4,075

	GROUP	
	2018	2017
	RM'000	RM'000
Executive directors of subsidiaries:		
- Salaries, bonus and wages	2,117	2,455
- Shared-based payment	-	31
- EPF, SOCSO and EIS	277	325
	2,394	2,811
- Benefits-in-kind	55	53
	2,449	2,864
Total executive directors' emoluments	5,597	6,939
Represented by:		
- Present director	5,486	6,939
- Past director	111	-
	5,597	6,939

27. TAXATION

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Based on results for the financial year				
- Current tax				
Malaysia tax	(6,372)	(6,110)	(57)	(59)
Foreign tax	(53)	(26)	-	-
	(6,425)	(6,136)	(57)	(59)
- Deferred tax relating to the origination and reversal of temporary differences	510	1,009	-	-
	(5,915)	(5,127)	(57)	(59)
Over/(Under) provision in prior year				
- Current tax	501	(223)	3	7
- Deferred tax	(86)	146	-	-
	415	(77)	3	7
	(5,500)	(5,204)	(54)	(52)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	24,508	20,729	8,891	6,487
Less: Share of results of joint ventures	(1,210)	(439)	-	-
	23,298	20,290	8,891	6,487

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax at Malaysian statutory tax rate of 24%	(5,591)	(4,869)	(2,134)	(1,557)
Income not subject to tax	280	2,198	2,289	1,599
Different tax rates in other countries	68	42	-	-
Double deduction of expenses for tax purposes	16	18	-	-
Expenses not deductible for tax purposes	(1,633)	(3,069)	(212)	(101)
Deferred tax movement not recognized	13	(13)	-	-
Reinvestment allowance claimed	585	367	-	-
Annual crystallisation of deferred tax on revaluation reserves	87	87	-	-
Utilisation of tax losses and capital allowances	260	112	-	-
	(5,915)	(5,127)	(57)	(59)
Over/(Under) provision in prior year	415	(77)	3	7
	(5,500)	(5,204)	(54)	(52)

As at the end of the reporting period, the Group and the Company have not recognised the following deferred tax assets:

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	216	232	-	-
Unabsorbed tax losses	529	786	-	-
Unabsorbed capital allowances	50	50	46	46
	795	1,068	46	46

The deferred tax assets are not recognised in the financial statements as it is anticipated that the tax effects of such deferral will not reverse in the foreseeable future.

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is follows:

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unabsorbed tax losses	2,202	3,274	-	-
Unabsorbed capital allowances	206	206	190	190

28. **EARNINGS PER SHARE**

GROUP

(a) **Basic earnings per share**

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2018	2017
Profit for the financial year (RM'000)	19,008	15,525
Weighted average number of ordinary shares in issue ('000)	188,624	188,624
Basic earnings per share (sen)	10.08	8.23

(b) **Diluted earnings per share**

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

29. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2018	2017
	RM'000	RM'000
Goodwill	675	675
Less: Impairment losses		
Balance at beginning	(675)	(619)
Current year	-	(56)
Balance at end	(675)	(675)
	-	-

30. **CAPITAL COMMITMENTS**

	GROUP	
	2018	2017
	RM'000	RM'000
Property, plant and equipment		
- Contracted but not provided for	19,736	30,563
- Approved and not contracted for	1,535	-
	21,271	30,563

31. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The operations of the Group are organised into the following main business segments:

- | | | |
|-------|---------------|---|
| (i) | Investment | Investment holding and provision of financial, administrative and advisory services. |
| (ii) | Manufacturing | Manufacturing and retailing of corrugated cartons, packing materials, gift and display box. |
| (iii) | Property | Property investment and property developers. |
| (iv) | Trading | Trading of paper products, design and sale of paper. |

