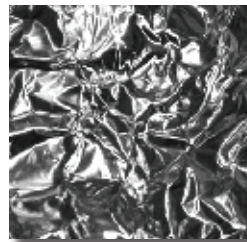
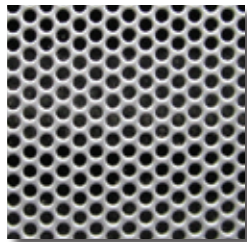
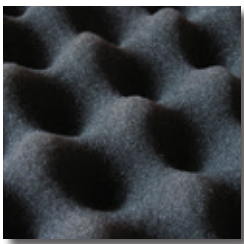
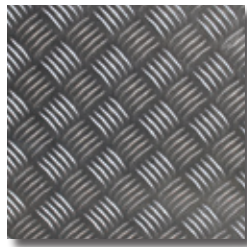
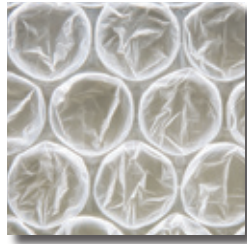


2017 ANNUAL REPORT



PUBLIC PACKAGES HOLDINGS BERHAD (162413-K)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 31st Annual General Meeting (“AGM”) of Public Packages Holdings Berhad (“PPHB”) will be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Monday, 28 May 2018 at 10.00 a.m. for the following purposes: -

AGENDA:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors’ and Auditors’ thereon. **Please refer to Note 7**
2. To re-elect the following Directors who retire by rotation in accordance with Article 80 of the Company’s Constitution and who, being eligible, offer themselves for re-election:-
 - i) Mr. Koay Chiew Kang **Resolution 1**
 - ii) Mr. Koay Teng Kheong **Resolution 2**
3. To approve the payment of Directors’ fees of not exceeding RM250,000 for the financial year ending 31 December 2018. **Resolution 3**
4. To approve the payment of Directors’ benefits payable to non-executive directors up to an amount not exceeding RM25,000 from 29 May 2018 until the conclusion of the next AGM of the Company. **Resolution 4**
5. To re-appoint Messrs. Grant Thornton (AF: 0042) as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

Special Business

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

6. **AUTHORITY TO ISSUE SHARES** **Resolution 6**
“THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.

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

AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.” **Please refer Note 8**
7. **PROPOSED CONTINUATION OF PUAN NURJANNAH BINTI ALI IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **Resolution 7**
“THAT authority be and is hereby given to Puan Nurjannah Binti Ali who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company.” **Please refer Note 9**

8. **PROPOSED CONTINUATION OF MR. NG THIM FOOK IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **Resolution 8**
Please refer Note 9
 “THAT authority be and is hereby given to Mr. Ng Thim Fook who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company.”
9. **PROPOSED CONTINUATION OF MR. ONG ENG CHOON IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **Resolution 9**
Please refer Note 10
 “THAT authority be and is hereby given to Mr. Ong Eng Choon who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company.”
10. To transact any other business of which due notice shall have been given in accordance with the Company’s Constitution and the Companies Act 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 31st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 15 May 2018. Only a depositor whose name appears on the Record of Depositors as at 15 May 2018 shall be entitled to attend the 31st AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

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

Penang
 Dated: 27 April 2018

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus accounts it holds.
4. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.
5. In the case of a corporate member, the proxy form must be executed under the corporation’s common seal or under the hand of an officer or attorney duly authorized in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll.

EXPLANATORY NOTE ON ORDINARY BUSINESS

7. The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the approval of shareholders for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

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

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

9. The Resolution 7 and 8 are to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Non-Executive Directors who had served more than 12 years to be retained and continued to act as Independent Non-Executive Directors of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance 2017. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2017.
10. The Resolution 9, if passed, will enable the Independent Non-Executive Director who had served more than 9 years to be retained and continued to act as Independent Non-Executive Director of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance 2017. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2017.

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

- 1) No individuals are standing for election as directors at the forthcoming 31st Annual General Meeting of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2 of the Notice of the 31st Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.
- 3) The details of the directors' interests in the securities of the Company as at 2 April 2018 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 6 tabled under Special Business as per the Notice of 31st Annual General Meeting of the Company dated 27 April 2018 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 30 May 2017.

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS	: Koay Chiew Poh <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. Tel No: 04-6444888 Fax No: 04-6436699
BUSINESS ADDRESS	: Wisma Public Packages Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang. Tel No: 04-6444888 Fax No: 04-6436699
REGISTRAR	: Tricor Investor & Issuing House Services Sdn. Bhd. (Company No.118401-V) Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Tel No: 03-2783 9299 Fax No: 03-2783 9222
AUDITORS	: Grant Thornton 51-8-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.
PRINCIPAL BANKERS	: Malayan Banking Berhad Al Rajhi Banking & Investment Corporation (Malaysia) Berhad RHB Bank Berhad AmBank (M) Berhad CIMB Bank Berhad OCBC Bank (Malaysia) Berhad Public Bank Berhad
STOCK EXCHANGE LISTING	: Main Market of Bursa Malaysia Securities Berhad Stock Name : PPHB Stock Code : 8273
WEBSITE	: http://www.pph.com.my

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, I have great pleasure to present the Annual Report and Audited Financial Statements of PPHB for the financial year ended 31 December 2017.

OVERVIEW

2017 has been a challenging year, as seen by the increasingly difficult market conditions. In this regard, the Group recorded a decline of 5.9% in net profit to RM15.5 million for the year ended 31 December 2017, despite the 6.8% increment in revenue to RM177.7 million as compared to the previous year. Nevertheless, the Group's financial position remains solid, as evident from the stronger cash position of RM52.0 million and low gearing ratio of 0.26. Net asset per share registered lower at RM1.08, reflecting the effect of the five (5) for seven (7) bonus issue and Employee Share Grant ("ESGS") scheme implemented during the year.

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

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

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

- Carton
- Offset Printing
- Paper Products
- Property Investments

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

FINANCIAL REVIEW

The table below highlights the Group's financial performance for the financial year ended 31 December 2017.

	2017	2016	2015	2014	2013
Revenue (RM'000)	177,704	166,421	161,198	153,507	145,120
Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) (RM'000)	30,763	30,681	28,420	25,148	22,753
Profit Before Taxation (RM'000)	20,729	21,527	18,605	16,244	14,934
Profit After Taxation (RM'000)	15,525	16,508	14,211	12,371	10,225
Net Cash Generated From Operating Activities (RM'000)	21,761	21,052	23,581	17,333	11,127
Total Assets (RM'000)	291,202	265,883	248,703	236,258	223,395
Borrowings (RM'000)	38,455	38,012	36,561	42,029	45,732
Earnings Per Share (Sen)	8.20	8.80*	12.93	11.26	9.30
Gearing Ratio	0.26	0.24	0.27	0.35	0.38

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

SALES REVENUE

For the year under review, the Group recorded a revenue of RM177.7 million, representing a 6.8% improvement as compared to the previous year. The growth in revenue was contributed by higher sales volume, driven by an increase in market demand as a result of effective pricing strategy.

PROFITABILITY

Notwithstanding the growth in revenue, net profit for the year dropped by 5.9% from RM16.5 million to RM 15.5 million. The decrease was mainly attributable to a higher cost of manufacturing and operations, as well as the unfavourable foreign currency exchange conditions during the year.

CASH FLOWS AND LIQUIDITY

The Group's financial position remains strong, as reflected by the stronger cash position of RM52.0 million (2016: RM40.6 million). Net cash generated from operating activities increased slightly to RM21.7 million, of which RM17.0 million was used for capital expenditure. The Group's gearing ratio maintained at a low 0.26, aligning with our Management's strategy to utilise internally generated funds for working capital requirements and to minimise the Group's reliance on interest bearing liabilities.

OPERATIONS REVIEW

MANUFACTURING

Production facilities are an essential element of the business. During the year under review, the Group has further invested RM2.9 million in the expansion of manufacturing plants as well as RM1.6 million in acquisition of machineries. In order to maintain a competitive edge in the industry, the Management believes that progressive and strategic capital investment is vital for the Group to keep abreast with technology changes and to enhance efficiency and productivity.

PROPERTY

Progress for the hotel business diversification is well underway, the development currently in its construction phase. The targeted completion date for the hotel is in 2019, with operations scheduled to commence in the same year.

During the year, revaluation of the Group's investment properties was undertaken to reflect their fair value, in accordance to the Group's revaluation policy. As a result, RM1.3 million of revaluation surplus were recognised in the financial statements for the year ended 31 December 2017.

INVESTMENT

As of report date, construction works for the development in Nibong Tebal, a joint venture between New Merit Development Sdn Bhd, a subsidiary of PPHB and our business partner, Ripro Sdn Bhd was completed. The development consists of a one-storey building and multiple shop lots which will be made available for rental.

GROUP DEVELOPMENT

To lessen its reliance on manual processes, the Group has implemented various digitalization initiatives during the year. Digitalization of workflow processes reduces possibility of human error, improves Management's accessibility to information and enable easy integration of business systems, thereby enhancing efficiency and effectiveness of the Group's core business processes.

BUSINESS RISKS

As of all businesses, business risks are unavoidable. Among others, fluctuation in price of raw materials and foreign currency exchange rates are of greatest impact to the Group. In 2017, the unfavourable foreign currency exchange rates, as well as the rise in cost of paper, being the main raw material for the Group's production has negatively affected profitability of the Group.

Albeit an important component of the manufacturing sector, paper packaging industry is a mature industry with intense competition. As such, quality and pricing requirements are stringent. To maintain competitiveness and performance, the Group asserts tight control over its product quality, cost and pricing.

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. Ageing reports and re-evaluation of customers' credit terms are reviewed regularly to minimise possibility of bad debts.

MARKET REVIEW AND 2018 OUTLOOK

2017 has proved to be a demanding and difficult year. Market sentiment remained weak, in view of the volatility in foreign currency exchange rate, particularly the weakening of Malaysian Ringgit, along with rising costs and other external developments in both local and global scene. Considering the many uncertainties ahead, the Group expects 2018 to be another challenging year. Nevertheless, the Group is committed to continue its efforts in strengthening business and operation infrastructure as well as enhancing operational efficiency and effectiveness to strengthen its market position and broaden its range of offerings.

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

DIVIDEND POLICY AND CAPITAL MANAGEMENT

The Board has not recommended any dividend payment for the financial year ended 31 December 2017. Taking into consideration future growth and expansion plans of the Group, the Management believes that continuous reinvestment is essential to ensure sustainable growth and further stakeholders' value creation. As part of the Management's effort to reward shareholders, a bonus issue of 78,496,503 bonus shares, on the basis of five (5) bonus shares for every seven (7) existing shares was completed in September 2017.

DIRECTORS' INFORMATION

Koay Chiew Poh, a Malaysian, age 66, 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 2017.

Koay Chiew Kang, a Malaysian, age 60, 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 2017.

Koay Chue Beng, a Malaysian, age 57, 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 59, was appointed to the Board on 5 February 1999 as an Independent Non-Executive Director. She is the Chairman of the Audit and Risk Management Committee and also the Chairman of the Nominating and Remuneration Committees. With an accounting background, Nurjannah has more than 15 years experience in finance and business. She is also a Director of Asia File Corporation Berhad.

