

A large, thick, green brushstroke graphic that curves from the left side of the cover, arching over the title, and sweeping back down towards the bottom right. The brushstroke has a textured, painterly appearance with varying shades of green and some darker, more saturated areas.

2019

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS	: Koay Chiew Poh <i>Executive Chairman</i> Koay Chiew Kang <i>Executive Director</i> Koay Teng Liang <i>Executive Director</i> Koay Teng Kheong <i>Executive Director</i> Nurjannah Binti Ali <i>Independent Non-Executive Director</i> Ng Thim Fook <i>Independent Non-Executive Director</i> Ong Eng Choon <i>Independent Non-Executive Director</i> Koay Chue Beng <i>Alternate Director to Koay Chiew Poh</i>
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) <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>
NOMINATING 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>

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. Malaysia 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, Wilayah Persekutuan, Malaysia Tel No: 03-2783 9299 Fax No: 03-2783 9222
AUDITORS	: Grant Thornton (AF: 0042) 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 am pleased to present you the Annual Report and Audited Financial Statements of PPHB for the financial year ended 31 December 2019.

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 five (5) key divisions: -

- Carton
- Offset Printing
- Paper Products
- Hotel Management
- 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.

In June 2019, the Prestige Hotel located at 8 Gat Lebuhraya, 10300 Penang, in the heart of the Georgetown UNESCO world heritage site, has commenced its business operation.

FINANCIAL AND OPERATIONAL REVIEW

Despite of challenging business environment, PPHB has recorded another solid performance during the financial year 31 December 2019, as evident by the revenue of RM203.9 million and profit after taxation of RM23.6 million, both of which are the highest in the past 5 financial years. PPHB continued to maintain a strong statement of financial position, with cash and cash equivalents of RM49.2 million and lower gearing ratio of 0.17. Earnings per share during the financial year is 12.53.

The table below highlights the Group's financial performance for the financial year ended 31 December 2019.

	2019	2018	2017	2016	2015
Revenue (RM'000)	203,877	198,257	177,704	166,421	161,198
Gross Profit (RM'000)	65,525	58,084	54,103	51,940	47,286
Share of Results of Joint Ventures (RM'000)	1,206	1,210	439	400	(35)
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) (RM'000)	39,697	32,945	30,763	30,681	28,420
Profit Before Taxation (RM'000)	29,534	24,508	20,729	21,527	18,605
Profit After Taxation (RM'000)	23,632	19,008	15,525	16,508	14,211
Net Cash From Operating Activities (RM'000)	30,503	25,062	21,761	21,052	23,581
Total Assets (RM'000)	320,898	313,902	291,202	265,883	248,703
Borrowings (RM'000)	42,496	54,114	51,891	45,831	47,018
Earnings Per Share (Sen)	12.53	10.08	8.23	8.80*	12.93
Gearing Ratio	0.17	0.24	0.26	0.24	0.27

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

REVENUE

For the year under review, the Group recorded a revenue of RM203.9 million, representing an increase of 2.83% over previous year's revenue of RM198.3 million. The overall growth in revenue was mainly contributed by our new division, the management of Prestige Hotel, which had commenced its business in June 2019. The total external revenue of Prestige Hotel for the period of seven (7) months was RM6.0 million.

Manufacturing division remains as the main revenue contributor of the Group. However, its external revenue recorded during the financial year was only RM186.4 million, representing a decrease of 1.0% as compared to RM188.1 million in previous year. The drop was mainly driven by the slower demand and price pressure from the customers.

PROFITABILITY

Profit before taxation of the Group improved by 20.41% from RM24.5 million in previous year to RM29.5 million this year. The increase was in tandem with the increase in our revenue. In addition, one-off bad debts recovery amounting to RM0.8 million during the year helped to improve the bottom line of the Group.

The overall gross margin of the Group also higher, increasing from 29.30% in the previous year to 32.13% in this year, despite the provision of a RM0.6 million impairment on property, plant and equipment during the financial year. The improvement in our gross margin was mainly due to cost control activities and better margin from hotel operation.

CASH FLOWS AND LIQUIDITY

The Group's financial position remains solid, as reflected by the strong cash position of RM49.2 million (2018: RM43.6 million). Net cash from operating activities increased to RM30.5 million, of which RM17.1 million was used for capital expenditure and RM7.9 million was used to repay short-term borrowings.

GEARING RATIO

The Group's total short term and long-term borrowings reduced from RM54.1 million in previous year to RM42.5 million as at end of this financial year. The decrease was mainly due to repayment of bank overdrafts and short-term borrowings with the higher net cash generated from operations.

Further, our gearing ratio has been reduced to only 0.17 (2018: 0.24) during the financial year.

GROUP DEVELOPMENT

CAPITAL INVESTMENT

During the financial year under review, a total capital expenditure of RM17.8 million was incurred by the Group, of which RM2.5 million was used for the upgrading of production facilities. The Group views that the upgrading of our facilities is essential to keep abreast with the changing technology and to better serve our customer's needs. The balance of RM15.3 million was incurred for hotel construction purposes, which has been used for hospitality management purposes.

TECHNOLOGY ENHANCEMENT

To lessen the Group's reliance on manual processes, we have continued our effort and investment in digitalisation initiatives. These initiatives enable the Group to automate workflow processes which will reduce the possibility of human error, improve Management's accessibility to information and enable easier integration of business systems thereby enhancing efficiency and effectiveness of the Group's core business processes.

Digitalisation 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 Group's relationship with the customers as well as their respective payment history and credit worthiness. Periodic review on customer's collection performance are also carried out on weekly basis to minimise possibility of bad debts. Specific bad debts provision will be made once the debts are deemed uncollectable.

Foreign currency risk

The Group has exposure to foreign currency risk mainly due to sales and purchases via its subsidiary operating companies that are denominated in US Dollar ("USD") and Singapore Dollar ("SGD"). The Group will continue to manage the risk 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. Based on the past experience, the Group has benefitted from this arrangement, especially during periods with unpredictable fluctuation in foreign currency.

Commodity price risk

The price of paper, being our major raw material, has tremendous impact on the Group's production. It represents about 60% of our total production cost. Thus, fluctuations in paper commodity price, foreign currency and supply in paper materials, will definitely affect the profitability of the Group. To mitigate the challenges faced, the Group maintains close communication with suppliers and constantly monitors paper materials cost to ensure fast response to volatility. Besides, the Group will keep sufficient level of paper inventories to enable the Group to react to challenges.

DIVIDEND

The Board has approved and paid an interim single-tier dividend of RM0.0025 per share to shareholders in respect of the financial year ended 31 December 2019.

MARKET REVIEW AND 2020 OUTLOOK

The Group expects 2020 to be another challenging year as competition remain intense. The Group will continue to focus on its core business and is committed to continue its efforts in improving its competitiveness by implementing various strategies such as enhancement in production efficiency, automation of production processes and procurement optimisation. The Group will continuously tap into new opportunities available in the market, broaden its product range and stay relevant with our customer's demand.

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

DIRECTORS' INFORMATION

Koay Chiew Poh, a Malaysian, age 68, 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 2019.

Koay Chiew Kang, a Malaysian, age 62, 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 2019.

Koay Chue Beng, a Malaysian, age 59, 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 61, 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 4 Board meetings held in the financial year ended 31 December 2019.

Ng Thim Fook, a Malaysian, age 66, 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 2019.

Ong Eng Choon, a Malaysian, age 68, 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 2019.

Koay Teng Liang, a Malaysian, age 43, 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 2019.

Koay Teng Kheong, a Malaysian, age 39, 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 2019.

KEY SENIOR MANAGEMENT

Koay Chiew Kang

Executive Director/Group Managing Director

Age : 62

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 7 of the Annual Report.)

Koay Chiew Lee

Managing Director

Age : 58

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 33 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 : 69

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 : 43

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 8 of the Annual Report.)

Koay Teng Kheong

Executive Director

Age : 39

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 8 of the Annual Report.)

Gooi Chye Soon*Executive Director*

Age : 57
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 Manager/Director*

Age : 50
Gender : Male
Nationality : Malaysian

Qualifications: -

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

Working experience: -

- More than 27 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 : 53
Gender : Male
Nationality : Malaysian

Qualifications: -

- Sijil Pelajaran Malaysia ("SPM")

Working experience: -

- More than 31 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 : 45
Gender : Male
Nationality : Malaysian

Qualifications: -

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

Working experience: -

- More than 21 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 : 41
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Information System, University of Melbourne

Working experience: -

- More than 15 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 : 39
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Economics and Commerce, University of Melbourne

Working experience: -

- More than 13 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 : 58
Gender : Female
Nationality : Malaysian

Qualifications: -

- Master of Human Resource Management, University of Derby

Working experience: -

- More than 28 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 : 58
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Association of Business, United Kingdom

Working experience: -

- More than 30 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 : 57
Gender : Female
Nationality : Malaysian

Qualifications: -

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

Working experience: -

- More than 29 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 : 53
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Business Administration, University of Mount Union

Working experience: -

- More than 25 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 : 43
Gender : Female
Nationality : Malaysian

Qualifications: -

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

Working experience: -

- More than 13 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 Listing Requirements of Bursa Malaysia Securities Berhad ("BMLR") outlines the Group's corporate governance practices and aims to provide vital insights to the shareholders, potential investors and stakeholders. The full CG Report 2019 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.

The Group's succession planning is 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 BMLR and the best practices prescribed by Malaysian Code on Corporate Governance ("MCCG"). 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 a 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.