	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Eliminations RM'000	Note	Total RM'000
2018							
Revenue							
External sales	586	188,153	409	9,109	-		198,257
Inter-segment	13,654	64,933	629	19	(79,235)	A	-
	<u>14,240</u>	<u>253,086</u>	<u>1,038</u>	<u>9,128</u>	<u>(79,235)</u>		<u>198,257</u>
Result							
Segment results	(1,928)	25,430	(50)	911	1,471		25,834
Interest income							92
Interest expense							(2,628)
Share of results of joint ventures	1,210	-	-	-	-		<u>1,210</u>
Profit before taxation							24,508
Taxation							<u>(5,500)</u>
Profit for the financial year							<u>19,008</u>
Assets							
Segment assets	121,158	207,647	94,722	10,934	(143,866)		290,595
Investment in joint ventures	21,042	-	-	-	-		21,042
Tax recoverable							<u>2,265</u>
Total assets							<u>313,902</u>
Liabilities							
Segment liabilities	51	18,765	7,344	661	-		26,821
Finance lease liabilities							9,407
Borrowings							44,707
Deferred tax liabilities							8,662
Provision for taxation							<u>1,469</u>
Total liabilities							<u>91,066</u>
Other information							
Capital expenditure	-	3,283	29,828	8	-	B	33,119
Depreciation	3	5,779	12	15	-		5,809
Non-cash expenses/ (income) other than depreciation	751	(7)	-	-	(635)	C	109

	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Eliminations RM'000	Note	Total RM'000
2017							
Revenue							
External sales	867	166,133	522	10,182	-		177,704
Inter-segment	10,826	59,908	622	3	(71,359)	A	-
	<u>11,693</u>	<u>226,041</u>	<u>1,144</u>	<u>10,185</u>	<u>(71,359)</u>		<u>177,704</u>
Result							
Segment results	(192)	20,008	7,640	662	(5,145)		22,973
Interest income							65
Interest expense							(2,748)
Share of results of joint ventures	439	-	-	-	-		439
Profit before taxation							20,729
Taxation							(5,204)
Profit for the financial year							<u>15,525</u>
Assets							
Segment assets	111,723	203,364	61,455	10,239	(120,085)		266,696
Investment in joint ventures	22,631	-	-	-	-		22,631
Tax recoverable							1,875
Total assets							<u>291,202</u>
Liabilities							
Segment liabilities	82	22,981	1,470	507	-		25,040
Finance lease liabilities							13,436
Borrowings							38,455
Deferred tax liabilities							9,086
Provision for taxation							1,217
Total liabilities							<u>87,234</u>
Other information							
Capital expenditure	7	9,186	8,845	9	-	B	18,047
Depreciation	3	7,182	13	88	-		7,286
Non-cash (income)/ expense other than depreciation	(439)	821	(7,530)	-	6,352	C	(796)

Notes to segment information:

- A Inter-segment revenue are eliminated on consolidation.
- B Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	33,119	18,047
C Other material non-cash expenses/ (income) consist of the following items:		
	2018 RM'000	2017 RM'000
Bad debts	37	31
Fair value adjustment on investment properties	-	(1,308)
Impairment loss on goodwill on consolidation	-	56
Impairment loss on investment in a joint venture	1,299	-
Inventories written off	-	117
(Gain)/Loss on disposal of property, plant and equipment	(65)	228
Property, plant and equipment written off	-	265
Share of results of joint ventures	(1,210)	(439)
Reversal of allowance for expected credit losses	(10)	-
Unrealised loss on foreign exchange	58	254
	109	(796)

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	187,390	165,169	181,064	156,724
Other Asia countries	10,464	11,876	36	39
Europe countries	93	62	-	-
United States of America	267	376	-	-
Others	43	221	-	-
	198,257	177,704	181,100	156,763

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2018 RM'000	2017 RM'000
Property, plant and equipment	148,650	121,513
Investment properties	10,715	10,715
Investment in joint ventures	21,042	22,631
Trade receivables	693	1,904
	181,100	156,763

Major customers

During the financial year, there was no single customer that contributed to more than 10% of the Group's revenue.