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

She had attended all the 5 Board meetings held in the financial year ended 31 December 2017.

Ng Thim Fook, a Malaysian, age 64, 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 2017.

Ong Eng Choon, a Malaysian, age 66, 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 is also the Independent Non-Executive Director of Chin Well Holdings Berhad, listed on Bursa Securities.

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 2017.

Koay Teng Liang, a Malaysian, age 41, 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 2017.

Koay Teng Kheong, a Malaysian, age 37, 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 2017.

KEY SENIOR MANAGEMENT

Koay Chiew Kang

Executive Director/Group Managing Director

Age : 60

Gender : Male

Nationality : Malaysian

(Please refer to his profile as listed on Page 11 of the Annual Report.)

Koay Chiew Lee

Managing Director

Age : 56

Gender : Male

Nationality : Malaysian

Qualifications: -

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

Working experience: -

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

Appointment to current position: December 1997

Tan Soo Huat

Managing Director

Age : 67

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 : 41

Gender : Male

Nationality : Malaysian

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

Koay Teng Kheong*Executive Director*

Age : 37
Gender : Male
Nationality : Malaysian

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

Gooi Chye Soon*Executive Director*

Age : 55
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 : 48
Gender : Male
Nationality : Malaysian

Qualifications: -

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

Working experience: -

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

Appointment to current position: January 2017

Lau Chee Pong*General Manager*

Age : 51
Gender : Male
Nationality : Malaysian

Qualifications: -

- Sijil Pelajaran Malaysia ("SPM")

Working experience: -

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

Appointment to current position: June 2011

Tan Peck Sian*General Manager*

Age : 43
Gender : Male
Nationality : Malaysian

Qualifications: -

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

Working experience: -

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

Appointment to current position: May 2008

Sonny Cheah Soo Chuan*Marketing Director*

Age : 39
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Information System, University of Melbourne

Working experience: -

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

Appointment to current position: June 2010

Kenny Cheah Soo Chye*General Manager, Business Development*

Age : 37
Gender : Male
Nationality : Malaysian

Qualifications: -

- Bachelor of Economics and Commerce, University of Melbourne

Working experience: -

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

Appointment to current position: January 2017

Khoo Soo Choon

Admin, Human Resource Manager

Age : 56
Gender : Female
Nationality : Malaysian

Qualifications: -

- Master of Human Resource Management, University of Derby

Working experience: -

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

Appointment to current position: September 2008

Chuah Tin Nee

Senior Operation Manager

Age : 56
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Association of Business, United Kingdom

Working experience: -

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

Appointment to current position: March 2015

Che Puan Abdullah

Government General Affairs Manager

Age : 55
Gender : Female
Nationality : Malaysian

Qualifications: -

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

Working experience: -

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

Appointment to current position: September 2008

Chiang Pei Se*Corporate Manager*

Age : 41
Gender : Female
Nationality : Malaysian

Qualifications: -

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

Working experience: -

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

Appointment to current position: April 2015

Wong Lai Chuen*Operation Manager*

Age : 51
Gender : Female
Nationality : Malaysian

Qualifications: -

- Bachelor of Business Administration, University of Mount Union

Working experience: -

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

Appointment to current position: April 2015

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

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

2. Conflict of Interest

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

3. Conviction of Offences

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

STATEMENT OF CORPORATE GOVERNANCE

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

1. BOARD LEADERSHIP

Clear Functions of the Board and Management

The Board comprising members with diverse skills, experience and qualifications, recognises the clear distinction of roles and responsibilities between the Board and Management. The Board's role is to lead and control the Group's business and affairs on behalf of shareholders. The Board takes into consideration interests of all stakeholders in their decision making so as to ensure the Group's objective of creating long term shareholder value. The Board assumes the following key responsibilities, among others: -

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

Succession planning of the Group was set as below: -

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

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

Executive Chairman

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

Executive Directors

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

Independent Non-Executive Directors

The Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement, enabling their contribution towards corporate accountability. They take into account interest of the Group, shareholders, stakeholders and the communities

in which the Group conducts its business, providing their unbiased and impartial views, advice and judgement. It is also their responsibility to ensure financial information announced are accurate and that the Risk Management and Internal Control systems are robust and defensible. Furthermore, the Independent Non-Executive Directors play a key role in the evaluation and review of the Board's performance and remuneration.

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

- a. Audit and Risk Management Committee;
- b. Nominating Committee;
- c. Remuneration Committee; and
- d. Scheme Committee.

Matters Reserved for The Board

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

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

These reserved matters are reviewed at least once every year.

Company Secretaries

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

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

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

Time Commitment

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

During the year, the Board is satisfied with the level of time commitment given by the directors as stipulated in the Terms of Reference towards fulfilling their roles and responsibilities as directors of the Group. The table on the next page sets out number of Board meetings held and attendance record of the directors during the financial year 2017. The Alternate Director will replace those directors who were unable to attend the Board meetings.

<u>Name of Director</u>	<u>Attendance</u>
Koay Chiew Poh	5/5
Koay Teng Liang	5/5
Koay Teng Kheong	5/5
Koay Chiew Kang	5/5
Nurjannah Binti Ali	5/5

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

Training

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

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

- (a) Koay Chiew Poh
 - Tzu-Chi Entrepreneur Camp, Taiwan
- (b) Koay Teng Liang
 - FMM Industry 4.0 – Conference Study Visit to Hing Yiap Knitting
 - FMM – Smart and Productive Manufacturing Seminar
 - Exabytes – Internet Marketing Summit
 - Beijing International Printing Technology Exhibition
 - FMM – Study Visit to Wipro Manufacturing Services Sdn. Bhd.
- (c) Koay Teng Kheong
 - PwC – Risk Management Programme
 - Hotel Industry Exhibition
- (d) Koay Chiew Kang
 - MIDA Programme – Northern Region Domestic Investment Seminar 2017
 - FMM ICT Conference 2017 – Moving Towards Industry 4.0 –Exploring The World Of Connected Enterprises
- (e) Nurjannah Binti Ali
 - Malaysia International Retail, Franchise & Licensing Fair 2017
- (f) Ng Thim Fook
 - Communic Asia Seminar 2017
- (g) Ong Eng Choon
 - National Tax Conference 2017
 - Seminar Percukaian Kebangsaan 2017

The training programmes and seminars attended by the directors during the financial year ended 31 December 2017 are, inter-alia, on areas relating to corporate governance, risk management and sustainability. The directors will continue to undergo other relevant training programmes as appropriate to further enhance their professionalism and contribution to the Board.

Code of Ethics and Conduct

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

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

Whistle-blowing policy

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

Supply of Information

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

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

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

Board Charter

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

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

2. BOARD DYNAMICS

Composition and Size of the Board

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

Tenure of Independent Directors

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

Puan Nurjannah Binti Ali and Mr. Ng Thim Fook have served as Independent Director for tenure of twelve (12) years while Mr. Ong Eng Choon has served for tenure of nine (9) years. On 26 February 2018, the Nominating & Remuneration Committees have assessed and are satisfied that both directors: -

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

The Board, therefore, recommends the retention of Puan Nurjannah Binti Ali, Mr. Ng Thim Fook and Mr. Ong Eng Choon as Independent Non-Executive Directors at the forthcoming 31th Annual General Meeting.

3. NOMINATING COMMITTEE

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

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

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

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

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 Annual General Meeting (“AGM”) in accordance with the Article of Association of the Company.

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

The Nominating Committee meets as and when required, and at least once a year. During the financial year under review, the Nominating Committee held one (1) meeting on 03 April 2017, which was attended by all three (3) members.

On 26 February 2018, the Nominating Committee undertook an evaluation process involving the Board, Board Committees and directors self and peer assessment. The criteria and procedures were as below:-

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

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

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

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

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

4. 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.

Remuneration Policies and Procedures

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 Annual General Meeting. 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 26 February 2018 to review remuneration package of the Executive and Non-Executive Directors. 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.

Details of Directors' remuneration are included in the CG Report.

Additional Compliance Information

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

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

The amount of audit fees and non-audit fees received by the External Auditors of the Group during the financial year ended 31 December 2017 are as below:-

PAID BY	AUDIT FEE (RM)	NON-AUDIT FEE (RM)
Company	23,000	-
Group	135,000	-

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 2017 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 2017.

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

5. **Employees' Share Scheme**

At an Extraordinary General Meeting held on 29 August 2017, the Company's shareholders approved the establishment of a Scheme, comprises of an Employee Share Option Scheme ("ESOS") and an Employee Share Grant Scheme ("ESGS").

The Scheme is administered by the Scheme Committee which is appointed by the Board, in accordance with the By-laws of the Scheme. The Scheme shall be in force for a period of five (5) years commencing from 6 October 2017, unless extended for another five (5) years.

On 26 October 2017, the Company had announced the grant of 230,500 shares option under the ESGS. The first batch ESGS options was offered by the Board at a market price of RM0.71 per option, which is equivalent to the five (5) day volume weighted average market price up to 25 October 2017, being the day preceding of offer date of PPHB share. The options were fully vested on 3 November 2017. Further information on shares granted is set out in the Directors' Report and Note 35 To the financial statements.

As at to-date, the Company has yet to grant any options under the ESOS.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2017, 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.

STATEMENT OF SUSTAINABILITY

PPHB is committed to ensure that all our business activities are performed to high standards of social and environmental conduct to maximise long-term value creation, essentially benefiting our stakeholders. Based on guideline, PPHB has evolved its business and corporate sustainability based on four (4) areas, which are Marketplace, Workplace, Community and Environment. During the financial year, various initiatives undertaken by the Group are summarised as below: -

1. MARKETPLACE

The marketplace is the place where we conduct our business, develop new ideas and products to retain existing customers and attract new ones. It is also the place where we raise funds to grow the business, and work with authorities to strengthen the business. The area that we are focusing on are as below: -

Customer Management

The Group aimed to deliver a high-quality experience for customers across multiple areas of operation. Besides, the Group committed to provide professional services, produce good quality products, and fulfil various needs of customers in the most cost-effective manner whilst ensuring on-time delivery.

Vendors Management

To avoid adverse social and environmental impact in the supply chain, the Group engages in ethical procurement practices. Standard procedures are adopted in the evaluation of vendors' qualification to ensure raw materials purchased comply with applicable regulations and are in accordance with the Group's requirement.

Stakeholders and Investors

The trust and confidence of our shareholders is of paramount interest to the Group. The Group is committed to manage the company in a responsible, transparent and profitable manner. Shareholders and potential investors are kept informed of latest development through its investor relations website and announcement via Bursa Securities.

2. WORKPLACE

The workplace is a very important element in our drive for corporate suitability. Thus, the Group is responsible to ensure that the workplace provides all the necessary opportunities for our people to grow professionally and personally so that they can contribute both to the Group. The Group ensure that our people remains committed and motivated.

Human Capital Development

Human capital is perceived as an imperative asset of the Group. Trainings and seminars are frequently organised to upgrade and enhance the skills and knowledge of employees. Employees are also encouraged and sponsored to attend external seminars and workshops, keeping them abreast of new developments in respective fields of expertise.

