



ANNUAL REPORT 2010



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



CONTENTS

	PAGE
• NOTICE OF ANNUAL GENERAL MEETING	1
• CORPORATE INFORMATION	4
• EXECUTIVE CHAIRMAN'S STATEMENT	6
• DIRECTORS' INFORMATION	8
• STATEMENT OF CORPORATE GOVERNANCE	10
• STATEMENT ON INTERNAL CONTROL	15
• STATEMENT ON INTERNAL AUDIT FUNCTION	16
• RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE	17
• AUDIT COMMITTEE REPORT	19
• FINANCIAL STATEMENTS	
• DIRECTORS' REPORT	23
• DIRECTORS' STATEMENT	26
• STATUTORY DECLARATION	26
• INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	27
• CONSOLIDATED STATEMENT OF FINANCIAL POSITION	29
• CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31
• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
• CONSOLIDATED STATEMENT OF CASH FLOWS	33
• STATEMENT OF FINANCIAL POSITION	35
• STATEMENT OF COMPREHENSIVE INCOME	36
• STATEMENT OF CHANGES IN EQUITY	37
• STATEMENT OF CASH FLOWS	38
• NOTES TO THE FINANCIAL STATEMENTS	39
• LIST OF PROPERTIES OWNED BY THE GROUP	89
• ANALYSIS OF SHAREHOLDINGS	92
• PROXY FORM	95

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of Public Packages Holdings Berhad will be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Friday, 20 May 2011 at 10.00 a.m. for the following purposes: -

AGENDA:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors' and Auditors' thereon. Please refer to Explanatory Note 1
2. To approve the payment of a first and final tax exempt dividend of 5% per share for the financial year ended 31 December 2010. Resolution 1
3. To re-elect the following Directors who retire by rotation in accordance with Article 80 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
 - i) Puan Nurjannah Binti Ali Resolution 2
 - ii) Mr. Ong Eng Choon Resolution 3
4. To re-elect Mr. Koay Teng Kheong, a Director who retires pursuant to Article 87 of the Company's Article of Association and who, being eligible, offers himself for re-election. Resolution 4
5. To approve the payment of Directors' fees of not exceeding RM 250,000 for the financial year ending 31 December 2011. Resolution 5
6. To re-appoint Messrs. Grant Thornton (AF:0042) as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

As Special Business

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

ORDINARY RESOLUTIONS

7. Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for listing of and quotation for the additional shares to be issued."

Resolution 7

8. Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

"That, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the requirements of Bursa Malaysia Securities Berhad and/or any other regulatory authorities, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Company and its subsidiaries as specified in Section 2.2 of the Company's Circular to Shareholders dated 20 April 2011 ("Circular") on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in full force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company following the AGM at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), or
- (c) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier:

And that, authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.

Resolution 8

9. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 24th Annual General Meeting of Public Packages Holdings Berhad to be held on Friday, 20 May 2011, a first and final tax exempt dividend of 5% per share for the financial year ended 31 December 2010 will be paid on Wednesday, 22 June 2011 to depositors who are registered in the Record of Depositors of the Company on Wednesday, 8 June 2011.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on Wednesday, 8 June 2010 in respect of an ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

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

Penang

Dated: 20 April 2011

NOTES ON APPOINTMENT OF PROXY:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies' Act 1965 shall not apply to the Company.
2. To be valid the Proxy Form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meetings.
4. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. If the appointor is a corporation, the Proxy Form must be executed under its Common Seal or under the hand of its attorney.

EXPLANATORY NOTES

On Ordinary Business

1. Agenda 1 is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders of the Company and hence, Agenda 1 is not put forward for voting.

On Special Business

2. The Resolution 7, if passed, will give the Directors of the Company authority to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issued capital 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 general meeting, will expire at the conclusion of the next Annual General Meeting.

The general mandate for issue of shares is a renewal and 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 notice of meeting, no share has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

3. The Resolutions 8, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interests of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company, particulars of which have been disclosed in the Circular to Shareholders dated 20 April 2011 which have been dispatched together with the Company's 2010 Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

JOINT COMPANY SECRETARIES

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE	: Nurjannah Binti Ali (Independent Non-Executive Director) <i>Chairman</i>
	Ng Thim Fook (Independent Non-Executive Director) <i>Committee Member</i>
	Koay Chiew Poh (Executive Chairman) <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 Services Sdn Bhd (Company No.118401-V) (Formerly known as Tenaga Koperat Sdn Bhd) Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. Tel No: 03-2264 3883 Fax No: 03-2282 1886
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
STOCK EXCHANGE LISTING	: Main Market of Bursa Malaysia Securities Berhad Stock Name : PPHB Stock Code : 8273
WEBSITE	: http://www.pph.com.my

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2010.