32. RELATED PARTY DISCLOSURES

(i) Transactions with subsidiaries

	COMPANY	
	2018 RM'000	2017 RM'000
Interest income from subsidiaries	260	260

(ii) Transactions with related parties

	GROUP	
	2018 RM'000	2017 RM'000
Sales to related parties		
- City Packaging Industry Sdn. Bhd.	-	1
- Denson SCM Sdn. Bhd.	-	1,255
Management fee income received from a related party		
- Pearl Island Resort Development Sdn. Bhd.	-	3
Commission paid to a related party		
- Denson SCM Sdn. Bhd.	-	338
Rental of property for staff accommodation from a related party		
- Fame Pack Holdings Sdn. Bhd.	134	184
Rental of office lot from a related party		
- Fame Pack Holdings Sdn. Bhd.	100	78
Rental of premise paid to the directors of the Company	78	78
Rental of premise paid to a director of a subsidiary	6	5
Rental of motor vehicles from a related party		
- Koay Boon Pee Holding Sdn. Bhd.	410	401
Medical consultation paid to a related party		
- Peoples Primary Healthcare Sdn. Bhd.	54	-

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other short-term employee benefits	7,541	8,780	86	78

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

Related party relationship:

<u>Related party</u>	<u>Relationship</u>
City Packaging Industry Sdn. Bhd.	: A company in which person connected to certain directors of the Company, namely Messrs. Koay Chiew Poh, Koay Chue Beng, Koay Teng Liang, Koay Chiew Kang and Koay Teng Kheong, have substantial financial interests.
Denson SCM Sdn. Bhd.	: A wholly-owned subsidiary of Koay Boon Pee Holding Sdn. Bhd.
Pearl Island Resort Development Sdn. Bhd.	: A company in which the director of the Company, namely Messrs. Koay Chiew Poh is also director of the Company.
Fame Pack Holdings Sdn. Bhd.	: A substantial shareholder of the Company and connected to Mr. Koay Chiew Poh.
Koay Boon Pee Holding Sdn. Bhd.	: A company in which the directors of the Company, namely Messrs. Koay Chiew Poh, Koay Chiew Kang and Koay Chue Beng, have substantial financial interests.
Peoples Primary Healthcare Sdn. Bhd.	: A company in which the directors of the Company, namely Messrs. Koay Teng Liang and Koay Teng Kheong, have substantial financial interests.

33. FINANCIAL INSTRUMENTS**33.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (i) Financial assets at amortised cost ("AC");
- (ii) Fair value through other comprehensive income ("FVOCI"); and
- (iii) Financial liabilities at amortised cost ("AC").

	Carrying amount RM'000	AC RM'000	FVOCI RM'000
2018			
GROUP			
Financial assets			
Other investments	1,479	-	1,479
Trade receivables	52,406	52,406	-
Other receivables and refundable deposits	1,221	1,221	-
Cash and cash equivalents	52,782	52,782	-
	107,888	106,409	1,479
Financial liabilities			
Finance lease liabilities	9,407	9,407	-
Borrowings	44,707	44,707	-
Trade payables	11,061	11,061	-
Other payables and accruals	14,362	14,362	-
	79,537	79,537	-

	Carrying amount RM'000	AC RM'000	FVOCI RM'000
COMPANY			
Financial assets			
Other investment	*	-	*
Refundable deposits	2	2	-
Amount due from subsidiaries	55,483	55,483	-
Cash and cash equivalents	13,615	13,615	-
	69,100	69,100	-
Financial liabilities			
Borrowings	675	675	-
Other payables and accruals	46	46	-
	721	721	-

* Represents RM1

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as available for sale ("AFS"), loans and receivables ("L&R") and financial liabilities at amortised cost ("FL").