Safe and Healthy Environment

The Group strives to provide a safe and healthy working environment for all employees. Safety education and trainings on emergency responses are held to inculcate a conscientious attitude as well as increase awareness among employees.

Employees' Welfare

The Group bears the cost of outpatient medical attention and fees of employees. In addition, employees are insured under the Group Hospitalisation and Surgical Scheme.

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

Rewarding Programme

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

Diverse Workforce

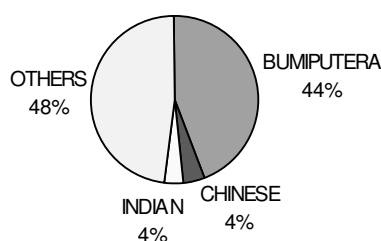
The Group has extended employment opportunities to people with disabilities such as the visually impaired and provides support as well as assistance to employees with disability.

In addition, the Group practices diversity in its workplace and does not discriminate people against age, gender, ethnicity or nationality, apart from preference for locals over foreigners in its staff recruitment.

Details of our workforce diversity as at 31 December 2017 is as follow:

Age Group	Gender		No.	%	Nationality			
	Male	Female			Locals	Foreigners	No.	%
<20	19	6	25	2	13	12	25	2
20-29	281	98	379	38	211	168	379	38
30-39	189	83	272	27	157	115	272	27
40-49	131	65	196	19	181	15	196	19
50-59	67	53	120	12	120	-	120	12
60-69	13	2	15	2	15	-	15	2
Total	700	307	1,007	100	697	310	1,007	100

The ethnicity of the workforce is as follow:



3. COMMUNITY

The Group acknowledges the importance of giving back to society and to encourage responsibility and social awareness. Therefore, the Group is committed to making a change for a better world via various activities as detailed below: -

Industrial Training

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

Charitable Event

The Group continues its support to a wide range of charities. During the year, the Group has made donations to numerous charitable organisations, including the Buddhist Tzu Chi Merit Society Malaysia and Mount Miriam Cancer Hospital.

Scholarship

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

4. ENVIRONMENT

5S Organisation Method

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

3R's Initiative

The Group recognises its responsibility towards the environment and makes every effort to protect, preserve and minimise adverse impacts of its operations. The 3R's initiative of reduce, reuse and recycle are implemented throughout the organisation. Simple measures such as switching off non-essential lightings and recycling paper are practiced at all times. Furthermore, proper waste management channels are employed in production.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The details of attendances of each Audit Committee members at Audit Committee meetings held during year 2017 are as follows:-

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

TERMS OF REFERENCE

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

SUMMARY OF ACTIVITIES

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

1. FINANCIAL REPORTING

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

2. EXTERNAL AUDIT

- (a) On 28 November 2017, the Audit Committee reviewed with the External Auditors the audit plan of the Group and of the Company for the financial year ended 2017, outlining their scope of work, recent development in the Group, financial reporting updates and proposed fees for statutory audit prior to the commencement of the annual audit.
- (b) On 26 February 2018 and 02 April 2018, the Audit Committee reviewed the results of the External Auditors' audited report and management letter together with management's response to the findings of the External Auditors before recommending for Board's approval.
- (c) The Audit Committee met with the External Auditors without presence of management on 28 November 2017, 26 February 2018 and 02 April 2018, 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 02 April 2018, the Audit Committee assessed the suitability of External Auditors based on Bursa Malaysia's Corporate Governance Guide Second Edition on their:-
- Caliber and quality of work;
 - Independence and objectivity;
 - Communication; and
 - Professionalism.

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

3. INTERNAL AUDIT

- (a) On 27 February 2017, the Audit Committee reviewed and approved the internal audit plans for the financial year ended 2017. 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 30 May 2017, 29 August 2017, 28 November 2017 and 26 February 2018. 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 26 February 2018, the Audit Committee reviewed performance of the Internal Auditors based on adequacy of the scope, competency and resources of the Internal Audit function prior to recommendations to the Board of Directors on their appointment.

4. RECURRENT RELATED PARTY TRANSACTIONS (RRPT)

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

5. OTHERS

- (a) Audit Committee reviewed the extent of the Group's compliance with the principles and recommendations set out under the Malaysian Code of Corporate Governance ("MCCG") for the purpose of preparing the Statement of Corporate Governance and the Statement of Risk Management and Internal Control for inclusion in the Company's Annual Report for year ended 31 December 2017. Audit Committee had recommended to the Board action plans to address the identified gaps between the Group's existing Corporate Governance practices and prescribed Corporate Governance principles and recommendations under the Code.
- (b) Reviewed and revised its Terms of Reference for compliance with the new amendments to the Bursa Listing Requirements affecting the Audit Committee, for recommendation to the Board for its approval.
- (c) Reviewed the Employee Share Option Scheme.

INTERNAL AUDIT FUNCTION

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

ACTIVITIES OF INTERNAL AUDIT FUNCTION

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

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

The Internal Auditors carried out its activities based on the annual internal audit plan approved by Audit Committee. During year 2017, the Internal Auditors completed a total of 24 audit assignments. The audit conducted covered various operational areas within the Group which includes the following: -

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

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

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

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

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

During the year ended 31 December 2017, the Group incurred **RM259,000** to carry out the Internal Audit function performed by the in-house Internal Auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD RESPONSIBILITY

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

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

On 26 February 2018, Risk Management Committee has been set up to oversee and ensure the effectiveness implementation of the Risk Management and Internal Control of the Group. The Board has combined both Risk Management Committee and Audit Committee with members are as below: -

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

Risk Management Team

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

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

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

Risk Management Framework

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

Risk Management Process

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

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



(a) Risk Identification

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

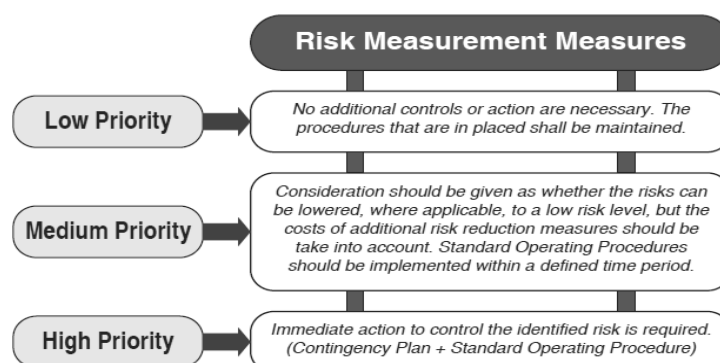
(b) Risk Evaluation and Categorisation

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

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

(c) Risk Mitigation

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



(d) Risk Monitoring & Review

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

Internal Control

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

Elements of the Risk Management and Internal Control

The following statement outlines key elements of the Group's Risk Management and Internal Control system approved by the Board:-

- **Risk Management Process**
Risk Management system is in place to assist the Board in assessing overall risks exposure of the Group and ensuring appropriate implementation of systems to manage those risks.
- **Organisation Structure**
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**
Quarterly financial reports of the Group are reviewed by the Audit Committee to ensure the financial statements are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 so as to give a true and fair view of the Group's financial position. These financial statements are presented to the Board for approval prior being released to Bursa Malaysia.
- **Policies, Procedures and Limit of Authority**
Internal Operating Manuals 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**
On-going review of the Group's internal control system is executed by the Internal Audit Division, in accordance with annual plan approved by the Audit Committee. The Head of Internal Audit examines, evaluates and reports the effectiveness and efficiency of the Group's internal control system. Findings and corrective measures are communicated to the Chairman, 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 audit are carried out by SIRIM in relation to the ISO 9001:2008 Quality Management System (ISO9001) and ISO14001:2004 Environment Management System (ISO14001). These audits ensure compliance with international standards and conditions improvement of product and service quality as well as environmental performance.
- **Employees' Competency**
Employment and termination procedures are established and annual performance appraisals are performed to confirm employees' competency. Furthermore, training and development programs are provided to enhance employees' knowledge, skills and abilities for effective and efficient job performance.

- **Business Continuity Management**
A Business Continuity Plan is in place to ensure uninterrupted delivery of service and products in the event of disruption. This plan is reviewed and revised annually to ascertain its relevance and effectiveness.
- **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.
- **Other Matter**
Periodic review of Recurrent Related Party Transactions to ensure compliance with Bursa Malaysia Listing Requirements.

CONTROL MATTERS

During the financial year under review, the Group recognised weaknesses on some manual processes and enhancement on existing systems were carried out as below:

- Review, enhance and automate the existing processes in billing, expenses reimbursement and vendor registration.

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 2017 Annual Report. Based on their review, the External Auditors believe that these Statements are consistent with their understanding of the process adopted by the Board in assessing the adequacy and integrity of the Group's system of internal control. These Statements were approved by the Board on 02 April 2018.

CONCLUSION

In the Board meeting held on 02 April 2018, the Group Managing Director has given assurance to the Board that the Risk Management and Internal Control system is operating adequately and effectively, in all material aspects during the financial year under review.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017**.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation for the financial year	15,525	6,435

DIVIDENDS

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

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

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

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

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any other 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 2 November 2022.

The salient features of the ESGS are disclosed in Note 35 to the financial statements.

DIRECTORS

The directors who served since the date of the last report are as follows:

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
Teoh Ewe Seng
Loo Weng Keen
Gooi Chye Soon
Che Puan Bt. Abdullah
Wong Lai Chuen
Tan Peck Sian

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, 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 1.1.17	Bonus issue	Exercise of ESGS	Bought	Sold	Balance at 31.12.17
Direct Interest:						
Koay Chiew Poh	4,226,480	3,018,914	38,000	-	-	7,283,394
Koay Chiew Kang	1,069,896	764,211	-	-	-	1,834,107
Koay Chue Beng	358,692	256,208	20,000	-	-	634,900
Koay Teng Liang	46,664	33,331	20,000	-	-	99,995
Koay Teng Kheong	-	-	20,000	-	-	20,000
Deemed Interest:						
Koay Chiew Poh	49,167,670	35,119,764	-	-	-	84,287,434
Koay Chiew Kang	4,038,664	2,884,759	-	-	-	6,923,423
Koay Chue Beng	3,935,000	2,810,714	-	-	-	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' FEES 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
Salaries, allowance and bonus	-	5,795	5,795
Defined contribution plan	-	919	919
Fees	78	-	78
Share-based payment	-	101	101
Benefits-in-kind	-	124	124
	78	6,939	7,017

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown 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 or insurance effected for any director, officer or auditor of the Group and of the Company deriving the financial period.

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) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and
- (iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and

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

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due,
- (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The total amount of fees receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2017 are RM121,000 and RM23,000 respectively.