INDUSTRY REVIEW

Malaysia's economy is expected to remain resilient this year because of the country's strong fundamentals despite the challenging external conditions. The strong performance of the manufacturing sector will be the key determinant of demand for packaging materials and other packaging related products. The current government's policy to reduce the plastic consumption in observing the environmental conditions also posted another healthier growth for the packaging industry, in particular the Group's products are the supply of standard packaging for food and beverage industry on top of other standard consumer packaging with tailor made capability to meet the demand of the market.

FINANCIAL PERFORMANCE

The Group's total revenue improved to RM 146 million from RM 132 million achieved in year 2009. The Group has also reported a profit from operations of RM 11 million for the financial year 2010 against RM 12 million in the year 2009. This decline was primarily due to higher paper prices experienced by the Group as a result of more challenging and volatile market. Nevertheless the Group managed to record profit after tax of RM 8.3 million for the year 2010 despite the global economic uncertainty stemming from the global financial crisis.

REVIEW OF GROUP OPERATIONS

The Manufacturing division maintained to be the core business of the Group representing about 80 % or RM 117 million in the year 2010 compared to RM 116 million in year 2009. This division continued to place emphasis on providing quality products on timely basis at affordable prices to the market.

The Trading Division contributed 20% of revenue to the Group. The revenue for this division increased tremendously from the RM 15 million in year 2009 to RM 28 million in year 2010. This significant surge was underpinned by the massive demand and exploration of new markets in terms of wider customers' base and introduction of new products in the market.

Despite the challenging operating environment during the year, the Group has delivered another positive result mainly due to the implementation of cost saving measures planned earlier. Thus the Group sustained to report another satisfactory performance for the year 2010.

PROSPECTS FOR 2011

The year 2011 is expected to provide another prospect for the Malaysian economy with the major economies around the world implementing various economic stimulus packages. The policy of the government on the wider usage of the paper packaging to reduce the plastic consumption and observe the environmental issue will post another growth for the Group. The outlook of the paper packaging industry and in particular the Group's involvement in the standard paper packing boxes and consumers packaging for the food and beverage sectors, the revenue of the Group is expected to soar in the year 2011. Nevertheless the Group will also closely supervise the operating environment of the Group as not to significantly influence by the external factors.

The Group has planned at the beginning of year 2011 to increase its efficiency, productivity and profitability as well as optimise resources such as manpower and equipment to its best use to achieve the target set and the future growth and outlook of the Trading Division will be achieved not only by increasing its market share in the current locations but also by expanding its operations to other locations as new targeted markets in the region. In addition, the products complements within the Group will also be in the pipeline.

The strategies to serve the market by Branding through Packaging and Marketing through POSM has improved the financials performance of the Group. In order to stay attractive and competitive, we have to continue adopting the prudent cost management and I believe this would enable us to maintain and strengthen our position as one of the major packaging players in the industry. With the appropriate measures and strategies coupled with the commitment from the entire workforce, the Group expects to meet the challenging year ahead.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

CSR has always been part of PPHB's core value in doing business. The activities carried out by the Group are as follows: -

Community

It is always the Group's policy to act responsibly in ensuring that its entire workforce including the directors dealt effectively and appropriately in the communities in which the Group operates. Our directors, employees and their families have long histories of involvements with the local communities and charity organizations. A group of our employees and their families together with their fellow directors participated actively in the charity activities organised by Buddhist Tzu-Chi Merits Society Malaysia.

During the year, the company has also sponsored reference books and reading materials on top of monetary assistance to aid the orphanage students in their examination, in particular students sitting the exam of UPSR and PMR in the area.

Environment

The Group has an ongoing commitment in preserving the environment. Each of the Group's operating sites is pursuing specific waste reduction projects. The Group also encourages its employees in optimising the recycling of newspapers, paperboards and any waste packaging recyclable materials. The revenues from recycling of waste materials were donated to the charity society, Tzu-Chi Dialysis Center.

APPRECIATION

On behalf of the Board, I would like to express our deepest appreciation to our esteemed bankers, valued business associates, shareholders, the governmental and regulatory authorities for their invaluable support and confidence in the Group. I would also like to thank the management and our entire workforce for their dedication and commitment to ensure the continue success of the Group during the year and the years to come. I sincerely hope that together we can maintain another set of satisfactory results in the year 2011.