	Carrying amount RM'000	AFS RM'000	L&R RM'000	FL RM'000
2017				
GROUP				
Financial assets				
Other investments	1,615	1,615	-	-
Trade receivables	48,282	-	48,282	-
Other receivables and refundable deposits	2,040	-	2,040	-
Cash and cash equivalents	58,414	-	58,414	-
	110,351	1,615	108,736	-
Financial liabilities				
Finance lease liabilities	13,436	-	-	13,436
Borrowings	38,455	-	-	38,455
Trade payables	11,013	-	-	11,013
Other payables and accruals	13,048	-	-	13,048
	75,952	-	-	75,952

	Carrying amount RM'000	AFS RM'000	L&R RM'000	FL RM'000
COMPANY				
Financial assets				
Other investment	*	*	-	-
Refundable deposits	2	-	2	-
Amount due from subsidiaries	33,148	-	33,148	-
Cash and cash equivalents	26,700	-	26,700	-
	59,850	-	59,850	-
Financial liabilities				
Borrowings	283	-	-	283
Other payables and accruals	24	-	-	24
	307	-	-	307

* Represents RM1

33.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

33.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given.

33.3.1 Trade receivables

The Group extends credit terms to customers that range between 30 to 90 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group, in some instances, requires letters of credits and deposits from the customers.

In addition, as set out in Note 3.7, the Group assesses ECL under MFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group applies simplified approach to recognise lifetime expected credit losses for all trade receivables. The expected credit losses calculated by the Group are not material under MFRS 9 as at 31 December 2018 and therefore not provided for.

The ageing of trade receivables of the Group as at 31 December 2018 is as follows:

	Gross RM'000	Expected credit losses RM'000	Net RM'000
2018			
Not past due	36,347	-	36,347
1 to 30 days past due	8,762	-	8,762
31 to 60 days past due	2,510	-	2,510
61 to 90 days past due	3,485	-	3,485
Past due more than 90 days	1,441	(139)	1,302
	16,198	(139)	16,059
	52,545	(139)	52,406

The ageing of trade receivables of the Group as at 31 December 2017 is as follows:

	Gross RM'000	Impairment losses RM'000	Net RM'000
2017			
Not past due	33,699	-	33,699
1 to 30 days past due	6,233	-	6,233
31 to 60 days past due	2,686	-	2,686
61 to 90 days past due	4,280	-	4,280
Past due more than 90 days	1,533	(149)	1,384
	14,732	(149)	14,583
	48,431	(149)	48,282

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group.

The Group has trade receivables amounting to **RM16,058,521** (2017: RM14,582,389) that are past due at the end of the reporting period but management is of the view that these past due amounts will be collected in due course and no impairment is necessary.

As at the end of the reporting period, the Group has no significant concentration of credit risks.

33.3.2 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries up to a limit of **RM172,968,011** (2017: RM173,862,593), of which the amount utilised as at the reporting date was **RM53,254,279** (2017: RM51,331,730) representing the credit risk exposure to the Company as at that date.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

33.3.3 Intercompany advances

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount of the advances in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

33.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period and are based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two year and less than five years RM'000	More than five years RM'000
2018						
GROUP						
<i>Non-derivative financial liabilities</i>						
Finance lease liabilities	9,407	10,213	4,187	3,857	2,123	46
Interest bearing borrowings	44,707	45,082	34,495	789	6,068	3,730
Trade payables and other payables	25,423	25,423	25,423	-	-	-
	79,537	80,718	64,105	4,646	8,191	3,776
COMPANY						
<i>Non-derivate financial liabilities</i>						
Interest bearing borrowings	675	675	675	-	-	-
Other payables	46	46	46	-	-	-
Financial guarantee *	-	53,254	53,254	-	-	-
	721	53,975	53,975	-	-	-
2017						
GROUP						
<i>Non-derivate financial liabilities</i>						
Finance lease liabilities	13,436	14,797	5,172	5,400	4,125	100
Interest bearing borrowings	38,455	39,927	33,199	1,044	1,044	1,140
Trade payables and other payables	24,061	24,061	24,061	-	-	-
	75,952	78,785	62,432	6,444	5,169	1,240

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two year and less than five years RM'000	More than five years RM'000
COMPANY						
<i>Non-derivative financial liabilities</i>						
Interest bearing borrowings	283	283	283	-	-	-
Other payables	24	24	24	-	-	-
Financial guarantee *	-	51,332	51,332	-	-	-
	307	51,639	51,639	-	-	-

* The financial guarantees are included for illustration purpose only as they have not crystallised as at the end of the reporting period.