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 Joint 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 BMLR;
- 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 financial year, the Board is satisfied with the level of time commitment given by the Directors 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 2019. 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	4/5
Ng Thim Fook	5/5
Ong Eng Choon	5/5

None of the Board members serve more than five (5) listed companies.

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 are 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.

Details of trainings attended by the Directors during the year are as follows: -

- (a) Koay Chiew Poh
 - Seminar Percukaian Kebangsaan 2019
- (b) Koay Chiew Kang
 - Preparing for Tomorrow’s Workforce, Today
 - Corporate Liability – Section 17A of the MACCA 2018
 - Audit Oversight Board – Conversation with Audit Committees
- (c) Koay Teng Liang
 - FBI 2019: Business Innovation Re-Imagined
 - BFF 2019: New Business Direction 2025 – Catalysts for Change
- (d) Koay Teng Kheong
 - Hospitality Trade Show, China
- (e) Nurjannah Binti Ali
 - Tax Seminar – Budget 2020
 - Webinar – Enhance Productivity, Manufacturing and Cost Saving by enabling Simulation – Driven Design in SME Industry
- (f) Ng Thim Fook
 - Communic Asia 2019, Enterprise IT 2019
 - ASCIO PIKOM Digital Summit 2019
- (g) Ong Eng Choon
 - IFRS Masterclass 2019
 - Taxation of Land Transactions
 - Seminar Percukaian Kebangsaan 2019

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2019 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. It also outlines the principles on conducting business and interaction with business partners, customers, government and community and general work place behaviour. Apart from advising the Board on the manner in which it should act when making decision, it also 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. 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 is subject to regular review. All employees are required to read, understand and abide by the Code.

Whistle-blowing policy

The Board has established and adopted a Whistleblowing Policy. The purpose of the policy is to provide an avenue for Directors, employees and any external parties to raise their concerns on improper conduct and malpractice.

If any person, who knows of or suspects a violation of the Code of Ethics and Conduct, is encouraged to lodge report with the Human Resources Manager of the Group or email to dedicated whistleblowing email address, khoosc@pph.com.my. The violation may include fraud, criminal, misuse of confidential information and etc. 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.

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 a 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 BMLR 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 MCG stipulates that tenure of an Independent Director should not exceed a cumulative term of nine (9) years. 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. 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. In this regard, 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 a tenure of twelve (12) years while Mr. Ong Eng Choon has served for tenure of nine (9) years. On 24 February 2020, the Nominating & Remuneration Committees have assessed and are satisfied that the Directors: -

- a. Have fulfilled the criteria of independence as per definition set out under Chapter 1 of the BMLR;
- b. Have committed sufficient time and exercised due care during their tenure, actively participating in board meetings and discussions with appropriate professional scepticism;

- 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 without being subjected to undue influence;
- 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 and possess sufficient confidence to stand up for an independent point of view.

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 33rd 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. To establish 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. To review of Board succession plan for Directors.
- v. To ensure 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 appointments of 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 24 February 2020, 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 Group and towards Board's effectiveness. The Committee also evaluates the independence of Independent Directors based on the criteria of "Independence" as prescribed by the BMLR.
- 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 MCCG 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 24 February 2020 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 Directors' remuneration packages, benefits and expenses to be incurred by them in the course of carrying out their duties. The proposed Director fees and benefits for the financial year 2020 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 emolu- ments RM'000	EPF & SOCSSO RM'000	Benefit in-kind RM'000	Total RM'000
Executive Director							
Koay Chiew Poh	-	60	-	-	12	-	72
Koay Chiew Kang	-	300	275	106	118	17	816
Koay Teng Liang	-	300	50	193	118	8	669
Koay Teng Kheong	-	192	90	97	83	17	479
Koay Chue Beng	-	264	160	77	82	24	607
Non-Executive Director							
Nurjannah Binti Ali	48	-	-	-	-	-	48
Ng Thim Fook	-	-	-	-	-	-	-
Ong Eng Choon	30	-	-	-	-	-	30
Total	78	1,116	575	473	413	66	2,721

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 350,001 – RM400,000	3
Between 400,001 – RM450,000	2

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 MCCG. The Board believes that disclosure of the remuneration bands is sufficient to meet the objectives of the MCCG.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee (“ARMC”)

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 22 to 25 of this Annual Report.

Assessment of suitability and independence of External Auditors

Through the ARMC, the Board maintains a transparent and professional relationship with the Group's External Auditor, Grant Thornton. The External Auditors are invited to attend the ARMC meetings to discuss their audit plans, audit findings and statutory financial statements. The ARMC meets with the External Auditors at least twice a year without the 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 ARMC 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 22 to 25 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 delivered 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 Auditors 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 will be announced to Bursa Securities.

At the 32nd AGM held on 27 May 2019, members of the Board, the Joint 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 BMLR.

1. Audit Fees and Non-Audit Fees

The amount of audit fees and non-audit fees receivable by the External Auditors of the Group during the financial year ended 31 December 2019 are as below: -

PAID BY	AUDIT FEE (RM'000)	NON-AUDIT FEE (RM'000)
Company	23	-
Group	147	3

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 2019 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 2019.

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 33 to the financial statements, there are no other significant recurrent related party transactions of a revenue or trading nature.

5. Employees' Share Scheme

At the Extraordinary General Meeting held on 29 August 2017, the Company's shareholders has approved the establishment of a Scheme, which comprises of an Employee Share Option Scheme ("ESOS") and an Employee Share Grant Scheme ("ESGS"). The Scheme is administered by the Scheme Committee which was 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 has not granted any options or shares under the ESOS and ESGS respectively during the financial year under review.

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 the Group’s assets. The Board acknowledges its overall responsibility to identify the 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 the Group’s risks within an acceptable level, rather than to eliminate risk of non-achievement of the Group’s policies, goals and objectives. Therefore, these systems only provide a reasonable but not absolute assurance against material loss or against the Group’s failure to achieve its objectives. For the purpose of these statements, joint ventures are not considered as part of the Group.

The ARMC was set up on 26 February 2018 to oversee and ensure the effective implementation of the Risk Management and Internal Control systems of the Group. The members of the ARMC 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

Risk Management Team

The Group’s Risk Management Team is responsible to oversee and execute the Group’s 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.

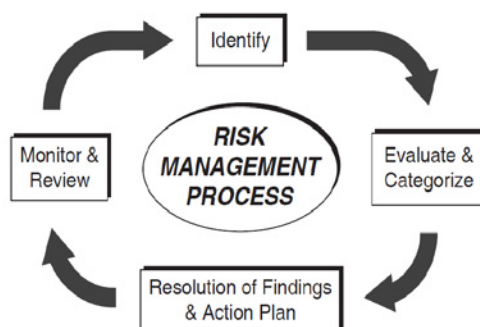
The team, which is led by the Group Managing Director and assisted by the Senior Management, identifies and evaluates potential risks during periodical Internal Unit Meetings. Significant matters and relevant mitigation plans are then reported by the Group Managing Director to the ARMC and the Board 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 by the Board via ARMC to ensure its relevance and adequacy to managing risks, which continue to evolve along with changing business environment.

Risk Management Process

The Group’s Risk Management process are categorised into four steps 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.

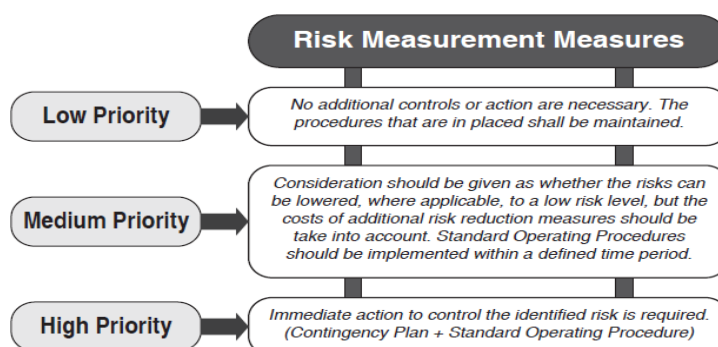
(b) **Risk Evaluation and Categorisation**

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 assist the Group in optimal allocation of resources and preparation of the most appropriate responses to manage and mitigate identified risks.

		IMPACT (EFFECT)		
		IRREVERSIBLE	TOLERABLE	NEGLIGIBLE
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

During the year, the Board has deliberated on some key risks areas that may impact the Group's business. The significant risks identified by the Board and the respective mitigation plans for such risks are as follows: -

Risks	Mitigation plans/ Control activities
Liquidity	• Management of ageing stocks
Customer Management system	• Digitisation of invoices • Consolidation of delivery orders for customers, who have deliveries more than 30 items per day

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 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 ensure appropriate implementation of systems to manage those risks. ARMC conducts periodical review of the effectiveness, adequacy and integrity of the Group's Risk Management framework and Internal Control 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**

ARMC 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 to being released to Bursa Malaysia Securities Berhad.

- **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 the 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 Fides Certification (M) Sdn Bhd ("FIDES") in relation to the Quality Management System (ISO9001:2015) and Environment Management System (ISO14001:2015). 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 2019 Annual Report. Based on their review, the External Auditors believe that this statement is consistent with their understanding of the process adopted by the Board in assessing the adequacy and integrity of the Group's Risk Management and Internal Control. This statement was approved by the Board on 14 May 2020.