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

Signed in accordance with a resolution of the directors:

.....
Koay Chiew Poh

.....
Koay Teng Liang

Penang,

Date: 9 April 2018

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 45 to 99 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 2017** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors:

.....
Koay Chiew Poh

.....
Koay Teng Liang

Date: 9 April 2018

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 45 to 99 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 9th)
day of **April 2018**.)
)

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

Before me,

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

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

Company No. 162413-K
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Public Packages Holdings Berhad**, which comprise the statements of financial position as at **31 December 2017** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 45 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2017** and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("*By-Laws*") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and the *IESBA Code*.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Company No. 162413-K
(Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Appropriateness and measurement of carrying amount and existence of property, plant and equipment (Refer to Notes 2.6 and 4 to the financial statements)</i> The Group carries significant property, plant and equipment which comprise mainly of land, buildings, plant and machinery. There are a number of areas that could impact the carrying amount of property, plant and equipment, these include: - the decision to capitalise the assets; - the selection of appropriate useful lives of the assets; and - the indication of impairment where assets are not recoverable at their carrying amount. As property, plant and equipment represents a material amount to the Group, there is a risk that expenditure on property, plant and equipment is inappropriately recognised against <i>MFRS 116 Property, Plant and Equipment</i> and that assets are not recoverable at their carrying amount.	Our audit procedures included, among 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 losses of property, plant and equipment; - Performing depreciation reasonableness test; and - Examine ownership, including title deeds sighting of properties with significant values.
<i>Impairment of trade receivables (Refer to Notes 2.6 and 10 to the financial statements)</i> The Group has significant trade receivables as at 31 December 2017 and is subject to credit risk exposures. The management assesses for impairment of trade receivables and this review requires judgements and estimation uncertainty.	Our audit procedures included, among others: - Obtaining an understanding of: - the Group's control over the trade receivables' collection process; - how the Group identifies and assess the impairment of trade receivables; and - how the Group makes the accounting estimates for impairment. - Reviewing the ageing of trade receivables, the accuracy of which was tested; - Reviewing collections received after the financial year end; - Evaluating the reasonableness and adequacy of the impairment loss recognised; and - Assessing the consistency in methodology applied by the management in determining the impairment loss on trade receivables to those of prior years.

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

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

Company No. 162413-K
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and international Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
No. AF: 0042
Chartered Accountants

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

Date: 9 April 2018

Penang

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		GROUP		COMPANY	
	NOTE	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	121,513	112,066	1	1
Investment properties	5	10,715	9,407	-	-
Investment in subsidiaries	6	-	-	56,884	56,884
Investment in joint ventures	7	22,631	22,192	15,100	15,100
Other investments	8	1,615	1,361	*	*
Goodwill on consolidation	9	-	56	-	-
Trade receivable	10	1,904	2,504	-	-
		158,378	147,586	71,985	71,985
Current assets					
Inventories	11	22,464	19,651	-	-
Trade receivables	10	46,378	45,387	-	-
Other receivables, deposits and prepayments	12	3,693	2,696	2	2
Amount due from subsidiaries	13	-	-	33,148	26,566
Tax recoverable		1,875	2,639	17	49
Cash and cash equivalents	14	58,414	47,924	26,700	26,668
		132,824	118,297	59,867	53,285
TOTAL ASSETS		291,202	265,883	131,852	125,270
EQUITY AND LIABILITIES					
Share capital	15	94,361	54,949	94,361	54,949
Share premium		-	1,295	-	1,295
Revaluation reserve	16	386	386	29,345	29,345
Fair value adjustment reserve	17	364	236	-	-
Foreign translation reserve	18	1,280	1,507	-	-
Retained profits	19	107,577	130,005	7,839	39,357
Total equity		203,968	188,378	131,545	124,946
Non-current liabilities					
Finance lease liabilities	20	8,896	3,832	-	-
Borrowings	21	5,418	4,523	-	-
Deferred tax liabilities	22	9,086	10,241	-	-
		23,400	18,596	-	-
Current liabilities					
Trade payables	23	11,013	11,578	-	-
Other payables and accruals	24	14,027	9,139	24	22
Finance lease liabilities	20	4,540	3,987	-	-
Borrowings	21	33,037	33,489	283	302
Provision for taxation		1,217	716	-	-
		63,834	58,909	307	324
Total liabilities		87,234	77,505	307	324
TOTAL EQUITY AND LIABILITIES		291,202	265,883	131,852	125,270

* Represents RM1

The notes set out on pages 51 to 99 form an integral part of these financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	NOTE	GROUP		COMPANY	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	25	177,704	166,421	6,924	4,621
Cost of sales		(123,601)	(114,481)	-	-
Gross profit		54,103	51,940	6,924	4,621
Other income		2,311	2,305	-	28
Selling and distribution expenses		(16,725)	(16,656)	-	-
Administrative expenses		(16,651)	(14,004)	(414)	(192)
Profit from operations		23,038	23,585	6,510	4,457
Finance costs		(2,748)	(2,458)	(23)	(27)
Share of results of joint ventures		439	400	-	-
Profit before taxation	26	20,729	21,527	6,487	4,430
Taxation	27	(5,204)	(5,019)	(52)	(52)
Profit for the financial year		15,525	16,508	6,435	4,378
Other comprehensive (loss)/income, net of tax:					
Items that will be reclassified subsequently to profit or loss					
Fair value adjustment on available-for-sale financial assets		128	(106)	-	-
Foreign currency translation differences for foreign operations		(227)	187	-	-
Other comprehensive (loss)/income for the financial year		(99)	81	-	-
Total comprehensive income for the financial year, attributable to owners of the Company		15,426	16,589	6,435	4,378
Basic earnings per share attributable to owners of the Company (sen per share)	28	8.2	8.8		

The notes set out on pages 51 to 99 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

		----- Attributable to Owners of the Company -----					
		----- Non-distributable -----				----- Distributable -----	
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Foreign Translation Reserve RM'000	Retained Profits RM'000
	NOTE						Total Equity RM'000
2017							
Balance at beginning		54,949	1,295	386	236	1,507	130,005
Total comprehensive income for the financial year		-	-	-	128	(227)	15,525
Transition to no-par value regime on 31 January 2017		1,295	(1,295)	-	-	-	-
Transactions with owners:							
Bonus issue	15	37,953	-	-	-	-	(37,953)
Issuance of shares pursuant to ESGS	15	164	-	-	-	-	-
Total transactions with owners		38,117	-	-	-	-	(37,953)
Balance at end		94,361	-	386	364	1,280	107,577
2016							
Balance at beginning		54,949	1,295	386	342	1,320	113,497
Total comprehensive income for the financial year		-	-	-	(106)	187	16,508
Balance at end		54,949	1,295	386	236	1,507	130,005

The notes set out on pages 51 to 99 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

			-----Non-distributable-----		Distributable -	
	NOTE	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
2017						
Balance at beginning		54,949	1,295	29,345	39,357	124,946
Total comprehensive income for the financial year		-	-	-	6,435	6,435
Transition to no-par value regime on 31 January 2017		1,295	(1,295)	-	-	-
Transactions with owners:						
Bonus issue	15	37,953	-	-	(37,953)	-
Issuance of shares pursuant to ESGS	15	164	-	-	-	164
Total transactions with owners		38,117	-	-	(37,953)	164
Balance at end		94,361	-	29,345	7,839	131,545
2016						
Balance at beginning		54,949	1,295	29,345	34,979	120,568
Total comprehensive income for the financial year		-	-	-	4,378	4,378
Balance at end		54,949	1,295	29,345	39,357	124,946

The notes set out on pages 51 to 99 form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	20,729	21,527	6,487	4,430
Adjustments for:				
Bad debts	31	-	-	-
Deemed loss on deconsolidation of a subsidiary	-	58	-	-
Depreciation	7,286	6,696	-	-
Dividend income from quoted investments	(77)	(24)	-	-
Dividend income from unquoted subsidiaries	-	-	(5,800)	(3,550)
Dividend income from short term fund	(1,224)	(939)	(864)	(811)
Fair value adjustment on investment properties	(1,308)	-	-	-
Impairment loss on goodwill on consolidation	56	619	-	-
Impairment loss on receivables	-	1	-	-
Interest expense	2,748	2,458	23	27
Interest income	(65)	(40)	(260)	(260)
Inventories written off	117	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	228	(180)	-	(28)
Property, plant and equipment written off	265	-	-	-
Share of results of joint ventures	(439)	(400)	-	-
Unrealised loss/(gain) on foreign exchange	254	(273)	-	-
Operating profit/(loss) before working capital changes	28,601	29,503	(414)	(192)
Increase in inventories	(2,930)	(1,825)	-	-
(Increase)/Decrease in receivables	(1,642)	(1,266)	-	200
Increase/(Decrease) in payables	4,207	2,442	2	(15)
Cash generated from/(used in) operations	28,236	28,854	(412)	(7)
Dividend received	1,301	963	6,664	4,361
Interest paid	(2,748)	(2,458)	(23)	(27)
Interest received	65	40	260	260
Income tax paid	(5,956)	(6,376)	(65)	(65)
Income tax refunded	863	29	45	-
Net cash from operating activities	21,761	21,052	6,469	4,522
CASH FLOWS FROM INVESTING ACTIVITIES				
* Acquisition of property, plant and equipment	(17,073)	(12,196)	-	-
Acquisition of investment in joint venture	-	(2,038)	-	-
Cash outflows on deconsolidation of a subsidiary	-	(58)	-	-
Proceeds from disposal of property, plant and equipment	820	673	-	28
Proceeds from issuance of shares pursuant to ESGS	164	-	164	-
Purchases of other investments	(157)	(894)	-	-
Net change in subsidiaries	-	-	(6,582)	(4,318)
Net cash used in investing activities	(16,246)	(14,513)	(6,418)	(4,290)
Balance carried forward	5,515	6,539	51	232

The notes set out on pages 51 to 99 form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	5,515	6,539	51	232
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loans	1,827	615	-	-
Drawdown/(Repayment) of murabahah financing	2,305	(4,334)	-	-
Drawdown/(Repayment) of finance lease liabilities	4,643	(3,151)	-	-
(Repayment)/Drawdown of bills payable and trust receipts	(1,843)	1,945	-	-
Repayment of term loans	(944)	(1,208)	-	-
Net cash from/(used in) financing activities	5,988	(6,133)	-	-
Effects of changes in exchange rates	-	33	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,503	439	51	232
Effects of changes in exchange rates on cash and cash equivalents	(111)	123	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	40,572	40,010	26,366	26,134
CASH AND CASH EQUIVALENTS AT END	51,964	40,572	26,417	26,366
Represented by:				
Cash and cash equivalents	58,209	47,719	26,700	26,668
Bank overdrafts	(6,245)	(7,147)	(283)	(302)
	51,964	40,572	26,417	26,366
* Acquisition of property, plant and equipment				
Total acquisition	18,047	12,709	-	-
Acquired under finance lease	(974)	(513)	-	-
Total cash acquisition	17,073	12,196	-	-

The notes set out on pages 51 to 99 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. CORPORATE INFORMATION

General

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 April 2018.

Principal Activities

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

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

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

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 market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3	Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

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

2.4 Adoption of Amendments/Improvements to MFRS

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

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

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

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

Amendments to MFRS 107 Disclosure Initiatives

The amendments require the Group and the Company to provide disclosures of changes in its liabilities arising from financing activities, including both changes arising from cash and non-cash transactions. The information regarding this new disclosure is disclosed in Note 32.7 to the financial statements. Per guidance of the amendments, comparative information for the preceding period is not required.