33.5 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on their carrying amount as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	39,538	41,989	17,648	29,562
Financial liabilities	9,407	13,436	-	-
Floating rate instruments				
Financial liabilities	44,707	38,455	675	283

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased profit before taxation by the amount shown below and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Decreased in profit before taxation	91	94	1	1

33.6 Foreign currency risk

The objectives of the Group's foreign exchange policy are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group is exposed to foreign currency risk mainly on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD") and Singapore Dollar ("SGD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased or decreased profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP	
	2018	2017
	RM'000	RM'000
USD	(936)	(811)
SGD	(25)	(56)
Others	(1)	-
Decrease in profit before taxation	(962)	(867)

33.7 Reconciliation of liabilities arising from financing activities

The movement of financial liabilities arising from financial activities during the financial year is as follows:

	Balance at beginning RM'000	Net cash (outflows)/inflows RM'000	Balance at end RM'000
GROUP			
Finance lease liabilities	13,436	(4,029)	9,407
Borrowings	38,455	6,252	44,707
	51,891	2,223	54,114
COMPANY			
Borrowings	283	392	675
2017			
GROUP			
Finance lease liabilities	7,819	5,617	13,436
Borrowings	38,012	443	38,455
	45,831	6,060	51,891
COMPANY			
Borrowings	302	(19)	283

34. FAIR VALUE MEASUREMENT

34.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement.

The following table provides an analyses of financial instruments that are measured subsequent to initial recognition at fair value and grouped into levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of levels 1 to 3 fair value hierarchy).

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2018					
Financial assets					
Investment in quoted share	1,479	-	-	1,479	1,479
2017					
Financial assets					
Investment in quoted share	1,615	-	-	1,615	1,615

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and level 2 during the financial year.

34.2 Fair value measurement of non-financial instruments

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at the end of the reporting period:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2018					
Leasehold land	-	5,800	-	5,800	5,800
Buildings	-	4,915	-	4,915	4,915
	-	10,715	-	10,715	10,715
2017					
Leasehold land	-	5,800	-	5,800	5,800
Buildings	-	4,915	-	4,915	4,915
	-	10,715	-	10,715	10,715

Level 2 fair value

Derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

The Company is not subject to any externally imposed capital requirement. However, the subsidiaries of the Group are required to maintain a gearing ratio below a certain threshold to comply with debt covenant imposed by the lenders of the subsidiaries. The subsidiaries have not breached the said covenant.

36. EMPLOYEE SHARE GRANT SCHEME ("ESGS")

The Company's ESGS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 29 August 2017. The ESGS will be in force for a maximum period of five years till 6 October 2022.

During the financial year, no option was granted.

The salient features of the ESGS are as follows:

- (i) The total number of new ordinary shares which are available to be issued under the ESGS shall not in aggregate exceed fifteen percent (15%) of the total issued and share capital (excluding treasury shares) of the Company at any point in time during the duration of the scheme.
- (ii) A person shall be eligible to participate in the ESGS if, as at the date of offer, has attained the age of at least eighteen (18) years old; not be an undischarged bankrupt nor subject to any bankruptcy proceedings; is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration. Eligibility to participate in the scheme does not confer on an Eligible Person a claim or right to participate in the scheme unless the ESGS Committee has made an offer and the Eligible Person has accepted the offer in accordance with the terms of the offer and the scheme. The selection of any Eligible Person to participate in the scheme shall be at the discretion of the ESGS Committee.
- (iii) The aggregate maximum number of Shares that may be allocated shall be determined by the Scheme Committee, on an annual basis, provided that the allocation to any individual Eligible Person who, either singly or collectively through persons connected with that Eligible persons, holds twenty percent (20%) or more of the issued share capital of the Company, shall not exceed ten percent (10%) of the Maximum Shares Available.
- (iv) The options shall continue to be in force for a period of five (5) years thereafter, provided that the approval of Bursa securities for the listing of and quotation for the new shares to be issue; the approval of the shareholders of the Company; and the fulfilment of all conditions attached to the approvals.
- (v) The new ordinary shares to be allotted upon the exercise of the option will, upon allotment, rank pari passu in all respects with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so allotted will not be entitled to any rights, dividends, allotments or other forms of distribution, the entitlement date of which is declared prior to the date of allotment of the ordinary shares and will be subject to all the provisions of the Constitution of the Company and the Listing Requirements relating to transfer, transmission and otherwise.