CONCLUSION

In the Board meeting held on 14 May 2020, based on the briefing by the Group Managing Director, the ARMC and the Board are satisfied that the Risk Management and Internal Control of the Group is adequate and operating effectively, in all material aspects, during the financial year under review.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The details of attendances of each Audit Committee members at Audit Committee meetings held during year 2019 are as follows: -

NAME OF AUDIT COMMITTEE MEMBER	ATTENDANCE AT AUDIT COMMITTEE MEETINGS
Puan Nurjannah Binti Ali Chairman, Independent Non-Executive Director	4/5
Mr. Ng Thim Fook Member, Independent Non-Executive Director	5/5
Mr. Ong Eng Choon Member, Independent Non-Executive Director	5/5

TERMS OF REFERENCE

The full Terms of Reference setting out the Audit Committee's composition, meeting procedures, authority, and functions and duties can be viewed at the 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 2019, the Audit Committee together with the External Auditors reviewed the audit plan for the Group and the Company for the financial year ended 2019, outlining audit scope, audit approaches, areas of focus, recent developments in the Group, financial reporting updates and proposed fees for statutory audit prior to the commencement of the annual audit.
- (b) On 24 February 2020 and 14 May 2020, the Audit Committee reviewed the results of the External Auditors' audit report together with the Management's response to the findings of the External Auditors before recommending for the Board's approval.
- (c) The Audit Committee met with the External Auditors without presence of the Management on 25 November 2019, 24 February 2020 and 14 May 2020, 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 14 May 2020, the Audit Committee assessed the suitability of External Auditors based on MCCG 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 25 February 2019, the Audit Committee reviewed and approved the internal audit plans for the financial year ended 2019. 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 25 May 2019, 26 August 2019, 25 November 2019 and 24 February 2020. 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 24 February 2020, the Audit Committee reviewed the 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 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 is to ensure the following: -
 - 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 the Group’s 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 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 2019. 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 MCCG.
- (b) Reviewed and revised its Terms of Reference to ensure compliance with the new amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which affect the Audit Committee, for recommendation to the Board for its approval.
- (c) Reviewed the shares/options allocation in accordance to By-laws of Employee Share Option Scheme and Employee Share Grant 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 2019, the Internal Auditors completed a total of 32 audit assignments. The audit covered various areas of the Group, which were as below: -

- (i) Inventory and Warehouse Management;
- (ii) Human Resource and Payroll Management;
- (iii) Production and Quality Control Management;
- (iv) Casual Worker and Cash Management;
- (v) Custom Compliance; and
- (vi) Sales and Service Tax (“SST”) 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.

The Group's 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 financial year ended 31 December 2019, the Group incurred **RM280,000** to carry out the Internal Audit function performed by the in-house Internal Auditors.

STATEMENT OF SUSTAINABILITY

PPHB recognises the important of sustainability as a key driver for long-term sustainable business growth. As such, the Board persistently reinforces various sustainability approaches into the business strategies and operations of the Group to maximise long-term value creation. This statement covers the economic, environmental and social (“EES”) performance of the Group in ensuring that its business is carried out in a sustainable and responsible manner.

This statement is prepared in accordance with BMLR and the Sustainability Reporting Guide (2nd Edition).

Sustainability Governance Structure

The Board is supported by Group Managing Director and assisted by Senior Management in managing sustainability-related matters. The team is responsible for advising on and recommending good business strategies, in terms of sustainability, for adoption by the Board. Thereafter, the team will implement and monitor the sustainability strategies approved by the Board and ensure regulatory compliance. The programs’ details will be drawn up and presented to the Board on yearly basis.

Stakeholder engagement

The Board recognises the important of stakeholder engagement and is therefore committed to continuously engage various stakeholders in timely, effective and transparent manner. Our approaches to the direct and indirect stakeholders of the Group are as summarised below: -

Stakeholder	Area of concern	Type of engagement	Our goal
Customers	- Long term relationships - Price competitive - Quality products - On time delivery - Business ethics	- Regular/Periodic audit on operation - Customer’s feedback - Ad-hoc meeting - Innovative offerings	- To enhance customer’s loyalty and to build long-term sustainable relationship.
Employee	- Fair compensation and employee benefits - Equal employment - Continuous training development - Safety and health	- Procurement practices and competitive remuneration - Annual performance appraisal - Training programs - Meetings and gatherings - Annual festive gathering and birthday celebrations - Staff briefing	- To provide a safe and healthy workplace with good welfare and equal employment opportunities. - To retain top performers and attract new talent.
Investors/ Shareholders	- Strong and sustainable financial performance - Continuous business growth	- Financial results - Company announcements - Annual reports - Circulars - AGM - Corporate website	- To provide reliable and up-to-date disclosures on PPHB’s material information to maximise the shareholders relationship.
Government	- Regulatory compliance - Transparency	- Participation with programs organised by government bodies - Meetings	- To comply with all rules and regulations
Supplier	- Cost efficiencies - Quality products - Maintaining long-term partnership - Business ethics	- Fair and transparent procurement process - Product quality - Inventory/supply commitment - Delivery - Payment	- To build lasting relationship with suppliers
Communities	- Corporate Social Responsibility (“CSR”)	- Donations to charitable organisations - Provide industrial training to graduates - Scholarships - Local employment and equal employment opportunities - Organising CSR activities	- To give back to the community

Material Sustainability Matters / Key Focus Areas

During the financial year, the Board has identified the following sustainability matters as being material to the Group: -

1. ECONOMIC

Human Capital Management

The Group is committed to provide equal opportunities within the workplace and does not discriminate people against age, gender, ethnicity or nationality, apart from preference for locals over foreigners in its staff recruitment. In addition, the Group has also promoted the right to work of persons with disabilities and have provided them with employment opportunities. As at 31 December 2019, PPHB have total of 993 (2018: 982) employees across the Group and 28.8% (2018: 28.9%) of the workforce comprise female representation across all levels of management. Among the employees of the Group, a total of 21 is disable persons.

The Group has put in place an employee remuneration policy which is fair and substantive, and is linked between the individual contribution and performance. The Group will conduct employee performance assessments on yearly basis. Any promotion or increment in remuneration is based on merit assessment. This exercise is important to ensure that the Group remains competitive in attracting, motivating and retaining talent who is important to Group's sustained growth. In addition, the Group's staff appreciation initiatives, the "Chairman Award" event continues to reward and encourage top performing employee on yearly basis. Employees' contributions to the Group are measured against their respective key performance indicators. Employees with excellent performance were awarded with attractive cash rewards.

The Group has put a great emphasis on ongoing training and upskilling of the workforce, which will give the employees greater understanding of their responsibilities within their role and enhance overall performance. 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. During the year, new online education training portal – "Coursera" – that provides training in different fields, was introduced across the Group. This new portal has further enhanced the learning opportunities of the employees.

Digitalisation of Manual Processes

The Group keeps abreast with technology evolution and has put greater emphasis and efforts on digitalisation of the Group's manual processes. The Group believes digitalisation of processes can lead to increase in productivity and helps in supply chain management. During the year, various projects were carried out by Group's Internal Information Technology ("IT") Department to enhance internal workflows and operation systems. The completed digitisation projects include annual leave system, e-invoices and etc. Stringent measures on cybersecurity has also been put in place to ensure that the Group's data is protected.

The Group will continue to automate its processes where feasible to the Group's needs.

Delivery

Customer satisfaction remains Group's top priority, thus the delivery efficiency is one of the focus of the Group. To ensure the timely delivery of the products, the Group will monitor the manufacturing scheduling closely, which includes inventory planning and manufacturing processes.

To further enhance the delivery efficiency, the Group has implemented the Lorry Scheme which entails giving benefits such as lorry ownership scheme and petrol cards to the lorry drivers in order to secure the lorry drivers. Such scheme is a long-term investment which creates a win-win situation and aims to resolve the issue of shortage in lorry drivers especially in paper industry which requires frequent deliveries. During the year, the Group has a total of 16 lorry drivers under this scheme.

2. ENVIRONMENTAL

Waste Management

The Group recognises its responsibility towards the environment and makes every effort to protect, preserve and minimise any adverse environmental impact of its operations.

The 3Rs initiative of Reduce, Reuse and Recycle is implemented throughout the organisation. In our operations, the waste produced were properly segregated, converted or recycled. Reputable and licensed waste collectors were engaged to handle the waste. The ISO14001:2015 Environment Management Systems obtained by the Group helps in managing its environment responsibilities in systematic manner. For office buildings, our employees are encouraged to switch off non-essential lightings and the practice of paper recycling is practiced at all times. The Group used technology to distribute shared information via email and intranet and packaging materials such as cardboard are also reused for document filling. In addition, the Group has opted for e-communication to reduce paper use during the year and we no longer distribute the Annual Report by the way of CD-ROM effective from the

year. However, in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, we will forward a hard copy of the Annual Report to shareholders as soon as reasonably practicable after the receipt of any such request.

3. SOCIAL

Occupational Safety and Healthy Environment

The Group strives to provide a safe and healthy working environment for all employees. In this respect, the Group has put utmost importance on compliance with all relevant safety and health laws and regulations. Various strategies have been developed to minimise the number of workplace accidents, which include: -

- To place handling manual at workplace;
- To place safety measures, safety signboards at workplace;
- To promote 5S (Sort, Set in order, Shine, Standardise and Sustain) at workplace;
- To provide safety and health education and trainings, such as fire drills and evacuations exercise;
- To ensure functionalities of fire preventive equipment and system; and
- Regular inspection on machines.

Safety and health audits had been carried out by Head of Internal Auditor to ensure compliance of safety and health laws and regulations.

The Group has also incorporated a wellness program in its corporate culture to encourage a healthy and balanced lifestyle. The Group had arranged for health screenings to selected employees on yearly basis. A “Quit Smoking Programme” was introduced and provided to all the smoker in the Group. In addition, vegetarian lunch boxes are provided to selected operations in an effort to promote healthy eating habits.