Last but not least, my personal thanks to my fellow members of the Board for their contributions and support to the Group.

KOAY CHIEW POH
EXECUTIVE CHAIRMAN

DIRECTORS' INFORMATION

Koay Chiew Poh, a Malaysian, age 59, 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 and is also a major shareholder of PPHB.

He is the brother of Mr. Koay Chue Beng and 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 2010.

Koay Teng Liang, a Malaysian, age 34, 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 graduated from University of Adelaide, Australia with a Bachelor in International Business. 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 who is a director and major shareholder, and Madam Ooi Siew Hong who is a major shareholder of PPHB. He is also the nephew of 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 4 of the 5 Board meetings held in the financial year ended 31 December 2010.

Koay Teng Kheong, a Malaysian, age 30, was appointed to the Board as an Executive Director on 25 March 2011. He graduated from Monash University, Australia with a Masters in Management and Bachelor in Information System 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 who is a director and major shareholder, and Madam Ooi Siew Hong who is a major shareholder of PPHB. He is also the nephew of 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 not attended any meeting in the year 2010 as his appointment to the Board only commence after 25 March 2011.

Nurjannah Binti Ali, a Malaysian, age 52, was appointed to the Board on 5 February 1999 as an Independent Non-Executive Director. She is the Chairman of the Audit Committee and also the Chairman of the Nomination 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 and TRIplc Berhad, of which both companies are listed on Bursa Malaysia Securities Berhad ("Bursa Securities"). She is also a director of WWE Holdings 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 2010.

Ng Thim Fook, a Malaysian, age 57, was appointed to the Board on 15 November 2002 as an Independent Non-Executive Director. He is a member of the Audit, Nomination 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 20 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 2010.

Ong Eng Choon, a Malaysian, age 59, was re-designated to 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 Committee. 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 before he was appointed the Managing Director of Taxnet Consultants 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 an Associate Member of the Chartered Tax Institute of Malaysia. He is also the Independent Non-Executive Director of Tek Seng Holdings Berhad, Elsoft Research Berhad, Chin Well Holdings Berhad, Nagamas International Berhad and Tambun Indah Land Berhad, of which all these companies are 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 all the 5 Board meetings held in the financial year ended 31 December 2010.

Koay Chue Beng, a Malaysian, age 50, 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 and the uncle of Mr. Koay Teng Liang and Mr. Koay Teng Kheong who are members of the Board. Mr. Koay Chiew Poh and his spouse Madam Ooi Siew Hong are the major shareholders of PPHB. 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 4 of the 5 Board meetings held in the financial year ended 31 December 2010.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as embodied in the Malaysian Code on Corporate Governance (“the Code”). Towards this end, the Board has taken steps to ensure that the principles of corporate governance and best practices are observed and practiced throughout the Group.

The manner and the application of Corporate Governance framework in the Group are summarized as follows: -

DIRECTORS

The Board

An effective Board leads and controls the Company. The Board meets quarterly to review its quarterly performances and discuss new policies and strategies with additional meetings as and when necessary. During the Board meeting, the Company Secretary will record the deliberations, in terms of the issues discussed, and the conclusions in discharging the Board’s duties and responsibilities. A total of 5 Board meetings were held for financial year ended 31 December 2010.

Board Balance

The Board comprises of 3 Executive Directors and 3 Independent Non-Executive Directors. The composition reflects that more than 1/3 of its members are independent. The Board considers the current composition and size of the Board as adequate. Collectively, Directors have a wide range of business and financial experiences. A brief profile of each Director is presented on pages 8 to 9 of this Annual Report.

Although all the Directors have an equal responsibility for the Company’s operations, the role of Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgment to take into account of the interests, not only of the Group but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

Supply of Information

All Directors are provided with agendas and a set of Board papers prior to Board meetings. These are issued in sufficient time to enable the Directors to obtain further explanations, where necessary in order to be properly briefed before the meeting. The Board papers include, among others, the quarterly financial statements and internal audit reports.

The Board of Directors ensures that they have full and timely access to all relevant information to aid their decision-making. All Directors have access to the advice and services of the Company Secretary and may seek independent professional advice at the Company’s expense in the furtherance of their duties.

Appointments to the Board

The Nomination Committee of the Company was established on 4 April 2002. The Nomination Committee is responsible for making recommendations for any appointments to the Board.

In making these recommendations the Nomination Committee considers the candidate’s: -

- (a) skills, knowledge, expertise and experience;
- (b) professionalism;
- (c) integrity;
- (d) in the case of candidates for the position of Independent Non-Executive Director, the Nomination Committee will evaluate the candidates’ ability to discharge such responsibilities/functions as expected from Independent Non-Executive Director.