**LIST OF PROPERTIES OWNED BY
PUBLIC PACKAGES HOLDINGS BERHAD AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2018**

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.foot)	Carrying Amount as at 31.12.18 RM
PUBLIC PACKAGES SDN. BHD.						
Plot 72 Lintang Kampong Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 2.10.2047	Factory building	28.11.2007	27	22,509 / 11,516	1,145,645
Plot 96(A) Lintang Kampong Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 22.5.2050	Factory building	28.11.2007	27	32,356 / 5,688	1,432,290
Plot 96(B) Lintang Kampong Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 5.7.2054	Factory building	28.11.2007	20	16,985 / 9,979	508,441
Plot 67 Lintang Kampong Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 14.8.2047	Factory and office building	28.11.2007	28	44,083 / 94,249	2,631,472
Plot 116 Lintang Kampong Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 18.10.2055	Factory and office building	28.11.2007	22	84,183 / 7,317	2,090,030
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	413,529

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.18 RM
PUBLIC PACKAGES (NT) SDN. BHD.						
Lot 5632 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Factory Building	28.11.2007	22	- / 137,152	10,288,243
PPH PRINTING & PACKAGING (PENANG) SDN. BHD.						
Plot 482 Jalan Perusahaan Baru, Prai Industrial Estate, Penang	Leasehold 23.2.2049	Factory and office building	28.11.2007	27	43,738 / 38,474	1,776,533
A-1-3 Kelisa Apartment Lorong Kikik Satu, Taman Inderawasih, Seberang Perai	Freehold	Hostel	28.11.2007	24	- / 726	70,200
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	413,529
Plot 468 Jalan Perusahaan Baru, Prai Industrial Estate, Penang	Leasehold 19.4.2049	Factory and office building	28.11.2007	27	93,329 / 77,727	4,073,939
PUBLIC PACKAGES (PRAI) SDN. BHD.						
Plot 60 P.T. No: 2941 Prai Industrial Estate Phase 4 Mukim 11 Seberang Perai Tengah, Penang	Leasehold 29.6.2052	Factory and office building	28.11.2007	22	261,361 / 140,924	10,992,866
PPH PRINTING & PACKAGING (KULIM) SDN. BHD.						
Plot 75 Kulim Industrial Estate Kulim, Kedah	Leasehold 21.9.2049	Factory and office building	28.11.2007	26	52,272 / 54,140	2,063,741

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.18 RM
PUBLIC PACKAGES PROPERTIES SDN. BHD.						
Lot 5632 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Rental	25.07.2012	-	511,877 / -	6,578,000
84 Lebuhraya Kapal, Penang	Freehold	Rental	25.07.2012	31	1,389 / 2,800	455,000
5-2-4 Edgecumbe Court, Penang	Freehold	Rental	25.07.2012	27	- / 700	500,000
Unit SB15 Block A, No. 1 Persiaran Gurney, Penang	Freehold	Rental	25.07.2012	28	- / 1,815	1,220,000
Unit I-4-3 Taman Desa Relau, Penang	Freehold	Rental	25.07.2012	24	- / 700	260,000
Unit 368-2-04 Belisa Row Jalan Burma, Penang	Freehold	Rental	25.07.2012	21	- / 1,055	580,000
No. A-17-02, Verticas Residensi, off Jalan Ceylon, Kuala Lumpur	Freehold	Rental	-	6	- / 2,111	1,900,000
Lot15 Jalan Utas 15/7 Section 15 40000 Shah Alam, Selangor	Leasehold 31.10.2070	Rental	1.08.2013	32	14966 / 273	5,800,000
PPH PLAZA SDN. BHD.						
Lot 741, 742 & 743 Section 23 Bandar Georgetown Daerah Timur Laut, Penang	Freehold	Project Development	23.12.2002	-	56,244	21,137,092
						76,330,550