Conclusion

The Board will review and assess the sustainability performance of the Group’s operations on an on-going basis and to improve and enhance existing practices, to enable the sustainable creation and preservation of long-term value to the Group’s stakeholders.

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 2019, 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 2019

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 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 7 to the financial statements.

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

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation for the financial year	23,632	8,436

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 2019** 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 of a material and unusual nature occurred in the interval between the end of that financial year and the date of this report that is likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIVIDENDS

On 24 February 2020, the Company has declared an interim single tier dividend of RM0.0025 per share amounting to RM471,559 in respect of the financial year ended 31 December 2019, paid on 30 March 2020.

The directors do not recommend any final 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 37 to the financial statements.

DIRECTORS

The directors of the Company in office since the end of the previous 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

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 1.1.19	Bought	Sold	Balance at 31.12.19
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	78	-	78
Salaries, allowance and bonus	-	4,379	4,379
Defined contribution plans	-	710	710
Benefits-in-kind	-	132	132
	<u>78</u>	<u>5,221</u>	<u>5,299</u>

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 the 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 as disclosed above) 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 to 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 making of 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, 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,
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading,
- (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 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 their obligations as and when they fall due.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are disclosed in Note 38 to the financial statements.

AUDITORS

The total amount of fees paid to or 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 2019 are RM147,000 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: 14 May 2020

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 41 to 93 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 2019** 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: 14 May 2020

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 41 to 93 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 **14th**)
day of **May 2020**)
)

.....
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. 198701003743 (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 2019** 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 the accounting policies, as set out on pages 41 to 93.

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 2019** and of their financial performance and 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. 198701003743 (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 and hotel equipment. 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 MFRS 116 Property, Plant and Equipment 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 and sighting of assets of significant values.
<i>Allowance for expected credit losses of trade receivables (Refer to Notes 2.6 and 10 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; and - 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. 198701003743 (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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Company No. 198701003743 (162413-K)
(Incorporated in Malaysia)

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

- 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 identified 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 7 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: 14 May 2020

John Lau Tiang Hua
No. 01107/03/2022 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	158,383	148,650	1	1
Right-of-use assets	5	1,575	-	-	-
Investment properties	6	10,715	10,715	-	-
Investment in subsidiaries	7	-	-	126,884	56,884
Investment in joint ventures	8	22,248	21,042	15,100	15,100
Other investments	9	1,697	1,479	*	*
Trade receivable	10	93	693	-	-
		194,711	182,579	141,985	71,985
Current assets					
Inventories	11	17,905	21,745	-	-
Trade receivables	10	52,075	51,713	-	-
Other receivables, deposits and prepayments	12	2,378	2,818	2	2
Amount due from subsidiaries	13	-	-	1,952	55,483
Tax recoverable		582	2,265	29	18
Cash and cash equivalents	14	53,247	52,782	5,094	13,615
		126,187	131,323	7,077	69,118
TOTAL ASSETS		320,898	313,902	149,062	141,103
EQUITY AND LIABILITIES					
Share capital	15	94,361	94,361	94,361	94,361
Revaluation reserve	16	386	386	29,345	29,345
Fair value adjustment reserve	17	446	228	-	-
Foreign translation reserve	18	1,297	1,276	-	-
Retained profits	19	150,217	126,585	25,112	16,676
Total equity		246,707	222,836	148,818	140,382
Non-current liabilities					
Borrowings	20	15,857	15,933	-	-
Lease liabilities	5	778	-	-	-
Deferred tax liabilities	21	8,162	8,662	-	-
		24,797	24,595	-	-
Current liabilities					
Trade payables	22	10,025	11,061	-	-
Other payables and accruals	23	9,471	15,301	26	46
Contract liabilities	24	1,672	459	-	-
Borrowings	20	26,639	38,181	218	675
Lease liabilities	5	797	-	-	-
Provision for taxation		790	1,469	-	-
		49,394	66,471	244	721
Total liabilities		74,191	91,066	244	721
TOTAL EQUITY AND LIABILITIES		320,898	313,902	149,062	141,103

* Represents RM1

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

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	25	203,877	198,257	8,839	9,796
Cost of sales	26	(139,988)	(140,173)	-	-
Gross profit		63,889	58,084	8,839	9,796
Other income		2,839	2,064	800	-
Selling and distribution expenses		(17,512)	(16,010)	-	-
Administrative expenses		(18,159)	(18,212)	(1,133)	(874)
Profit from operations		31,057	25,926	8,506	8,922
Finance costs		(2,729)	(2,628)	(37)	(31)
Share of results of joint ventures		1,206	1,210	-	-
Profit before taxation	27	29,534	24,508	8,469	8,891
Taxation	28	(5,902)	(5,500)	(33)	(54)
Profit for the financial year		23,632	19,008	8,436	8,837
Other comprehensive income/(loss), net of tax:					
Items that will be reclassified subsequently to profit or loss					
Fair value adjustment on financial assets at fair value through other comprehensive income		218	(136)	-	-
Foreign currency translation differences for foreign operations		21	(4)	-	-
Other comprehensive income/(loss) for the financial year		239	(140)	-	-
Total comprehensive income for the financial year, attributable to owners of the Company		23,871	18,868	8,436	8,837
Basic earnings per share attributable to owners of the Company (sen per share)	29	12.53	10.08		

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	----- Attributable to Owners of the Company -----					
	----- Non-distributable -----			Distributable -		
	Share Capital 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
2019						
Balance at beginning	94,361	386	228	1,276	126,585	222,836
Total comprehensive income for the financial year	-	-	218	21	23,632	23,871
Balance at end	94,361	386	446	1,297	150,217	246,707
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

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Share Capital RM'000	-Non-distributable- Revaluation Reserve RM'000	- Distributable - Retained Profits RM'000	Total Equity RM'000
2019				
Balance at beginning	94,361	29,345	16,676	140,382
Total comprehensive income for the financial year	-	-	8,436	8,436
Balance at end	94,361	29,345	25,112	148,818
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

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	29,534	24,508	8,469	8,891
Adjustments for:				
Allowances for expected credit losses	8	-	-	-
Bad debts	-	37	897	640
Depreciation of property, plant and equipment	7,434	5,809	-	-
Depreciation of right-of-use assets	647	-	-	-
Dividend income from joint venture	-	-	-	(1,500)
Dividend income from quoted investments	(79)	(71)	-	-
Dividend income from unquoted subsidiaries	-	-	(8,600)	(7,450)
Dividend income from short term funds	(926)	(1,343)	(66)	(586)
Impairment loss on investment in a joint venture	-	1,299	-	-
Impairment loss on property, plant and equipment	619	-	-	-
Interest expense	2,729	2,628	37	31
Interest income	(99)	(92)	(173)	(260)
Gain on disposal of property, plant and equipment	(2)	(65)	-	-
Property, plant and equipment written off	16	-	-	-
Reversal of allowance for expected credit losses	-	(10)	-	-
Share of results of joint ventures	(1,206)	(1,210)	-	-
Unrealised loss on foreign exchange	-	58	-	-
Operating profit/(loss) before working capital changes	38,675	31,548	564	(234)
Decrease in inventories	3,840	719	-	-
Decrease/(Increase) in receivables	670	(3,292)	-	-
(Decrease)/Increase in payables	(5,653)	1,777	(20)	22
Cash generated from/(used in) operations	37,532	30,752	544	(212)
Dividend received	1,005	2,914	8,666	9,536
Interest paid	(2,729)	(2,628)	(37)	(31)
Interest received	93	86	173	260
Income tax paid	(7,822)	(6,181)	(65)	(65)
Income tax refunded	2,424	119	21	10
Net cash from operating activities	30,503	25,062	9,302	9,498
CASH FLOWS FROM INVESTING ACTIVITIES				
* Acquisition of property, plant and equipment	(17,143)	(32,571)	-	-
Proceeds from disposal of property, plant and equipment	33	238	-	-
Placement of fixed deposits	-	(3,000)	-	-
Net change in subsidiaries	-	-	(17,366)	(22,975)
Net cash used in investing activities	(17,110)	(35,333)	(17,366)	(22,975)
Balance carried forward	13,393	(10,271)	(8,064)	(13,477)

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	13,393	(10,271)	(8,064)	(13,477)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (repayment)/drawdown of bills payable and trust receipts	(6,264)	2,378	-	-
Net repayment of hire purchase loans	(3,479)	(4,577)	-	-
Net drawdown/(repayment) of murabahah financing	174	(600)	-	-
Net drawdown of term loans	2,336	4,789	-	-
Payment of principle portion of lease liabilities	(647)	-	-	-
Net cash (used in)/from financing activities	(7,880)	1,990	-	-
Effects of changes in exchange rates	21	(4)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,534	(8,285)	(8,064)	(13,477)
Effects of changes in exchange rates on cash and cash equivalents	-	(38)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	43,641	51,964	12,940	26,417
CASH AND CASH EQUIVALENTS AT END	49,175	43,641	4,876	12,940
Represented by:				
Cash and cash equivalents (Note 14)	50,030	49,571	5,094	13,615
Bank overdrafts	(855)	(5,930)	(218)	(675)
	49,175	43,641	4,876	12,940
* Acquisition of property, plant and equipment				
Total acquisition	17,833	33,119	-	-
Acquired under finance lease	(690)	(548)	-	-
Total cash acquisition	17,143	32,571	-	-

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

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, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 May 2020.

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 7 to the financial statements.