2.5 Standards Issued But Not Yet Effective

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

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)

Amendments to MFRS 140 Investment Property: Transfers of Investment Property

Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 16 Leases

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

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed***Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

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

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group expects that the adoption of the new standard will have no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. MFRS 9 replaces the incurred loss model in MFRS 139 with a forward looking “expected credit loss model”. The Group has performed an assessment and expects to apply the simplified approach and record lifetime expected losses on all its trade receivables using a provision matrix based on historical observed default rates which are adjusted for forward-looking estimates established.

The Group is presently in the progress of tabulating the provision matrix and it is expected that additional provision for impairment loss will be recognised upon adoption of MFRS 9. However the mentioned impact will not be material as the Group deals with customers who are reputable and have low credit risk.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Interpretation 13 Customer loyalty Programmes*, *IC Interpretation 15 Agreements for Construction of Real Estate*, *IC Interpretation 18 Transfers of Assets from Customers* and *IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risk and rewards.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The impact from the adoption of MFRS 15 to the Group are discussed below:-

Timing of revenue recognition

The Group’s revenue recognition policies are disclosed in Note 3.13. At present, revenue arising from sale of goods is generally recognised when the risk and rewards of ownership have been passed on to the customers.

Under MFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. MFRS 15 identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

As the transfer of risk and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occur, the adoption of MFRS 15 may affect the recognition method of the Group's sale of goods. The Group has assessed that existing "open" contracts for sale of goods as at 31 December 2017 does not fall into any of the 3 mentioned situations and therefore the adoption of MFRS 15 will not result in any transition adjustments. However, future sales contracts entered by the Group may contain elements which will trigger revenue from sale of goods to be recognised over time.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

2.6 Significant Accounting Estimates and Judgements

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

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

2.6.1 Judgements made in applying accounting policies

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

2.6.2 Key sources of estimation uncertainty

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

(i) **Useful lives of depreciable assets**

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

(ii) **Impairment of plant and equipment**

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

(iii) **Impairment of goodwill**

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 9.

(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) **Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 **Subsidiaries and Basis of Consolidation**

(i) **Subsidiaries**

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite

not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is recognised in profit or loss.

(ii) **Business combination**

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

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

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

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

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

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

(iii) **Acquisitions of non-controlling interests**

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

(iv) **Loss of control**

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

(v) **Joint arrangements**

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

Joint arrangements are classified and accounted for as follows:

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

- A joint arrangement is classified as “joint venture” when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for each of its interest in the joint venture using the equity method.

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

(vi) **Non-controlling interests**

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

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

(vii) **Transactions eliminated on consolidation**

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

3.2 **Goodwill**

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

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

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

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

3.3 **Property, Plant and Equipment**

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

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

Leasehold land	Amortise over lease period of 45 to 52 years
Apartments	Amortise over lease period of 85 years
Buildings	2%
Plant and machinery	3.3% - 20%
Motor vehicles	10% - 14%
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 proceeds and its carrying amount is included in profit or loss.

3.4 **Investment Properties**

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

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

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

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

3.5 **Leases**

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

Finance lease

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

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

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

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

Operating leases

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

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

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

3.6 **Impairment of Non-Financial Assets**

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

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. In assessing 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**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

3.7.2 **Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

Financial assets

(i) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

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

(ii) **Available-for-sale financial assets**

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

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

All financial assets are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

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

3.7.3 **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.

3.7.4 **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.

3.7.5 **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 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries and investment in joint ventures) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

3.9 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.

3.10 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.

3.11 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.

3.12 Borrowing Costs

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

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

3.13 **Recognition**

- (i) Revenue from sale of goods is recognised when the risks and rewards of the ownership of goods sold have been transferred to the customers.
- (ii) Interest income is recognised on a time proportion basis using the applicable effective interest rate.
- (iii) Dividend income is recognised when the right to receive payment is established.
- (iv) Revenue from lease rental is recognised on a straight line basis over the lease period.
- (v) Provision of management services is recognised on the dates the services are rendered and completed.

3.14 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the 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.

Employees’ share grant scheme (“ESGS”)

ESGS are offered in recognition of the individual contributions of selected management officer of the Group and executive directors of the Company (“Scheme Participants”) toward the development, growth and success of the Group. The cost of these share-based transactions with Scheme Participants is measured by reference to the fair value of the share grant, which equivalent to five (5) day volume average market price on which the share grant are granted and exercised. This cost is recognised in profit or loss as at the end of the reporting period.

3.15 **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is 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.

3.16 Goods and Services Tax

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

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

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

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

3.17 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.

3.18 Share Capital, Share Issuance Expenses and Dividends

Classification

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

Share issuance costs

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

Dividends

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

3.19 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' operating 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.

3.20 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.

3.21 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; or

- (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or 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 entities 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

2017

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

2016

	At cost						Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassification RM'000	Foreign currency translation RM'000	
Freehold land and buildings	56,617	27	-	-	2,587	-	59,231
Leasehold land and buildings	12,121	-	-	-	685	-	12,806
Apartments	565	-	-	-	-	-	565
Plant and machinery	91,874	335	(1,881)	-	5,140	-	95,468
Motor vehicles	6,299	569	(466)	-	-	-	6,402
Furniture, fittings and office equipment	10,430	73	-	(9)	-	4	10,498
Electrical installations	824	37	-	-	-	-	861
Renovation	2,515	1	-	-	-	1	2,517
Capital work in progress	5,299	11,667	(414)	-	(8,412)	-	8,140
	<u>186,544</u>	<u>12,709</u>	<u>(2,761)</u>	<u>(9)</u>	<u>-</u>	<u>5</u>	<u>196,488</u>
	Accumulated depreciation						Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Foreign currency translation RM'000		
Freehold land and buildings	3,982	228	-	-	-	-	4,210
Leasehold land and buildings	3,846	715	-	-	-	-	4,561
Apartments	271	7	-	-	-	-	278
Plant and machinery	55,549	4,876	(1,804)	-	-	-	58,621
Motor vehicles	4,436	454	(464)	-	-	-	4,426
Furniture, fittings and office equipment	9,620	222	-	(9)	4		9,837
Electrical installations	604	43	-	-	-	-	647
Renovation	1,691	151	-	-	-	-	1,842
	<u>79,999</u>	<u>6,696</u>	<u>(2,268)</u>	<u>(9)</u>	<u>4</u>		<u>84,422</u>
							Carrying amount RM'000
Freehold land and buildings							55,021
Leasehold land and buildings							8,245
Apartments							287
Plant and machinery							36,847
Motor vehicles							1,976
Furniture, fittings and office equipment							661
Electrical installations							214
Renovation							675
Capital work in progress							<u>8,140</u>
							<u>112,066</u>

COMPANY

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2017			
At cost	171	-	171
Accumulated depreciation	170	-	170
Carrying amount	1	-	1
2016			
At cost			
Balance at beginning	171	422	593
Disposals	-	(422)	(422)
Balance at end	171	-	171
Accumulated depreciation			
Balance at beginning	170	422	592
Disposals	-	(422)	(422)
Balance at end	170	-	170
Carrying amount	1	-	1

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

	GROUP	
	2017 RM'000	2016 RM'000
Plant and machinery	15,255	10,892
Motor vehicles	1,166	1,276
	16,421	12,168

Leased assets are pledged as security for the related finance lease liabilities (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	
	2017 RM'000	2016 RM'000
Freehold land	23,078	-
Plant and machinery	870	3,745
	23,948	3,745

5. INVESTMENT PROPERTIES

	GROUP	
	2017	2016
	RM'000	RM'000
At fair value:		
Balance at beginning	9,407	9,407
Fair value adjustment recognised in profit or loss	1,308 *	-
Balance at end	10,715	9,407
At fair value:		
Freehold land	5,800	5,492
Buildings	4,915	3,915
	10,715	9,407

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

A subsidiary's investment properties with carrying amount of **RM7,700,000** (2016: RM6,209,667) are charged to a financial institution for banking facilities granted to that subsidiary.

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

	GROUP	
	2017	2016
	RM'000	RM'000
Rental income	180	166
Direct expenses		
- Rental generating	44	27
- Non-rental generating	13	15

For fair value of investment properties for disclosure purpose, refer to Note 33 to the financial statements.

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2017	2016
	RM'000	RM'000
Unquoted shares		
- At valuation	49,884	49,884
- At cost	7,000	7,000
	56,884	56,884

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

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2017	2016	
Direct subsidiaries			
Public Packages Sdn. Bhd.	100%	100%	Manufacturing and retailing of corrugated cartons and packing materials.

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2017	2016	
Direct subsidiaries			
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%	Property development and hotel management. However, the subsidiary did not undertake such activities during the financial year. Instead the subsidiary lets out its property for rental income.
PPH Resources Sdn. Bhd.	100%	100%	Investment holding.
PPH Management (M) Sdn. Bhd.	100%	100%	Provision of management services.
Indirect subsidiaries			
Public Packages (NT) Sdn. Bhd.	100%	100%	Manufacturing of corrugated cartons.
Public Packages (Prai) Sdn. Bhd.	100%	100%	Manufacturing and retailing of corrugated cartons and packing materials.
Tharco Container (Malaysia) Sdn. Bhd.	100%	100%	Retailing of corrugated cartons, display boxes and packing materials.
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.			

2016

On 31 October 2016, the Group through Public Packages Asia Sdn. Bhd. had submitted an application to strike off Public Packages Asia (Thailand) Company Limited, and the application was approved on 2 November 2016 and accordingly the company had been struck off as at the end of the reporting period.

7. INVESTMENT IN JOINT VENTURES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	19,112	19,112	15,100	15,100
Share of results:				
Previous year	10,080	9,680	-	-
Current year	439	400	-	-
	10,519	10,080	-	-
	29,631	29,192	15,100	15,100

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

Name of Company	Effective Equity Interest		Principal Activities
	2017	2016	
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.

2016

The Group through PPH Resources Sdn. Bhd. had entered into Joint Venture Agreement with third parties to subscribe for 25% of the share capital of Kyaw Tha PPH Co., Ltd ("KYAW") for a cash consideration of RM2,038,000. KYAW will carry out the business of manufacturing, sale and export of paper products and packaging materials.