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL as at 2 APRIL 2019

Issued and Fully Paid Up Capital	:	RM94,360,156
Classes of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	2,723

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees) as at 2 APRIL 2019

Name	<u>No. of Ordinary Shares Held</u>			
	Direct Interest	%	Indirect Interest	%
1. Fame Pack Holdings Sdn. Bhd.	77,541,720	41.11	-	-
2. Multiple Accomplishments Sdn. Bhd.	15,093,274	8.00	-	-
3. Koay Chiew Poh	7,283,394	3.86	84,287,434 *	44.69
4. Ooi Siew Hong	-	-	84,287,434 *	44.69

Note:

- * Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fame Pack Holdings Sdn. Bhd. and Koay Boon Pee Holding Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS as at 2 APRIL 2019

Name	<u>No. of Ordinary Shares Held</u>			
	Direct Interest	%	Indirect Interest	%
1. Koay Chiew Poh	7,283,394	3.86	84,287,434 (a)	44.69
2. Koay Chiew Kang	1,834,107	0.97	6,923,423 (b)	3.67
3. Koay Teng Liang	99,995	0.05	-	-
4. Koay Teng Kheong	20,000	0.01	-	-
5. Nurjannah Binti Ali	-	-	-	-
6. Ng Thim Fook	-	-	-	-
7. Ong Eng Choon	-	-	-	-
8. Koay Chue Beng	634,900	0.34	6,745,714 (c)	3.58

Notes:

- a) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fame Pack Holdings Sdn. Bhd. and Koay Boon Pee Holding Sdn. Bhd.
- b) Deemed interested by virtue of Section 8 and Section 59(11)(c) of the Companies Act 2016 held through Koay Boon Pee Holding Sdn. Bhd. and his spouse respectively.
- c) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Koay Boon Pee Holding Sdn. Bhd.

DISTRIBUTION OF SHAREHOLDERS as at 2 APRIL 2019

Holdings	No. of Holders	%	No. of Shares	%
Less than 100	184	6.76	8,371	0.00
100 - 1,000	219	8.04	72,868	0.04
1,001 - 10,000	1,036	38.05	6,664,055	3.53
10,001 - 100,000	1,156	42.45	33,150,502	17.58
100,001 - 9,431,174 *	126	4.63	56,092,711	29.74
9,431,175 and above **	2	0.07	92,634,994	49.11
TOTAL	2,723	100.00	188,623,501	100.00