There have been no significant changes in the nature of these 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 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 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

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

IC Interpretations 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except as follow:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Company is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Group is not required to reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application, and the cumulative effect of initially applying this standard is adjusted to the opening balance of the retained earnings without restating the comparative information.

The adoption of MFRS 16 on 1 January 2019 did not have a material impact on the profit or loss for the financial year but increased the assets and liabilities of the Group as follows:

Statement of Financial Position

	RM'000
Assets	
Right-of-use assets	<u>2,222</u>
Liabilities	
Lease liabilities	<u>2,222</u>

Subsequent to the initial recognition, lease payment previously recognised as rental expenses is being replaced with depreciation of right-of-use assets and accretion of interest in profit or loss.

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and by the Company:

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statement and MFRS 108

Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 on Financial Instruments: Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing MFRS 4 and Amendments to MFRS 4 will be withdrawn upon the adoption of the new MFRS 17 which will take effect on or after 1 January 2021.

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.

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 would have a 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, machinery and hotel equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant, machinery and hotel equipment to be within 5 to 35 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant, machinery and hotel equipment. A reduction in the estimated useful lives of the plant, machinery and hotel equipment 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. **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 combinations***

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	2.86% - 20%
Hotel equipment	10% - 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 recognised 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

Current financial year

The Group assesses at contract inception whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.5.1 *Group as lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement of a lease, the Group recognises a right-of-use asset and a lease liability.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use assets from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

The right-of-use assets are also subject to impairment as described in Note 3.6 hereof.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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.

3.5.2 **Group as lessor**

The Group lets out its investment properties and motor vehicles to third parties under operating lease for rental income. The Group recognises lease payments as income on a straight-line basis over the period of the lease.

Previous financial year

3.5.3 **Group as lessee**

In the previous financial year, only finance lease was capitalised by recognising the underlying asset under property, plant and equipment and a corresponding lease liability. The underlying asset was depreciated on the straight-line method over its estimated useful life and interest on the lease payments was charged to profit or loss.

Payments made on operating lease were recognised as an expense in the profit or loss on a straight-line basis over the lease term.

3.5.4 **Group as lessor**

The Group lets out its investment properties and motor vehicles to third parties under operating lease for rental income. The Group recognises lease payments as income on a straight-line basis over the period of the lease.

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 expired.

3.7.2 **Classification and measurement of financial assets**

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”).

The Group and the Company do not have any financial assets at FVTPL as at the end of the reporting period.

Financial assets at amortised cost (“AC”)

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 (“FVOCI”)

(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.

3.7.3 **Impairment of financial assets**

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:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

Stage 3 would cover 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.

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 that are 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. 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**

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 based on the following performance obligations:

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.

Revenue from hotel and restaurant operations

Revenue from hotel and restaurant operations comprise of rental of rooms, sales of food and beverage and other hotel business related income, is recognised at a point in time upon the satisfaction of performance obligation, generally upon the services have been performed and completed.

Interest income

Interest income is recognised on the accrual basis using the effective interest rate applicable on the financial assets.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established, based on directors' or shareholders' approval, where appropriate.

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.

Contract balances:

Contract balances comprise of the closing balances of trade receivables, contract assets and contract liabilities from contracts with customers.

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 to selected management officers of the Group and executive directors of the Company ("Scheme Participants") in recognition of the individual's contribution 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 based on the five (5) day volume average market price of the share before the grant date. This cost is recognised in profit or loss in 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:

- when 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 SST, except:

- when the SST 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 SST included.

The net amount of SST 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.

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 approved.

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

2019

	At cost					
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclas- sification RM'000	Balance at end RM'000
Freehold land and buildings	59,386	56	-	-	44,485	103,927
Leasehold land and buildings	16,811	31	-	-	-	16,842
Apartments	565	-	-	-	-	565
Plant and machinery	101,827	820	(130)	(46)	1,776	104,247
Hotel equipment	-	40	-	-	13,387	13,427
Motor vehicles	4,356	888	-	-	-	5,244
Furniture, fittings and office equipment	10,728	168	-	-	6	10,902
Electrical installations	877	12	-	-	-	889
Renovation	2,865	499	-	-	8	3,372
Capital work-in-progress	44,568	15,319	-	-	(59,662)	225
	241,983	17,833	(130)	(46)	-	259,640

	Accumulated depreciation					
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Reclas- sification RM'000	Balance at end RM'000
Buildings	4,791	965	-	-	-	5,756
Leasehold land and buildings	6,063	815	-	-	-	6,878
Apartments	292	7	-	-	-	299
Plant and machinery	66,159	4,114	(99)	(30)	-	70,144
Hotel equipment	-	783	-	-	-	783
Motor vehicles	3,034	375	-	-	-	3,409
Furniture, fittings and office equipment	10,227	210	-	-	-	10,437
Electrical installations	708	31	-	-	-	739
Renovation	2,059	134	-	-	-	2,193
	93,333	7,434	(99)	(30)	-	100,638

	Accumulated impairment losses					
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Reclas- sification RM'000	Balance at end RM'000
Plant and machinery	-	619	-	-	-	619

	Carrying amount RM'000
Freehold land and buildings	98,171
Leasehold land and buildings	9,964
Apartments	266
Plant and machinery	33,484
Hotel equipment	12,644
Motor vehicles	1,835
Furniture, fittings and office equipment	465
Electrical installations	150
Renovation	1,179
Capital work-in-progress	225
	158,383

2018

	----- At cost -----				Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off 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
	<u>209,948</u>	<u>33,119</u>	<u>(1,024)</u>	<u>(60)</u>	<u>241,983</u>
	----- Accumulated depreciation -----				Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off 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
	<u>88,435</u>	<u>5,809</u>	<u>(851)</u>	<u>(60)</u>	<u>93,333</u>
					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					<u>44,568</u>
					<u>148,650</u>

COMPANY

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2019			
At cost	171	-	171
Accumulated depreciation	170	-	170
Carrying amount	1	-	1
2018			
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 hire purchase loans as follow:

	GROUP	
	2019 RM'000	2018 RM'000
Plant and machinery	9,178	13,257
Motor vehicles	1,398	762
	10,576	14,019

The above assets are pledged as security for the hire purchase loans (Note 20).

(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	
	2019 RM'000	2018 RM'000
Freehold land	23,078	23,078
Plant and machinery	788	829
	23,866	23,907

5. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

GROUP

The Group has lease contracts for motor vehicles used in its operations, factory and premises. Leases of motor vehicles have lease term of 3 years, while leases of factory and premises have a lease term of between 3 to 5 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

In the previous financial year, payment on operating lease are charged to profit or loss as lease rentals as a straight-line basis over the lease term.

The Group also has certain leases of staff quarters, machinery and equipment with lease terms of 12 months or less and leases of office equipment with low value. Such lease payments are charged to profit or loss as lease rentals on the straight-line basis over the lease term.

2019

Set out below are the carrying amount of right-of-use assets and lease liabilities and their movements during the financial year:

Right-of-use assets

	Motor vehicles RM'000	Factory and premises RM'000	Total RM'000
Balance at 1 January 2019 upon adopting MFRS 16	1,592	630	2,222
Depreciation	(479)	(168)	(647)
Balance at end	1,113	462	1,575

Lease liabilities

	Motor vehicles RM'000	Factory and premises RM'000	Total RM'000
Balance at 1 January 2019 upon adopting MFRS 16	1,592	630	2,222
Accretion of interest	29	18	47
Payments	(508)	(186)	(694)
Balance at end	1,113	462	1,575

	RM'000
Represented by:	
Non-current liabilities	778
Current liabilities	797
	1,575

The following are the amount recognised in profit or loss:

	RM'000
Depreciation of right-of-use assets	647
Interest expense on lease liabilities	47
Total amount recognised in profit or loss	694

6. INVESTMENT PROPERTIES

	GROUP	
	2019 RM'000	2018 RM'000
At fair value:		
Leasehold land and buildings	10,715	10,715

The directors after considering the transactions of properties in the vicinity of the investment properties and the prevailing market condition, are of the opinion that there is no significant variation to the fair value of the investment properties which were revalued on the open market value basis in the financial year 2017 based on an independent valuer's opinion.

A subsidiary's investment properties with carrying amount of **RM7,700,000** (2018: RM7,700,000) are charged to a 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	
	2019	2018
	RM'000	RM'000
Rental income	104	160
Direct expenses		
- Rental generating	37	37
- Non-rental generating	26	13

For fair value of investment properties for disclosure purpose, refer to Note 35.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2019	2018
	RM'000	RM'000
Unquoted shares		
- At valuation	49,884	49,884
- At cost	77,000	7,000
	126,884	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
	2019	2018	
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.
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%	Hotel owner and operating of hotel and managing of properties.
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.

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2019	2018	
Indirect subsidiaries			
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.			

2019

During the financial year, the Company increased its investment in its wholly-owned subsidiary, PPH Plaza Sdn. Bhd. ("PPH Plaza") through the subscription of 70,000,000 new ordinary shares for RM70,000,000 which was satisfied by way of conversion of RM70,000,000 debt due from PPH Plaza.

8. INVESTMENT IN JOINT VENTURES

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	19,112	19,112	15,100	15,100
Share of results:				
Previous year	3,229	2,019	-	-
Current year	1,206	1,210	-	-
	4,435	3,229	-	-
Less: Impairment losses	(1,299)	(1,299)	-	-
	22,248	21,042	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
	2019	2018	
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.			

In the previous financial year, the Group has fully impaired its investment in Kyaw Tha PPH Co., Ltd., and no financial information is presented due to insignificance and immateriality of this investment to the Group.