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

GROUP	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
As at 31 December 2017				
Assets and liabilities				
Non-current assets	5,701	9,500	3,873	19,074
Current assets excluding cash and cash equivalents	12,259	9,078	2,196	23,533
Cash and cash equivalents	15,102	178	31	15,311
Non-current liabilities	(177)	-	-	(177)
Current liabilities	(5,900)	(4)	(1,931)	(7,835)
Exchange fluctuation reserve	-	-	1,028	1,028
Net assets	26,985	18,752	5,197	50,934

	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
Reconciliation of net assets to carrying amount				
Group's share of net assets	13,492	9,376	1,299	24,167
Goodwill	(10)	(1,526)	-	(1,536)
Carrying amount in the statement of financial position	13,482	7,850	1,299	22,631
Year ended 31 December 2017				
Results				
Revenue	37,786	-	6,586	44,372
Cost of sales excluding depreciation	(29,556)	-	(7,276)	(36,832)
Depreciation	(873)	-	(395)	(1,268)
Other income excluding interest income	750	-	68	818
Interest income	270	-	-	270
Interest expense	(10)	-	-	(10)
Other expenses	(6,283)	(49)	(681)	(7,013)
Profit/(Loss) before taxation	2,084	(49)	(1,698)	337
Taxation	(184)	-	(246)	(430)
Profit/(Loss) after taxation	1,900	(49)	(1,944)	(93)
Group's share of total comprehensive income/(loss)				
	950	(25)	(486)	439
Contingent liabilities				
Corporate guarantee extended by the joint venture to licensed banks for banking facilities granted to a subsidiary of PTVC	5,000	-	-	5,000
Commitments				
Contracted and not provided for - Investment property	-	14,500	-	14,500
As at 31 December 2016				
Assets and liabilities				
Non-current assets	6,068	9,500	4,661	20,229
Current assets excluding cash and cash equivalents	11,651	9,078	2,123	22,852
Cash and cash equivalents	13,500	226	437	14,163
Non-current liabilities	(378)	-	-	(378)
Current liabilities	(5,756)	(3)	(456)	(6,215)
Exchange fluctuation reserve	-	-	376	376
Net assets	25,085	18,801	7,141	51,027
Reconciliation of net assets to carrying amount				
Group's share of net assets	12,542	9,401	1,785	23,728
Goodwill	(10)	(1,526)	-	(1,536)
Carrying amount in the statement of financial position	12,532	7,875	1,785	22,192

	PTVC RM'000	NMD RM'000	KYAW RM'000	Total RM'000
Year ended 31 December 2016				
Results				
Revenue	35,206	-	4,135	39,341
Cost of sales excluding depreciation	(26,917)	-	(4,468)	(31,385)
Depreciation	(805)	-	(207)	(1,012)
Other income excluding interest income	668	-	10	678
Interest income	244	-	-	244
Interest expense	(10)	-	-	(10)
Other expenses	(6,605)	(47)	(482)	(7,134)
Profit/(Loss) before taxation	1,781	(47)	(1,012)	722
Taxation	(429)	-	-	(429)
Profit/(Loss) after taxation	1,352	(47)	(1,012)	293
Group's share of total comprehensive income/(loss)	676	(23)	(253)	400
Contingent liabilities				
Corporate guarantee extended by the joint venture to licensed banks for banking facilities granted to a subsidiary of PTVC	5,000	-	-	5,000
Commitments				
Contracted and not provided for	-	14,500	-	14,500
- Investment property	-	-	-	-

8. OTHER INVESTMENTS

	2017 RM'000	2016 RM'000
GROUP		
Available-for-sale financial assets		
Unquoted investments in Malaysia		
- at valuation	10,286	10,286
- at cost	510	510
Impairment	(10,796)	(10,796)
Carrying amount	*	*
Investments quoted in Malaysia		
- at fair value	1,615	1,361
Total carrying amount	1,615	1,361

	2017 RM'000	2016 RM'000
COMPANY		
Available-for-sale financial assets		
Unquoted investments in Malaysia		
- at valuation	10,286	10,286
Impairment	(10,286)	(10,286)
Carrying amount	*	*

* Represents RM1

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2017 RM'000	2016 RM'000
Goodwill	675	675
Less: Impairment loss		
Balance at beginning	(619)	-
Current year	(56)	(619)
Balance at end	(675)	(619)
	-	56

Impairment test on goodwill

Goodwill acquired through business combinations has been allocated to its business segment as its cash generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU is determined based on its value-in-use, which applies a discounted cash flow model using cash flow projections based on financial budget and projections approved by management.

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

- (i) Cash flow projections and growth rate
The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate of **Nil** (2016: 5%) per annum for the subsequent years.
- (ii) Discount rate
The discount rate of **Nil** (2016: 6.75%) is applied to the cash flow projections and based on the weighted average cost of capital rate of the Group.

10. TRADE RECEIVABLES

	GROUP	
	2017 RM'000	2016 RM'000
Non-current assets		
Total amount	2,612	3,247
Less: Receivable within next twelve months included under current assets	(708)	(743)
	1,904	2,504

	GROUP	
	2017	2016
	RM'000	RM'000
Current assets		
Trade receivables	46,527	45,536
Less: Impairment loss		
Balance at beginning	(149)	(332)
Current year	-	(1)
Written off	-	184
Balance at end	(149)	(149)
	46,378	45,387
Total	48,282	47,891

The currency profile of trade receivables are as follows:

	GROUP	
	2017	2016
	RM'000	RM'000
Ringgit Malaysia	40,355	38,476
US Dollar	6,686	7,736
Singapore Dollar	1,241	1,573
Phillippine Peso	-	106
	48,282	47,891

The trade receivables are non-interest bearing and are generally on **30 to 90 days** (2016: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

In the previous 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	
	2017	2016
	RM'000	RM'000
Raw materials	8,007	7,573
Work-in-progress	5,085	5,191
Finished goods	7,652	5,558
Other consumables	1,720	1,329
	22,464	19,651
Recognised in profit or loss:		
Inventories recognised as cost of sales	123,484	114,481
Inventories written off	117	-

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

	GROUP	
	2017	2016
	RM'000	RM'000
Total amount	5,275	4,278
Less: Impairment loss	(1,582)	(1,582)
	3,693	2,696
Represented by:		
Other receivables	1,166	836
Deposits	874	349
Prepayments	1,136	1,119
GST receivables	517	392
	3,693	2,696

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

	GROUP	
	2017	2016
	RM'000	RM'000
Ringgit Malaysia	2,763	2,643
US Dollar	355	17
Singapore Dollar	51	36
Euro	524	-
	3,693	2,696

	COMPANY	
	2017	2016
	RM'000	RM'000
Total amount	1,502	1,502
Less: Impairment loss	(1,500)	(1,500)
	2	2
Represented by:		
Deposits	2	2

13. **AMOUNT DUE FROM SUBSIDIARIES**

	2017	2016
	RM'000	RM'000
Interest bearing @ 6.25% (2016: 6.25%) per annum	4,163	4,163
Non-interest bearing	28,985	22,403
	33,148	26,566

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

14. **CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unencumbered:				
Fixed deposits with licensed banks	-	2,100	-	-
Short term fund with licensed financial institution	42,784	26,960	25,399	23,535
Cash and bank balances	15,425	18,659	1,301	3,133
	58,209	47,719	26,700	26,668
Encumbered:				
Fixed deposits with licensed banks	205	205	-	-
	58,414	47,924	26,700	26,668

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	53,019	39,212	26,700	26,668
US Dollar	1,610	5,581	-	-
Singapore Dollar	3,785	3,131	-	-
	58,414	47,924	26,700	26,668

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

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

GROUP	2017	2016
	%	%
Fixed deposits with licensed banks	2.81	2.90 to 4.00
Short term fund with licensed financial institution	3.72	3.00
COMPANY		
Short term fund with a licensed financial institution	3.72	3.00

15. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid:				
Balance at beginning	109,896	109,896	54,949	54,949
Transition to no-par value regime on 31 January 2017	-	-	1,295	-
Bonus issue	78,497	-	37,953	-
Issuance of share pursuant to ESGS	231	-	164	-
Balance at end	188,624	109,896	94,361	54,949

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

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

The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017 has abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,294,762 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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, of available-for-sale financial assets until they are disposed of or impaired.

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. **FINANCE LEASE LIABILITIES**

	GROUP	
	2017 RM'000	2016 RM'000
Within one year	5,172	4,400
More than one year and less than two years	5,400	3,513
More than two years and less than five years	4,125	460
More than five years	100	107
	14,797	8,480
Finance charges	(1,361)	(661)
	13,436	7,819
Carrying amount at end		
Amount due within one year included under current liabilities	(4,540)	(3,987)
Non-current liabilities	8,896	3,832
Current liabilities	4,540	3,987

The effective interest rates for finance lease liabilities range from **2.54% to 3.37%** (2016: 2.48% to 3.70%) per annum. The finance lease liabilities are secured by way of the leased assets (Note 4 (a)) and corporate guarantees of the Company.

21. **BORROWINGS**

	2017 RM'000	2016 RM'000
GROUP		
Non-current liabilities		
Term loans	5,418	4,523
Current liabilities		
Bank overdrafts	6,245	7,147
Bill payables	22,204	25,421
Term loans	909	921
Murabahah financing	3,679	-
	33,037	33,489
Total	38,455	38,012
COMPANY		
Current liabilities		
Bank overdraft	283	302

The borrowings are secured by way of:

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

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

	Average effective interest rate per annum (%)	Total RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
GROUP						
2017						
Bank overdrafts	7.70 to 9.15	6,245	6,245	-	-	-
Bill payables	3.69 to 5.31	22,204	22,204	-	-	-
Term loans	4.66 to 7.75	6,327	909	825	3,530	1,063
Murabahah financing	3.45 to 8.00	3,679	3,679	-	-	-
2016						
Bank overdrafts	7.75 to 8.60	7,147	7,147	-	-	-
Bill payables	3.54 to 5.26	25,421	25,421	-	-	-
Term loans	4.55 to 6.75	5,444	921	857	1,994	1,672
COMPANY						
2017						
Bank overdraft	8.35	283	283	-	-	-
2016						
Bank overdraft	8.10	302	302	-	-	-

22. DEFERRED TAX LIABILITIES

	GROUP	
	2017 RM'000	2016 RM'000
Balance at beginning	10,241	10,434
Transfer to profit or loss	(1,009)	(210)
	9,232	10,224
(Over)/Under provision in prior year	(146)	17
Balance at end	9,086	10,241
Represented by:		
Deferred tax assets	(799)	(518)
Deferred tax liabilities	9,885	10,759
	9,086	10,241

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

	GROUP	
	2017	2016
	RM'000	RM'000
- Property, plant and equipment	6,206	7,022
- Revaluation, net of related depreciation	3,414	3,501
- Unabsorbed tax losses	(452)	-
- Unabsorbed capital allowances	(82)	(282)
	9,086	10,241

23. TRADE PAYABLES

The currency profile of trade payables are as follows:

	GROUP	
	2017	2016
	RM'000	RM'000
Ringgit Malaysia	10,451	10,603
US Dollar	539	938
Singapore Dollar	23	37
	11,013	11,578

The trade payables are non-interest bearing and are normally settled on **30 to 120 days** (2016: 30 to 90 days) terms.

24. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other payables	9,883	4,600	-	-
Accruals	3,097	3,701	24	22
Deposits received	68	67	-	-
GST payables	979	771	-	-
	14,027	9,139	24	22

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

	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	13,593	8,600	24	22
Singapore Dollar	433	510	-	-
Others	1	29	-	-
	14,027	9,139	24	22

GROUP

Included in other payables is an amount of **RM3,472** (2016: RM631) 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.