Remark: * Less than 5% of issued shares

** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS as at 2 APRIL 2019

No.	Name	No. of Shares	%
1.	Fame Pack Holdings Sdn. Bhd.	77,541,720	41.11
2.	Multiple Accomplishments Sdn. Bhd.	15,093,274	8.00
3.	Koay Chiew Poh	7,283,394	3.86
4.	Koay Boon Pee Holding Sdn. Bhd.	6,745,714	3.58
5.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank LTD (SFS)	2,993,485	1.59
6.	Lim Pei Tiam @ Liam Ahat Kiat	2,186,400	1.16
7.	Koay Chew Guan	1,551,394	0.82
8.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Cheam Heng Ming (E-KTN/RAU)	1,371,942	0.73
9.	Koay Chiew Kang	1,365,538	0.72
10.	George Lee Sang Kian	1,180,000	0.63
11.	Liau Choon Hwa & Sons Sdn. Bhd.	1,080,000	0.57
12.	Loh Chung Hai	1,000,000	0.53
13.	Gan Kho @ Gan Hong Leong	924,000	0.49
14.	Fu Lai Chee	900,000	0.48
15.	Leng Bee Bee	860,000	0.46
16.	Leong Ngak Keong	828,000	0.44
17.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ooi Chin Hock (8058312)	761,485	0.40
18.	Lim Pay Kaon	720,000	0.38
19.	Koay Chue Beng	634,900	0.34
20.	Tok Ley Siang	605,712	0.32
21.	PM Nominees (Tempatan) Sdn. Bhd. Malpac Management Sdn. Bhd.	591,428	0.31
22.	Gan Kho @ Gan Hong Leong	552,000	0.29
23.	Koay Chiew Lee	522,854	0.28
24.	Chee Kheng Can Factory Sdn. Berhad	514,285	0.27
25.	Koay Chew Kooi	501,457	0.27
26.	Kong Jit Chong	490,000	0.26
27.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Liau Thai Min	480,000	0.25
28.	Koay Chiew Kang	468,569	0.25
29.	Yap Wing Chun	460,000	0.24
30.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chau Guan Fock	440,000	0.23
		130,647,551	69.26

PUBLIC PACKAGES HOLDINGS BERHAD

(Company No. 162413-K)

(Incorporated in Malaysia)

Proxy Form

*I/We.....(*NRIC No./ Passport No./ Company No)
(Full Name in Block Letter)

of.....
(Address)

Being a *member/members of the abovenamed Company, hereby appoint
(Full Name in Block Letter)

.....(*NRIC No. / Passport No./ Company No.....)

of
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 32nd Annual General Meeting of the Company to be held at Angier & Borden Meeting Room, Level 4 of The Prestige Hotel, 8 Gat Lebuhr Gereja, 10300 Penang on Monday, 27 May 2019 at 10.00 a.m., and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Koay Chiew Poh as a Director of the Company.		
2	To re-elect Mr. Koay Teng Liang as a Director of the Company.		
3	To approve the payment of Directors' Fees for the financial year ending 31 December 2019.		
4	To approve the payment of Directors' Benefits to Non-Executive Directors.		
5	To re-appoint Messrs. Grant Thornton as auditors of the Company.		
6	To authorise the Directors to allot and issue new shares in the Company.		
7	To retain Mr. Ong Eng Choon as an Independent Director.		
8	To retain Puan Nurjannah Binti Ali as an Independent Director.		
9	To retain Mr. Ng Thim Fook as an Independent Director.		
10	To approve the proposed grant of ESOS and ESGS to Madam Ooi Siew Hong		
11	To approve the proposed grant of ESOS and ESGS to Mr. Koay Teng Kwang		
NO.	SPECIAL RESOLUTION		
1	To authorise the Company to alter or amend the existing Constitution of the Company.		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Signed thisday of.....,2019.

No. of shares held

.....

Signature(s)/Common Seal of member(s)

Notes

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee 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 accounts it holds.
4. For a proxy to be valid, this form duly completed must be deposited at the registered office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Sunday, 26 May 2019 at 10.00 a.m. (being the approximate time appointed for the taking of the poll at the 32nd Annual General Meeting).
5. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
6. In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 13 May 2019 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the notice of 32nd Annual General Meeting will be put to vote by poll.

**strike out whichever is not desired*

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies :		
	No. of Shares	%
Proxy 1		
Proxy 2		
		100

Fold along this line

AFFIX
STAMP



PUBLIC PACKAGES HOLDINGS BERHAD
(Company No. 162413-K)

Wisma Public Packages,
Plot 67 Lintang Kampong Jawa,
Bayan Lepas Industrial Estate,
11900 Bayan Lepas, Penang.

Fold along this line



PUBLIC PACKAGES HOLDINGS BERHAD (162413-K)

 Wisma Public Packages Lintang Kampung Jawa,
Bayan Lepas Industrial Park 11900 Penang, Malaysia.

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