Any new nomination received is recommended to the full Board for assessment and endorsement.

The Nomination Committee is also responsible for assessing the effectiveness of the Board as a whole, the committees of the Board and the performance and contribution of each existing Director including the Independent Non-Executive Directors. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented.

The members of the Nomination Committee are as follows:

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

Directors' Training

The Board acknowledges the importance of continuous education and training in discharging its duties and encourages its Directors and also many of its senior managers and department heads to attend forum, seminars, trade fairs (locally and internationally) and training programmes to update themselves on new developments in the business environment. Additionally, frequent site visits by the Directors and meetings with senior management are arranged for enhancement of their knowledge particularly in respect of the Group's businesses and operations.

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, except Mr. Koay Teng Kheong who has a period of 4 months to complete its MAP from the appointment date on 25 March 2011.

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

- (a) Koay Chiew Poh
 - Global Warming and CSR
 - High Touch Management
- (b) Koay Chue Beng
 - Global Warming and CSR
 - High Touch Management
- (c) Koay Teng Liang
 - Finance For Non-Finance Executives / Managers
 - Global Warming and CSR
- (d) Nurjannah Binti Ali
 - Financial Reporting Standards (FRS) Workshop 2010
- (e) Ng Thim Fook
 - Financial Reporting Standards (FRS) Workshop 2010
- (f) Ong Eng Choon
 - Corporate Governance Guide – Towards Boardroom Excellence
 - Financial Reporting Standards (FRS) Workshop 2010
 - 2011 Budget Seminar – Highlights & Implications

The Directors will continue to undergo other relevant training programmes as appropriate to further enhance their professionalism and knowledge as Directors.

Re-election of Directors

Each Director of the Company shall retire at least once every 3 years. Also, they shall be eligible to stand for re-election at the annual general meeting upon their retirement. Any new Director who is appointed by the Board shall be subjected to election by shareholders at annual general meeting held immediately after his/her appointment.

DIRECTORS' REMUNERATION

The Remuneration Committee of the Company was established on 4 April 2002. The Committee recommends to the Board, the framework of the Directors' remuneration and its cost and remuneration package for each Director. In the case of Executive Directors, the remuneration package is structured so as to link rewards to corporate and individual performance and for Non-Executive Directors the level of remuneration reflects the experience and level of responsibilities undertaken. The remuneration package of the Executive Chairman is approved by the full Board.

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 to run the Group effectively.

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.

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. Koay Chiew Poh	- Member, Executive Chairman

The aggregate remuneration of Directors for the financial year ended 31 December 2010 are as follows:

	Salary	Bonus	Benefits In Kind	Others	Fees	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Executive	995,974	154,750	3,000	275,830	0	1,429,554
Non-Executive	0	0	0	0	78,000	78,000
	995,974	154,750	3,000	275,830	78,000	1,507,554

Number of Directors whose remuneration fall into the following bands are as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000		2
RM 50,001 to RM100,000		
RM100,001 to RM150,000		
RM150,001 to RM200,000		
RM200,001 to RM250,000		
RM250,001 to RM300,000		
RM300,001 to RM350,000	1	
RM350,001 to RM400,000	1	
RM400,001 to RM450,000		
RM450,001 to RM500,000		
RM500,001 to RM550,000		
RM550,001 to RM600,000		
RM600,001 to RM650,000		
RM650,001 to RM700,000		
RM700,001 to RM750,000	1	
	-----	-----
	3	2
	=====	=====

SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. The Company views that timely and equal dissemination of information to shareholders are important. It strictly adheres to the disclosure requirements of Bursa Securities.

The Board views the Annual General Meeting (AGM) as an ideal opportunity to communicate with both institutional and individual shareholders. During the AGM, the Board is prepared to respond to shareholders' questions and the external auditors are also present to assist in providing their professional and independent clarification on issues and concerns raised by the shareholders.

The Company has established a website – www.pph.com.my for shareholders and the public to access for information, including the announcements made by the Company.

Apart from the above, the Company also communicates with its shareholders by way of annual report and mandatory public announcements on the Company's significant matters, corporate developments and financial results from time to time through the Bursa Link.

Puan Nurjannah Binti Ali, Independent Non-Executive Director has been assigned as the senior to answer queries or clarify matters in relation to the Company, which may be conveyed.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is aware of its responsibilities to shareholders for presenting a balanced and understandable assessment of the Company's financial position, operations and prospects, each time it releases its quarterly and annual financial statements and reports to shareholders. In this regard, the Audit Committee on behalf of the Board assists in scrutinizing the information to be disclosed, to ensure accuracy and adequacy.