25. **REVENUE**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of goods	176,314	165,014	-	-
Rental income	523	583	-	-
Interest income	-	-	260	260
Dividend income	864	811	6,664	4,361
Management fee income	3	13	-	-
	177,704	166,421	6,924	4,621

26. **PROFIT BEFORE TAXATION**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
After charging:				
Audit fee				
- Company's auditors				
- current year	121	116	23	21
- under provision in prior year	11	-	-	-
- Other auditors	14	11	-	-
Bad debts	31	-	-	-
Deemed loss on deconsolidation of a subsidiary	-	58	-	-
Depreciation	7,286	6,696	-	-
Directors' fee for non-executive directors	78	78	78	78
Hire of equipment and machinery	401	428	-	-
Impairment loss on goodwill on consolidation	56	619	-	-
Impairment loss on receivables	-	1	-	-
* Interest expense	2,748	2,458	23	27
Inventories written off	117	-	-	-
Loss on disposal of property, plant and equipment	288	42	-	-
Property, plant and equipment written off	265	-	-	-
Realised loss on foreign exchange	386	18	-	-
Rental of warehouse	162	61	-	-
Rental of motor vehicles	224	167	-	-
Rental of premises	544	573	-	-
Unrealised loss on foreign exchange	254	-	-	-
** Staff costs	39,302	36,211	-	-
And crediting:				
Fair value adjustment on investment properties	1,308	-	-	-
Interest income	65	40	260	260
Gain on disposal of property, plant and equipment	60	222	-	28
Gross dividend from				
- unquoted subsidiaries	-	-	5,800	3,550
- Malaysian quoted shares	77	24	-	-
- short term fund	1,224	939	864	811

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
And crediting:				
Lease rental income	151	181	-	-
Realised gain on foreign exchange	73	835	-	-
Rental income	659	709	-	-
Unrealised gain on foreign exchange	-	273	-	-
* Interest expense				
- Bank overdrafts	444	380	23	27
- Bill payables	1,222	1,161	-	-
- Finance lease	768	522	-	-
- Term loans	279	337	-	-
- Murabahah profit	30	58	-	-
- Others	5	-	-	-
	2,748	2,458	23	27
** Staff costs				
- Salaries, wages, overtime, allowance and bonus	35,454	32,955	-	-
- Shared-based payment	164	-	-	-
- EPF	3,376	2,983	-	-
- SOCSO	308	273	-	-
	39,302	36,211	-	-

Directors' emoluments

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

	GROUP	
	2017 RM'000	2016 RM'000
Executive directors of the Company:		
- Salaries, bonus and wages	3,340	3,005
- Shared-based payment	70	-
- EPF and SOCSO	594	511
	4,004	3,516
- Benefits-in-kind	71	18
	4,075	3,534
Executive directors of subsidiaries:		
- Salaries, bonus and wages	2,455	1,794
- Shared-based payment	31	-
- EPF and SOCSO	325	235
	2,811	2,029
- Benefits-in-kind	53	7
	2,864	2,036
Total executive directors' emoluments	6,939	5,570

27. **TAXATION**

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Based on results for the financial year				
- Current tax				
Malaysia tax	(6,110)	(5,287)	(59)	(61)
Foreign tax	(26)	(52)	-	-
	(6,136)	(5,339)	(59)	(61)
- Deferred tax relating to the origination and reversal of temporary differences	1,009	210	-	-
	(5,127)	(5,129)	(59)	(61)
(Under)/Over provision in prior year				
- Current tax	(223)	127	7	9
- Deferred tax	146	(17)	-	-
	(77)	110	7	9
	(5,204)	(5,019)	(52)	(52)

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	20,729	21,527	6,487	4,430
Less: Share of results of joint ventures	(439)	(400)	-	-
	20,290	21,127	6,487	4,430
Income tax at Malaysian statutory tax rate of 24%	(4,869)	(5,071)	(1,557)	(1,063)
Income not subject to tax	2,198	349	1,599	1,050
Different tax rates in other countries	42	41	-	-
Double deduction of expenses for tax purposes	18	12	-	-
Expenses not deductible for tax purposes	(3,069)	(856)	(101)	(48)
Deferred tax movement not provided	(13)	(34)	-	-
Reinvestment allowance claimed	367	322	-	-
Annual crystallisation of deferred tax on revaluation reserves	87	87	-	-
Utilisation of tax losses and capital allowances	112	21	-	-
	(5,127)	(5,129)	(59)	(61)
(Under)/Over provision in prior year	(77)	110	7	9
	(5,204)	(5,019)	(52)	(52)

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	232	239	-	-
Unabsorbed tax losses	821	900	-	-
Unabsorbed capital allowances	50	63	46	46
	1,103	1,202	46	46

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

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	3,426	3,754	-	-
Unabsorbed capital allowances	206	261	190	190

28. EARNINGS PER SHARE

GROUP

(a) Basic earnings per share

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

	2017	2016
Profit for the financial year (RM'000)	15,525	16,508
Weighted average number of ordinary shares of RM0.50 each ('000)	188,624	188,393
Basic earnings per share (sen)	8.2	8.8*

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

(b) Diluted earnings per share

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

29. **CAPITAL COMMITMENT**

	GROUP	
	2017	2016
	RM'000	RM'000
Approved and not contracted for:		
- Property, plant and equipment	30,563	3,993

30. **SEGMENTAL INFORMATION**

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

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

Business Segments

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

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

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

	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Eliminations RM'000	Note	Total RM'000
2016							
Revenue							
External sales	824	156,878	583	8,136	-		166,421
Inter-segment	8,322	50,889	622	33	(59,866)	A	-
	<u>9,146</u>	<u>207,767</u>	<u>1,205</u>	<u>8,169</u>	<u>(59,866)</u>		<u>166,421</u>
Result							
Segment results	255	22,082	355	713	140		23,545
Interest income							40
Interest expense							(2,458)
Share of results of joint ventures	400	-	-	-	-		400
Profit before taxation							<u>21,527</u>
Taxation							<u>(5,019)</u>
Profit for the financial year							<u>16,508</u>
Assets							
Segment assets	106,067	192,229	47,308	10,381	(114,933)		241,052
Investment in joint ventures	22,192	-	-	-	-		22,192
Tax recoverable							<u>2,639</u>
Total assets							<u>265,883</u>
Liabilities							
Segment liabilities	160	19,783	173	601	-		20,717
Finance lease liabilities							7,819
Borrowings							38,012
Deferred tax liabilities							10,241
Provision for taxation							<u>716</u>
Total liabilities							<u>77,505</u>
Other information							
Capital expenditure	2	10,201	2,496	10	-	B	12,709
Depreciation	5	6,569	12	110	-		6,696
Non-cash (income)/ expense other than depreciation	(428)	(559)	-	-	812	C	(175)

Notes to segment information:

A Inter-segment revenue are eliminated on consolidation.

B Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	18,047	12,709

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

	2017 RM'000	2016 RM'000
Bad debts	31	-
Deemed loss on deconsolidation of a subsidiary	-	58
Fair value adjustment on investment properties	(1,308)	-
Impairment loss on goodwill on consolidation	56	619
Impairment loss on receivables	-	1
Inventories written off	117	-
Loss/(Gain) on disposal of property, plant and equipment	228	(180)
Property, plant and equipment written off	265	-
Share of results of joint ventures	(439)	(400)
Unrealised loss/(gain) on foreign exchange	254	(273)
	(796)	(175)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	168,572	159,394	156,724	146,171
Singapore	9,132	7,027	39	54
	177,704	166,421	156,763	146,225

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	121,513	112,066
Investment properties	10,715	9,407
Investment in joint ventures	22,631	22,192
Goodwill on consolidation	-	56
Trade receivable	1,904	2,504
	156,763	146,225

Major customers

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

31. RELATED PARTY DISCLOSURES

(i) Transactions with subsidiaries

	COMPANY	
	2017	2016
	RM'000	RM'000
Interest income from subsidiaries	260	260

(ii) Transactions with related parties

	GROUP	
	2017	2016
	RM'000	RM'000
Sales to related parties		
- City Packaging Industry Sdn. Bhd.	1	10
- Denson SCM Sdn. Bhd.	1,255	1,305
Management fee income received from a related party		
- Pearl Island Resort Development Sdn. Bhd.	3	12
Commission paid to a related party		
- Denson SCM Sdn. Bhd.	338	26
Commission paid to a director of a subsidiary	-	2
Rental of property for staff accommodation from a related party		
- Fame Pack Holdings Sdn. Bhd.	184	184
Rental of office lot from a related party		
- Fame Pack Holdings Sdn. Bhd.	82	78
Rental of premise paid to the directors of the Company	78	78
Rental of premise paid to a director of a subsidiary	5	5
Rental of motor vehicle from a related party		
- Koay Boon Pee Holding Sdn. Bhd.	401	319

(iii) Compensation of key management personnel

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	8,780	6,885	78	78

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

Related party relationship:

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

32. **FINANCIAL INSTRUMENTS**32.1 **Categories of financial instruments**

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

- (i) Loans and receivables ("L&R");
- (ii) Available-for-sale financial assets ("AFS"); and
- (iii) Financial liabilities measured at amortised cost ("FL").

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

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

2016

GROUP

Financial assets				
Other investments	1,361	1,361	-	-
Trade receivables	47,891	-	47,891	-
Other receivables and refundable deposits	1,185	-	1,185	-
Cash and cash equivalents	47,924	-	47,924	-
	98,361	1,361	97,000	-
Financial liabilities				
Finance lease liabilities	7,819	-	-	7,819
Borrowings	38,012	-	-	38,012
Trade payables	11,578	-	-	11,578
Other payables and accruals	8,368	-	-	8,368
	65,777	-	-	65,777

COMPANY

Financial assets				
Other investment	*	*	-	-
Refundable deposits	2	-	2	-
Amount due from subsidiaries	26,566	-	26,566	-
Cash and cash equivalents	26,668	-	26,668	-
	53,236	*	53,236	-
Financial liabilities				
Borrowings	302	-	-	302
Other payables and accruals	22	-	-	22
	324	-	-	324

* Represents RM1

32.2 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.

32.3 Credit risk

Credit risk refers to the risk that the 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.

32.3.1 Trade receivables

The Group gives its existing customers credit terms that range between 30 to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The ageing of trade receivables and accumulated impairment losses as at the end of the reporting period is as follows:

	Gross RM'000	Impairment loss RM'000	Net RM'000
2017			
Not past due	33,699	-	33,699
1 to 30 days past due	6,233	-	6,233
31 to 60 days past due	2,686	-	2,686
61 to 90 days past due	4,280	-	4,280
Past due more than 90 days	1,533	(149)	1,384
	14,732	(149)	14,583
	48,431	(149)	48,282
2016			
Not past due	30,610	-	30,610
1 to 30 days past due	7,252	-	7,252
31 to 60 days past due	3,374	-	3,374
61 to 90 days past due	2,078	-	2,078
Past due more than 90 days	4,726	(149)	4,577
	17,430	(149)	17,281
	48,040	(149)	47,891

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 **RM14,582,389** (2016: RM17,281,300) 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.

32.3.2 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries up to a limit of **RM173,862,593** (2016: RM165,413,371). The maximum exposure to credit risk is amounted to **RM51,331,730** (2016: RM44,482,076), representing the outstanding banking facilities of the said subsidiaries as at the end of the reporting period.

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.

32.3.3 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.