The following table summarises the financial information of PPH Teckwah Value Chain Sdn. Bhd. ("PTVC") and New Merit Development Sdn. Bhd. ("NMD") 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	Total RM'000
As at 31 December 2019			
Assets and liabilities			
Non-current assets	11,658	31,927	43,585
Current assets excluding cash and cash equivalents	13,322	1,081	14,403
Cash and cash equivalents	6,988	2,893	9,881
Non-current liabilities	(570)	(14,181)	(14,751)
Current liabilities	(4,752)	(796)	(5,548)
Net assets	26,646	20,924	47,570
Reconciliation of net assets to carrying amount			
Group's share of net assets	13,323	10,461	23,784
Goodwill	(10)	(1,526)	(1,536)
Carrying amount in the statement of financial position	13,313	8,935	22,248
Results			
Revenue	38,049	2,167	40,216
Cost of sales excluding depreciation	(29,746)	-	(29,746)
Depreciation	(1,472)	-	(1,472)
Other income excluding interest income	716	-	716
Interest income	51	-	51
Interest expense	(26)	-	(26)
Other expenses	(5,735)	(548)	(6,283)
Profit before taxation	1,837	1,619	3,456
Taxation	(563)	(482)	(1,045)
Profit after taxation	1,274	1,137	2,411
Group's share of total comprehensive income	637	569	1,206
Contingent liabilities			
Corporate guarantee extended by PTVC to licensed banks for banking facilities granted to a subsidiary of PTVC	5,000	-	5,000
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

GROUP

	PTVC RM'000	NMD RM'000	Total RM'000
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	<u>12,675</u>	<u>8,367</u>	<u>21,042</u>
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	<u>2,001</u>	<u>1,382</u>	<u>3,383</u>
Taxation	(615)	(347)	(962)
Profit after taxation	<u>1,386</u>	<u>1,035</u>	<u>2,421</u>
Group's share of total comprehensive income	<u>693</u>	<u>517</u>	<u>1,210</u>
Contingent liabilities			
Corporate guarantee extended by PTVC to licensed banks for banking facilities granted to a subsidiary of PTVC	<u>5,000</u>	<u>-</u>	<u>5,000</u>

9. OTHER INVESTMENTS

	2019 RM'000	2018 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	<u>*</u>	<u>*</u>
Quoted investments, at fair value	<u>1,697</u>	<u>1,479</u>
Total carrying amount	<u>1,697</u>	<u>1,479</u>
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	<u>*</u>	<u>*</u>

* Represents RM1

10. **TRADE RECEIVABLES**

	GROUP	
	2019	2018
	RM'000	RM'000
Non-current assets		
Total amount	693	2,068
Less: Receivable within next twelve months included under current assets	(600)	(1,375)
	93	693
Current assets		
Trade receivables	52,222	51,852
Less: Allowance for expected credit losses		
Balance at beginning	(139)	(149)
Current year	(8)	-
Recovered	-	10
	(147)	(139)
Balance at end	52,075	51,713
Total	52,168	52,406

The currency profile of trade receivables are as follows:

	GROUP	
	2019	2018
	RM'000	RM'000
Ringgit Malaysia	40,105	41,358
US Dollar	9,209	8,237
Singapore Dollar	2,854	2,811
	52,168	52,406

The trade receivables are non-interest bearing and are generally on **30 to 120 days** (2018: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent the 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

11. **INVENTORIES**

	GROUP	
	2019	2018
	RM'000	RM'000
Raw materials	6,937	9,053
Work-in-progress	1,788	1,926
Finished goods	8,185	9,740
Other consumables	995	1,026
	17,905	21,745

	GROUP	
	2019 RM'000	2018 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	135,996	140,173

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

GROUP

	2019 RM'000	2018 RM'000
Total amount	3,160	4,400
Less: Allowance for expected credit losses		
Balance at beginning	(1,582)	(1,582)
Recovered	800	-
Balance at end	(782)	(1,582)
	2,378	2,818
Represented by:		
Other receivables	633	766
Refundable deposits	561	455
Prepayments	1,184	1,442
GST receivables	-	155
	2,378	2,818

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

	2019 RM'000	2018 RM'000
Ringgit Malaysia	2,005	2,421
US Dollar	337	361
Singapore Dollar	36	36
	2,378	2,818

COMPANY

	2019 RM'000	2018 RM'000
Total amount	702	1,502
Less: Allowance for expected credit losses		
Balance at beginning	(1,500)	(1,500)
Recovered	800	-
Balance at end	(700)	(1,500)
	2	2
Represented by:		
Refundable deposits	2	2

13. **AMOUNT DUE FROM SUBSIDIARIES**

	COMPANY	
	2019	2018
	RM'000	RM'000
Interest bearing @ 6.25% per annum	-	4,163
Non-interest bearing	1,952	51,320
	1,952	55,483

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

14. **CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unencumbered:				
Short term funds with licensed financial institutions	26,602	36,177	-	13,485
Fixed deposits with licensed banks	150	150	-	-
Cash and bank balances	23,278	13,244	5,094	130
	50,030	49,571	5,094	13,615
Encumbered:				
Fixed deposits with licensed banks	3,217	3,211	-	-
	53,247	52,782	5,094	13,615

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	49,189	48,899	5,094	13,615
US Dollar	1,110	910	-	-
Australian Dollar	15	15	-	-
Singapore Dollar	2,933	2,958	-	-
	53,247	52,782	5,094	13,615

Short term funds with licensed financial institutions of the Group are primarily invested in money market.

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

The effective interest rate of the fixed deposits of the Group at the end of the reporting period is **2.64%** (2018: 2.72%) per annum.

15. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Issued and fully paid	188,624	188,624	94,361	94,361

16. **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.

17. **FAIR VALUE ADJUSTMENT RESERVE**

GROUP

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

18. **FOREIGN TRANSLATION RESERVE**

GROUP

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

19. **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.

20. **BORROWINGS**

	2019 RM'000	2018 RM'000
GROUP		
Non-current liabilities		
Hire purchase loans	4,073	5,633
Term loans	11,784	10,300
	15,857	15,933
Current liabilities		
Bank overdrafts	855	5,930
Bill payables	18,317	24,581
Hire purchase loans	2,545	3,774
Term loans	1,669	817
Murabahah financing	3,253	3,079
	26,639	38,181
Total	42,496	54,114
COMPANY		
Current liabilities		
Bank overdraft	218	675

The borrowings (except for hire purchase loans) 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						
2019						
Bank overdrafts	7.85 to 8.20	855	855	-	-	-
Bill payables	3.71 to 5.24	18,317	18,317	-	-	-
Hire purchase loans	2.54 to 3.35	6,618	2,545	2,947	1,100	26
Term loans	4.66 to 7.85	13,453	1,669	1,308	7,060	3,416
Murabahah financing	4.37 to 8.00	3,253	3,253	-	-	-
2018						
Bank overdrafts	7.95 to 8.35	5,930	5,930	-	-	-
Bill payables	3.95 to 5.43	24,581	24,581	-	-	-
Hire purchase loans	2.54 to 3.70	9,407	3,774	3,558	2,032	43
Term loans	4.91 to 8.10	11,117	817	711	5,904	3,685
Murabahah financing	3.70 to 8.00	3,079	3,079	-	-	-
COMPANY						
2019						
Bank overdraft	8.20	218	218	-	-	-
2018						
Bank overdraft	8.35	675	675	-	-	-

21. DEFERRED TAX LIABILITIES

	GROUP	
	2019 RM'000	2018 RM'000
Balance at beginning	8,662	9,086
Transfer to profit or loss	(536)	(510)
	8,126	8,576
Under provision in prior year	36	86
	8,162	8,662
Balance at end	8,162	8,662
Represented by:		
Deferred tax assets	(293)	(546)
Deferred tax liabilities	8,455	9,208
	8,162	8,662

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

	GROUP	
	2019	2018
	RM'000	RM'000
- Property, plant and equipment	6,431	6,417
- Revaluation, net of related depreciation	3,240	3,327
- Unabsorbed tax losses	(1,300)	(938)
- Unabsorbed capital allowances	(209)	(144)
	8,162	8,662

22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2019	2018
	RM'000	RM'000
Ringgit Malaysia	9,941	10,944
US Dollar	30	63
Singapore Dollar	46	46
Hong Kong Dollar	8	8
	10,025	11,061

The trade payables are non-interest bearing and are normally settled on **30 to 120 days** (2018: 30 to 120 days) credit terms.

23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables	3,456	10,815	1	21
Accruals	4,589	3,424	25	25
Deposit received	277	123	-	-
Government and tourism tax	81	-	-	-
GST payable	43	94	-	-
SST payable	1,025	845	-	-
	9,471	15,301	26	46

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	8,936	14,652	26	46
Singapore Dollar	530	567	-	-
Others	5	82	-	-
	9,471	15,301	26	46

GROUP

Included in other payables is an amount of **RM4,075** (2018: RM971) 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	
	2019	2018
	RM'000	RM'000
Contract liabilities	1,672	459

Contract liabilities represent deposits received for sales orders before the commencement of production activity. The deposits will be reversed and recognised as revenue upon satisfying the performance obligation pursuant to the sales contract.

All deposits received are expected to be recognised as revenue within one year from date of receipt.