32.4 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 years and less than five years RM'000	More than five years RM'000
2017						
GROUP						
<i>Non-derivative financial liabilities</i>						
Finance lease liabilities	13,436	14,797	5,172	5,400	4,125	100
Interest bearing borrowings	38,455	39,927	33,199	1,044	4,544	1,140
Trade payables and other payables	24,061	24,061	24,061	-	-	-
	75,952	78,785	62,432	6,444	8,669	1,240

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

2016

GROUP						
<i>Non-derivative financial liabilities</i>						
Finance lease						
liabilities	7,819	8,480	4,400	3,513	460	107
Interest bearing						
borrowings	38,012	38,594	33,626	953	2,214	1,801
Trade payables and other payables	19,946	19,946	19,946	-	-	-
	65,777	67,020	57,972	4,466	2,674	1,908

COMPANY						
<i>Non-derivative financial liabilities</i>						
Interest bearing						
borrowings	302	302	302	-	-	-
Other payables	22	22	22	-	-	-
Financial guarantee *	-	44,482	44,482	-	-	-
	324	44,806	44,806	-	-	-

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

32.5 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	42,989	29,265	29,562	27,698
Financial liabilities	13,436	7,819	-	-

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments				
Financial liabilities	38,455	38,021	283	302

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Decreased in profit before taxation	94	92	1	1

32.6 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").

The Group's exposure to foreign currency risk based on carrying amounts as at the end of the reporting period is as follows:

	USD	OTHERS
	RM'000	RM'000
GROUP		
2017		
Trade receivables	6,686	570
Other receivables	355	-
Cash and cash equivalents	1,610	2
Trade payables	(539)	-
Other payables	(1)	(10)
	8,111	562

	USD RM'000	OTHERS RM'000
2016		
Trade receivables	7,736	117
Other receivables	17	-
Cash and cash equivalents	5,581	-
Trade payables	(938)	-
Other payables	(1)	(89)
	<u>12,395</u>	<u>28</u>

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	
	2017 RM'000	2016 RM'000
USD	(811)	(1,240)
Others	(56)	(3)
Decrease in profit before taxation	<u>(867)</u>	<u>(1,243)</u>

32.7 Reconciliation of liabilities arising from financing activities

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

GROUP	Balance at 1.1.17 RM'000	Cash flows RM'000	Balance at 31.12.17 RM'000
Finance lease liabilities	7,819	5,617	13,436
Borrowings	<u>38,012</u>	<u>443</u>	<u>38,455</u>
	<u>45,831</u>	<u>6,060</u>	<u>51,891</u>
COMPANY			
Borrowings	<u>302</u>	<u>(19)</u>	<u>283</u>

33. FAIR VALUE MEASUREMENT

33.1 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 which fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 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					
2017					
Financial assets					
Investment in quoted share	1,615	-	-	1,615	1,615
2016					
Financial assets					
Investment in quoted share	1,361	-	-	1,361	1,361

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.

33.2 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
2017					
Leasehold land	-	5,800	-	5,800	5,800
Buildings	-	4,915	-	4,915	4,915
	-	10,715	-	10,715	10,715
2016					
Leasehold land	-	5,492	-	5,492	5,492
Buildings	-	3,915	-	3,915	3,915
	-	9,407	-	9,407	9,407

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.

34. CAPITAL MANAGEMENT

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

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

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

35. 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.

Details of the persons who were granted options to subscribe under the ESGS during the financial year are as follows:

Name	----- Number of Share Grants-----			
	Balance at 1.1.17	Granted and accepted	Exercise	Balance at 31.12.17
Koay Chiew Poh	-	38,000	(38,000)	-
Koay Chue Beng	-	20,000	(20,000)	-
Koay Teng Liang	-	20,000	(20,000)	-
Koay Teng Kheong	-	20,000	(20,000)	-
Koay Sze-Lynn	-	26,000	(26,000)	-
Koay Chiew Lee	-	20,000	(20,000)	-
Sonny Cheah Soo Chuan	-	10,000	(10,000)	-
Gooi Chye Soon	-	10,000	(10,000)	-
Lau Chee Pong	-	10,000	(10,000)	-
Loo Weng Keen	-	10,000	(10,000)	-
Kenny Cheah Soo Chye	-	10,000	(10,000)	-
Chiang Pei Se	-	10,000	(10,000)	-
Khoo Soo Choon	-	7,000	(7,000)	-
Chuah Tin Nee	-	5,000	(5,000)	-
Tan Peck Sian	-	4,000	(4,000)	-
Lee Suet Fong	-	3,500	(3,500)	-
Che Puan Bt. Abdullah	-	3,500	(3,500)	-
Tan Siew Hooi	-	3,500	(3,500)	-

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 (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 Articles of Association of the Company and the Listing Requirements relating to transfer, transmission and otherwise.

**LIST OF PROPERTIES OWNED BY
PUBLIC PACKAGES HOLDINGS BERHAD AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2017**

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.foot)	Carrying Amount as at 31.12.17 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	1,185,150
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	1,477,049
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	522,564
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	2,722,212
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	2,146,517
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	419,118

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.17 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	10,556,349
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	1,833,840
A-1-3 Kelisa Apartment Lorong Kikik Satu, Taman Inderawasih, Seberang Perai	Freehold	Hostel	28.11.2007	24	- / 726	72,000
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	20	- / 500 (per unit)	419,118
Plot 468 Jalan Perusahaan Baru, Prai Industrial Estate, Penang	Leasehold 19.4.2049	Factory and office building	28.11.2007	27	93,329 / 77,727	4,205,356
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	10,558,007
PPH PRINTING & PACKAGING (KULIM) SDN. BHD.						
Plot 75 Kulim Industrial Estate Kulim, Kedah	Leasehold 21.9.2049	Factory and office building	28.11.2007	26	52,272 / 54,140	2,128,567

Location	Title	Existing Use	Date of Last Revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	Carrying Amount as at 31.12.17 RM
PUBLIC PACKAGES PROPERTIES SDN. BHD.						
Lot 5632 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Rental	25.07.2012	-	511,877 / -	6,578,000
84 Lebuhraya Kapal, Penang	Freehold	Rental	25.07.2012	31	1,389 / 2,800	455,000
5-2-4 Edgecumbe Court, Penang	Freehold	Rental	25.07.2012	27	- / 700	500,000
Unit SB15 Block A, No. 1 Persiaran Gurney, Penang	Freehold	Rental	25.07.2012	28	- / 1,815	1,220,000
Unit I-4-3 Taman Desa Relau, Penang	Freehold	Rental	25.07.2012	24	- / 700	260,000
Unit 368-2-04 Belisa Row Jalan Burma, Penang	Freehold	Rental	25.07.2012	21	- / 1,055	580,000
No. A-17-02, Verticas Residensi, off Jalan Ceylon, Kuala Lumpur	Freehold	Rental	-	6	- / 2,111	1,900,000
Lot15 Jalan Utas 15/7 Section 15 40000 Shah Alam, Selangor	Leasehold 31.10.2070	Rental	1.08.2013	32	14966 / 273	5,800,000
PPH PLAZA SDN. BHD.						
Lot 741, 742 & 743 Section 23 Bandar Georgetown Daerah Timur Laut, Penang	Freehold	Project Development	23.12.2002	-	56,244	21,137,092
						76,675,939

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL as at 2 APRIL 2018

Issued and Fully Paid Up Capital	:	RM94,360,156
Classes of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	2,733

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees) as at 2 APRIL 2018

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

Note:

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

DIRECTORS' SHAREHOLDINGS as at 2 APRIL 2018

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:

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

DISTRIBUTION OF SHAREHOLDERS as at 2 APRIL 2018

Holdings	No. of Holders	%	No. of Shares	%
Less than 100	163	5.96	7,280	0.00
100 - 1,000	212	7.76	69,145	0.04
1,001 - 10,000	1,060	38.79	6,787,583	3.60
10,001 - 100,000	1,171	42.85	33,233,504	17.62
100,001 - 9,431,174	125	4.57	55,890,995	29.63
9,431,175 and above	2	0.07	92,634,994	49.11
TOTAL	2,733	100.00	188,623,501	100.00

THIRTY LARGEST SHAREHOLDERS as at 2 APRIL 2018

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.	Song Kim Lee	2,280,000	1.21
6.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank LTD (SFS)	1,599,585	0.85
7.	Koay Chew Guan	1,551,394	0.82
8.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Cheam Heng Ming (E-KTN/RAU)	1,371,942	0.73
9.	Koay Chiew Kang	1,365,538	0.72
10.	Lim Pei Tiam @ Liam Ahat Kiat	1,303,700	0.69
11.	George Lee Sang Kian	1,100,000	0.58
12.	Liau Choon Hwa & Sons Sdn. Bhd.	1,080,000	0.57
13.	Leng Bee Bee	958,285	0.51
14.	Gan Kho @ Gan Hong Leong	924,000	0.49
15.	Loh Chung Hai	912,000	0.48
16.	Fu Lai Chee	900,000	0.48
17.	Leong Ngak Keong	869,000	0.46
18.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ooi Chin Hock (8058312)	761,485	0.40
19.	Lim Pay Kaon	720,000	0.38
20.	Koay Chue Beng	634,900	0.34
21.	Tok Ley Siang	605,712	0.32
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Ronie Tan Choo Seng (MY0690)	600,000	0.32
23.	PM Nominees (Tempatan) Sdn. Bhd. Malpac Management Sdn. Bhd.	591,428	0.31
24.	Yap Wing Chun	576,000	0.31
25.	Gan Kho @ Gan Hong Leong	552,000	0.29
26.	Koay Chiew Lee	522,854	0.28
27.	Chee Kheng Can Factory Sdn. Berhad	514,285	0.27
28.	Koay Chew Kooi	501,457	0.27
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Liau Thai Min	480,000	0.26
30.	Koay Chiew Kang	468,569	0.25
		130,408,236	69.14

PUBLIC PACKAGES HOLDINGS BERHAD

(Company No. 162413-K)

(Incorporated in Malaysia)

Proxy Form

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

of.....
(Address)

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

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

of
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 31st Annual General Meeting of the Company to be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Monday, 28 May 2018 at 10.00 a.m., and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Koay Chiew Kang as a director of the Company.		
2	To re-elect Mr. Koay Teng Kheong as a director of the Company.		
3	To approve the payment of Directors' Fees for the financial year ending 31 December 2018.		
4	To approve the payment of Directors' Benefits to non-executive directors.		
5	To re-appoint Messrs. Grant Thornton as auditors of the Company.		
6	To authorise the directors to allot and issue new shares in the Company.		
7	To retain Puan Nurjannah Binti Ali as an Independent Non-Executive Director.		
8	To retain Mr. Ng Thim Fook as an Independent Non-Executive Director.		
9	To retain Mr. Ong Eng Choon as an Independent Non-Executive Director.		

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

Signed thisday of.....,2018.

No. of shares held

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

For appointment of two(2) proxies,
percentage of shareholdings to be
represented by the proxies :

	No. of Shares	%
Proxy 1		
Proxy 2		
		100

Notes

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus accounts it holds.
4. For a proxy to be valid, this form duly completed must be deposited at the registered office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Sunday, 27 May 2018 at 10.00 a.m. (being the approximate time appointed for the taking of the poll at the 31st Annual General Meeting).
5. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorized in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.
6. In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 15 May 2018 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the notice of 31st Annual General Meeting will be put to vote by poll.

**strike out whichever is not desired*

Fold along this line

AFFIX
STAMP



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

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

Fold along this line



PUBLIC PACKAGES HOLDINGS BERHAD (162413-K)

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

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