Movements in contract liabilities:

	GROUP	
	2019	2018
	RM'000	RM'000
Balance at the beginning	459	3,960 ¹
Decrease on recognition of revenue	(459)	(3,960)
Increase on receiving of deposits for sales orders	1,672	459
Balance at the end	1,672	459

¹ Reclassified from other payables and accruals

25. **REVENUE**

Disaggregated revenue information

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Sales of goods	197,682	197,261	-	-
Rental income	443	410	-	-
Interest income	-	-	173	260
Hotel operation income	5,640	-	-	-
Dividend income	66	586	8,666	9,536
Others	46	-	-	-
	203,877	198,257	8,839	9,796

Geographical segments

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	186,616	187,390	8,839	9,796
Other Asian countries	16,760	10,464	-	-
Europe countries	163	93	-	-
United States of America	233	267	-	-
Others	105	43	-	-
	203,877	198,257	8,839	9,796

Performance obligations

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

26. **COST OF SALES**

	GROUP	
	2019	2018
	RM'000	RM'000
Sales of goods	135,418	140,173
Hotel operation expenses	4,524	-
Other costs	46	-
	139,988	140,173

27. **PROFIT BEFORE TAXATION**

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration				
- Company's auditor				
- statutory audit - current year	147	139	23	23
- over provision in prior year	-	(3)	-	(3)
- other services	3	3	3	3
- Other auditors				
- statutory audit	14	13	-	-
Allowances for expected credit losses	8	-	-	-
Bad debts	-	37	897	640
Depreciation of property, plant and equipment	7,434	5,809	-	-
Depreciation of right-of-use assets	647	-	-	-
Directors' fee for non-executive directors	78	86	78	86
Hire of machinery and equipment	230	390	-	-
Impairment loss on investment in a joint venture	-	1,299	-	-
Impairment loss on property, plant and equipment	619	-	-	-
* Interest expense	2,729	2,628	37	31
Property, plant and equipment written off	16	-	-	-
Realised loss on foreign exchange	-	79	-	-
Rental of warehouse	15	146	-	-
Rental of machinery	72	43	-	-
Rental of motor vehicles	36	234	-	-
Rental of premises	439	411	-	-
Unrealised loss on foreign exchange	-	58	-	-
** Staff costs	44,998	40,433	-	-
And crediting:				
Interest income	99	92	173	260
Gain on disposal of property, plant and equipment	2	65	-	-
Gross dividend from				
- joint venture	-	-	-	1,500
- unquoted subsidiaries	-	-	8,600	7,450
- quoted shares	79	71	-	-
- short term funds	926	1,343	66	586
Realised gain on foreign exchange	507	407	-	-
Rental income	1,056	621	-	-
Recovered of allowance for expected credit losses	800	-	800	-
Reversal of allowance for expected credit losses	-	10	-	-

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
* Interest expense				
- Bank overdrafts	300	419	37	31
- Bill payables	1,195	1,176	-	-
- Hire purchase loans	467	641	-	-
- Lease interest	47	-	-	-
- Term loans	589	228	-	-
- Murabahah profit	131	159	-	-
- Others	-	5	-	-
	2,729	2,628	37	31
** Staff costs				
- Salaries, wages, overtime, allowance and bonus	40,256	36,603	-	-
- EPF	4,318	3,478	-	-
- SOCSO and EIS	424	352	-	-
	44,998	40,433	-	-

Directors' emoluments

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

	GROUP	
	2019	2018
	RM'000	RM'000
Executive directors of the Company:		
- Salaries, bonus and wages	2,164	2,605
- EPF, SOCSO and EIS	413	501
	2,577	3,106
- Benefits-in-kind	66	42
	2,643	3,148
Executive directors of subsidiaries:		
- Salaries, bonus and wages	2,215	2,117
- EPF, SOCSO and EIS	297	277
	2,512	2,394
- Benefits-in-kind	66	55
	2,578	2,449
Total executive directors' emoluments	5,221	5,597
Represented by:		
- Present directors	5,221	5,486
- Past director	-	111
	5,221	5,597

28. **TAXATION**

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Based on results for the financial year				
- Current tax				
Malaysia tax	(6,749)	(6,372)	(36)	(57)
Foreign tax	(184)	(53)	-	-
	(6,933)	(6,425)	(36)	(57)
- Deferred tax relating to the origination and reversal of temporary differences	536	510	-	-
	(6,397)	(5,915)	(36)	(57)
Over/(Under) provision in prior year				
- Current tax	531	501	3	3
- Deferred tax	(36)	(86)	-	-
	495	415	3	3
	(5,902)	(5,500)	(33)	(54)

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	29,534	24,508	8,469	8,891
Less: Share of results of joint ventures	(1,206)	(1,210)	-	-
	28,328	23,298	8,469	8,891
Income tax at Malaysian statutory tax rate of 24%	(6,799)	(5,591)	(2,033)	(2,134)
Income not subject to tax	307	280	2,080	2,289
Different tax rates in other countries	97	68	-	-
Double deduction of expenses for tax purposes	-	16	-	-
Expenses not deductible for tax purposes	(797)	(1,633)	(83)	(212)
Deferred tax movement not recognised	(282)	13	-	-
Reinvestment allowance claimed	504	585	-	-
Annual crystallisation of deferred tax on revaluation reserves	87	87	-	-
Utilisation of unabsorbed tax losses and capital allowances	201	260	-	-
Utilisation of automation allowance	285	-	-	-
	(6,397)	(5,915)	(36)	(57)
Over provision in prior year	495	415	3	3
	(5,902)	(5,500)	(33)	(54)

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(1,952)	218	-	-
Unabsorbed tax losses	414	613	-	-
Unabsorbed capital allowances	2,500	50	46	46
	962	881	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 capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	1,728	2,554	-	-
Unabsorbed capital allowances	1,237	206	190	190

The unabsorbed tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The expiry of the unabsorbed tax losses is as follows:

	GROUP	
	2019	2018
	RM'000	RM'000
Year of assessment 2025	1,718	2,554
Year of assessment 2026	10	-
	1,728	2,554

29. 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:

	2019	2018
Profit for the financial year (RM'000)	23,632	19,008
Weighted average number of ordinary shares in issue ('000)	188,624	188,624
Basic earnings per share (sen)	12.53	10.08

(b) **Diluted earnings per share**

The earnings per share is not diluted as the Company does not have any convertible financial instruments as at the end of the reporting period.

30. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2019	2018
	RM'000	RM'000
Goodwill	675	675
Less: Impairment losses	(675)	(675)
	-	-

31. **CAPITAL COMMITMENTS**

	GROUP	
	2019	2018
	RM'000	RM'000
Property, plant and equipment		
- Contracted but not provided for	2,065	19,736
- Approved and not contracted for	-	1,535
	2,065	21,271

32. **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. |
| (v) | Hospitality | Management and operation of hotel and restaurant. |

	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Hospitality RM'000	Eliminations RM'000	Note	Total RM'000
2019								
Revenue								
External sales	66	186,431	103	11,251	6,026	-		203,877
Inter-segment	13,375	61,107	630	1	79	(75,192)	A	-
	<u>13,441</u>	<u>247,538</u>	<u>733</u>	<u>11,252</u>	<u>6,105</u>	<u>(75,192)</u>		<u>203,877</u>
Result								
Segment results	(1,312)	26,870	1,356	1,480	(731)	3,295		30,958
Interest income								99
Interest expense								(2,729)
Share of results of joint ventures	1,206	-	-	-	-	-		1,206
Profit before taxation								29,534
Taxation								(5,902)
Profit for the financial year								<u>23,632</u>
Assets								
Segment assets	127,917	204,430	23,667	11,548	86,358	(155,852)		298,068
Investment in joint ventures	22,248	-	-	-	-	-		22,248
Tax recoverable								582
Total assets								<u>320,898</u>
Liabilities								
Segment liabilities	30	17,345	63	603	1,455	-		19,496
Borrowings								42,496
Contract liabilities								1,672
Lease liabilities								1,575
Deferred tax liabilities								8,162
Provision for taxation								790
Total liabilities								<u>74,191</u>
Other information								
Capital expenditure	-	3,387	-	1	14,445	-	B	17,833
Depreciation	-	6,473	4	108	1,496	-		8,081
Non-cash expenses/ (income) other than depreciation	(1,206)	641	-	-	-	-	C	(565)

	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	-	-	-	-		1,210
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

Notes to segment information:

A Inter-segment revenue are eliminated on consolidation.

B Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	17,833	33,119

C Other material non-cash expenses/ (income) consist of the following items:

	2019 RM'000	2018 RM'000
Allowance for expected credit losses	8	-
Bad debts	-	37
Gain on disposal of property, plant and equipment	(2)	(65)
Impairment loss on property, plant and equipment	619	-
Impairment loss on investment in a joint venture	-	1,299
Property, plant and equipment written off	16	-
Share of results of joint ventures	(1,206)	(1,210)
Reversal of allowance for expected credit losses	-	(10)
Unrealised loss on foreign exchange	-	58
	(565)	109

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	186,616	187,390	192,953	181,064
Other Asian countries	16,760	10,464	61	36
Europe countries	163	93	-	-
United States of America	233	267	-	-
Others	105	43	-	-
	203,877	198,257	193,014	181,100

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

	2019 RM'000	2018 RM'000
Property, plant and equipment	158,383	148,650
Right-of-use assets	1,575	-
Investment properties	10,715	10,715
Investment in joint ventures	22,248	21,042
Trade receivable	93	693
	193,014	181,100

Major customers

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

33. RELATED PARTY DISCLOSURES

(i) Transactions with subsidiaries

	COMPANY	
	2019 RM'000	2018 RM'000
Interest income from subsidiaries	173	260

(ii) Transactions with related parties

	GROUP	
	2019 RM'000	2018 RM'000
Rental of property for staff accommodation from a related party - Fame Pack Holdings Sdn. Bhd.	130	134
Rental of office lot from a related party - Fame Pack Holdings Sdn. Bhd.	102	100
Rental of premise paid to the directors of the Company	78	78
Rental of premises paid to a related party - Fame Pack Holdings Sdn. Bhd.	42	-
Rental of premise paid to a director of a subsidiary	6	6
Rental of motor vehicles from a related party - Koay Boon Pee Holding Sdn. Bhd.	545	410
Medical care and supplies paid to a related party - Peoples Primary Healthcare Sdn. Bhd.	177	54

(iii) Compensation of key management personnel

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

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other short-term employee benefits	7,344	7,541	78	86

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.

<u>Related party</u>	<u>Relationship</u>
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.

34. FINANCIAL INSTRUMENTS

34.1 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
2019			
GROUP			
Financial assets			
Other investments	1,697	-	1,697
Trade receivables	52,168	52,168	-
Other receivables and refundable deposits	1,194	1,194	-
Cash and cash equivalents	53,247	53,247	-
	108,306	106,609	1,697
Financial liabilities			
Borrowings	42,496	42,496	-
Trade payables	10,025	10,025	-
Other payables and accruals	8,322	8,322	-
	60,843	60,843	-
COMPANY			
Financial assets			
Other investment	*	-	*
Refundable deposits	2	2	-
Amount due from subsidiaries	1,952	1,952	-
Cash and cash equivalents	5,094	5,094	-
	7,048	7,048	-
Financial liabilities			
Borrowings	218	218	-
Other payables and accruals	26	26	-
	244	244	-

* Represents RM1

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

	Carrying amount RM'000	AC RM'000	FVOCI RM'000
GROUP			
Financial liabilities			
Borrowings	54,114	54,114	-
Trade payables	11,061	11,061	-
Other payables and accruals	14,362	14,362	-
	79,537	79,537	-
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

34.2 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.

34.3 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.

34.3.1 Trade receivables

The Group extends credit terms to customers that range between 30 to 120 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 requires deposits from the customers.

The Group assesses ECL 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 ageing of trade receivables of the Group is as follows:

	Gross RM'000	Expected credit losses RM'000	Net RM'000
2019			
Not past due	33,641	-	33,641
1 to 30 days past due	9,710	-	9,710
31 to 60 days past due	3,243	-	3,243
61 to 90 days past due	1,135	-	1,135
Past due more than 90 days	4,586	(147)	4,439
	18,674	(147)	18,527
	52,315	(147)	52,168
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

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 **RM18,526,458** (2018: RM16,058,521) 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.

34.3.2 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associated company up to a limit of **RM163,183,803** (2018: RM172,968,011), of which the amount utilised as at the reporting date was **RM41,619,580** (2018: RM53,254,279) 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.

34.3.3 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.

34.4 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
2019						
GROUP						
<i>Non-derivative financial liabilities</i>						
Lease liabilities	1,575	1,798	875	618	305	-
Borrowings	42,496	46,759	27,861	6,034	7,562	5,302
Trade and other payables	18,347	18,347	18,347	-	-	-
	62,418	66,904	47,083	6,652	7,867	5,302
COMPANY						
<i>Non-derivative financial liabilities</i>						
Borrowings	218	218	218	-	-	-
Other payables	26	26	26	-	-	-
Financial guarantee *	-	41,620	41,620	-	-	-
	244	41,864	41,864	-	-	-
2018						
GROUP						
<i>Non-derivative financial liabilities</i>						
Borrowings	54,114	55,295	38,682	4,646	8,191	3,776
Trade and other payables	25,423	25,423	25,423	-	-	-
	79,537	80,718	64,105	4,646	8,191	3,776
COMPANY						
<i>Non-derivative financial liabilities</i>						
Borrowings	675	675	675	-	-	-
Other payables	46	46	46	-	-	-
Financial guarantee *	-	53,254	53,254	-	-	-
	721	53,975	53,975	-	-	-

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

34.5 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	3,367	3,361	-	17,648
Financial liabilities	6,618	9,407	-	-
Floating rate instruments				
Financial liabilities	35,878	44,707	218	675

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Decreased in profit before taxation	105	91	1	1

34.6 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	
	2019	2018
	RM'000	RM'000
USD	(1,062)	(936)
SGD	(1)	(25)
Others	(1)	(1)
Decrease in profit before taxation	(1,064)	(962)

34.7 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 flows RM'000	Balance at end RM'000
2019			
GROUP			
Borrowings	<u>54,114</u>	<u>(11,618)</u>	<u>42,496</u>
COMPANY			
Borrowings	<u>675</u>	<u>(457)</u>	<u>218</u>
2018			
GROUP			
Borrowings	<u>51,891</u>	<u>2,223</u>	<u>54,114</u>
COMPANY			
Borrowings	<u>283</u>	<u>392</u>	<u>675</u>

35. FAIR VALUE MEASUREMENT

35.1 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 for definition of levels 1 to 3 fair value hierarchy).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
GROUP					
2019					
Financial assets					
Investment in quoted share	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>1,697</u>	<u>1,697</u>
GROUP					
2018					
Financial assets					
Investment in quoted share	<u>1,479</u>	<u>-</u>	<u>-</u>	<u>1,479</u>	<u>1,479</u>
Level 1 fair value					

Level 1 fair value of the quoted shares and short term funds with licensed financial institutions are derived by reference to their quoted market prices in active markets at the end of reporting period.

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.

35.2 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
2019					
Leasehold land and buildings	-	10,715	-	10,715	10,715
2018					
Leasehold land and buildings	-	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.

36. 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 loan covenant. However, the subsidiaries 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.

37. 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.

38. **EVENT AFTER THE REPORTING PERIOD**

The World Health Organisation declared the 2019 Novel Coronavirus outbreak (“COVID-19”) a pandemic on 11 March 2020. This was followed by our government issuing a Gazetted Order known as the Movement Control Order (“MCO”) which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order (“CMCO”) from 4 May 2020 to 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with *MFRS 110 Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 are not adjusted for any effects arising from this non-adjusting event which may impact on the carrying amounts of the Group’s and of the Company’s assets as at 31 December 2019.

However, the COVID-19 pandemic could have a significant impact to the Group’s financial performance for the financial year ending 31 December 2020 (“FYE 2020”) due to the disruption of economic activity globally. Coupled with the collapse of the oil price and increasing unemployment, the global economy is forecasted to go into a deep recession and Malaysia is not spared.

The financial impact on the Group’s performance, if any, will be reflected in the FYE 2020 financial statements. At this juncture, management is not in a position to quantify the potential damages to be suffered due to the uncertainties prevailing within and outside the country

**LIST OF PROPERTIES OWNED BY
PUBLIC PACKAGES HOLDINGS BERHAD AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2019**

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.19 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	1,106,140
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	1,387,531
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	494,317
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	2,540,731
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	2,033,543
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	407,941

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.19 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	10,046,471
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	1,719,225
A-1-3 Kelisa Apartment Lorong Kikik Satu, Taman Inderawasih, Seberang Perai	Freehold	Hostel	28.11.2007	24	- / 726	68,400
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	407,941
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	3,942,521
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	10,714,520
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	1,998,916

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.19 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 Edgumbe 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	64,954,913
						119,116,110

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL as at 12 MAY 2020

No. of shares	:	188,623,501 shares
Classes of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	4,040

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees) as at 12 MAY 2020

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 12 MAY 2020

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 12 MAY 2020

Holdings	No. of Holders	%	No. of Shares	%
Less than 100	244	6.14	10,664	0.01
100 - 1,000	424	10.67	226,182	0.12
1,001 - 10,000	1,942	48.85	11,372,978	6.03
10,001 - 100,000	1,249	31.42	36,050,305	19.11
100,001 - 9,431,174 *	114	2.87	48,328,378	25.62
9,431,175 and above **	2	0.05	92,634,994	49.11
TOTAL	3,975	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 12 MAY 2020

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.	Koay Chew Guan	1,551,394	0.82
6.	Tan Leng Mooi	1,437,000	0.76
7.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Cheam Heng Ming (E-KTN/RAU)	1,371,942	0.73
8.	Koay Chiew Kang	1,365,538	0.73
9.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For Barclays Capital Securities Ltd (SBL/PB)	1,092,300	0.58
10.	Tan Lee Hwa	1,048,000	0.56
11.	Leng Bee Bee	810,000	0.43
12.	Loh Chung Hai	800,000	0.42
13.	George Lee Sang Kian	760,000	0.40
14.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Yeoh She Shiang (REM 195)	750,000	0.40
15.	Lim Pay Kaon	720,000	0.38
16.	Gan Kho @ Gan Hong Leong	693,300	0.37
17.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tey Heong Tiong (E-TCS)	674,800	0.36
18.	Koay Chue Beng	634,900	0.33
19.	PM Nominees (Tempatan) Sdn. Bhd. Malpac Management Sdn. Bhd.	591,428	0.31
20.	Gan Kho @ Gan Hong Leong	562,000	0.30
21.	Kong Jit Chong	540,000	0.29
22.	Koay Chiew Lee	522,854	0.28
23.	Koay Chew Kooi	471,457	0.25
24.	Koay Chiew Kang	468,569	0.25
25.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goalkey System Sdn. Bhd. (MY1461)	358,000	0.19
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Chow Chong Chek (PB)	356,500	0.19
27.	Liau Choon Hwa & Sons Sdn. Bhd.	338,600	0.18
28.	Yap Cheng Hui	330,000	0.17
29.	Ooi Chin Hock	328,814	0.17
30.	Chee Ah Ngoh	321,800	0.17
		125,563,298	66.57



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