Internal Control

The Statement on Internal Control of the Group is set out in page 15 of this Annual Report.

Relationship with the Auditors

The Board and the Audit Committee established a transparent and appropriate relationship with the Company's Auditors, both internal and external. The external auditors are invited to attend meetings of the Audit Committee.

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and the profit or loss of the Company and of the Group for the financial year. As required by the Act and the Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with applicable Financial Reporting Standards and the provisions of the Act.

The Directors consider that in preparing the financial statements for the financial year ended 31 December 2010, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have responsibility for ensuring that the Company and the Group keep accounting records, which disclose with reasonable accuracy financial position of the Company and of the Group, which also enable them to ensure that the financial statements 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.

COMPLIANCE STATEMENT

Save and except where stated otherwise, the Board is pleased to confirm that the Company has met and substantially complied with the Best Practices set out in Part 2 of the Code.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries for the financial year ended 31 December 2010 other than tax penalties of RM 8,014 due to underestimation of tax payable.

Non-Audit Fees

There were no non-audit fees paid to the external auditors or a firm or corporation affiliated to them for the financial year ended 31 December 2010.

Material Contracts

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 2010, or entered into since the end of the previous financial year.

Revaluation Policy

The Group's properties are revalued at an interval of every 5 years. The next revaluation will be in the year of 2012.

Utilisation of Proceeds Raised from Corporate Proposal

The Company does not have any corporate proposal during the financial year ended 31 December 2010.

Share Buy Backs

The Company did not purchase any of its own shares and as such, there were no treasury shares maintained by the Company for share buy-backs as at 31 December 2010.

Options or Convertible Securities

The Company did not issue any options or convertible securities during the financial year ended 31 December 2010.

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2010.

Variation in Financial Results

There were no variation of results which differ by 10% or more from the Company's unaudited results announced through Bursa Link on 25 February 2011.

Profit Guarantee

There were no profit guarantees received by the Company for the financial year ended 31 December 2010.

STATEMENT ON INTERNAL CONTROL

During the financial year 2010, the provision for the Internal Control Management System remains very much the same with that of year 2009. The Board of Directors of Public Packages Holdings Berhad firmly believes in the importance of the existence of a sound system of internal control within the Group. The Board acknowledges its responsibility to establish and review on a regular basis the adequacy and effectiveness of the system of internal control within the Group, in particular the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directive and guidelines. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system only provides reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives. For the purpose of this statement, joint ventures are not dealt with as part of the Group.

The Board provides the following guidelines to ensure success of the corporate objectives: -

- 1) that each subsidiary is to provide to the Board for approval a comprehensive annual budget.
- 2) that the subsidiary is to monitor performance against approved budget each month.
- 3) to identify shortfalls and implement remedial measures.
- 4) to make full use of the Information Technology facilities available within the Group to optimise business processes and to enhance network communication within the Group.
- 5) to provide training for all employees to improve management proficiency at all levels.
- 6) that each subsidiary conducts a weekly inter-unit meeting to iron out daily problems.

Management of the various subsidiaries of the Group's businesses is delegated to local management, comprising of Executive Directors, General Managers, Operations Managers who are accountable for meeting the objectives and goals set by the Board vis-à-vis the performance and profitability of the subsidiaries under their respective command. Local management of the subsidiaries organizes monthly meeting to monitor the performance against the Board's approved annual budget - both financial and operational. Reasons for shortfalls are immediately identified and corrected. The Group General Manager will attend the local management meeting to discuss and share, among other things, issues and risks relating to business activities and external environment as experienced by them in their respective field from time to time. The sharing would form the basis for the local management to take pre-emptive action as part of the plan for future undertakings and appropriate systems to manage these risks.

The Group General Manager and local management teams would then meet the Board once a month to report and assess the monthly performance and controls with comprehensive financial information showing the actual results against budget for the month; to discuss corporate issues arising from the local management monthly meetings; to seek Board's decisions and solutions where needed.

Internal Operating Manuals are written for the operating units and the departments working within the units. The Manuals provide a very detailed operating system and control for all subsidiaries – the purpose of which is to ensure success in so far as risks management is concerned.

Risk Management Framework

The structure of the risk management framework is made up of the following supporting units: -

- a) the quality steering committee (QSC)
- b) the internal audit team
- c) the business development unit
- d) the administration unit
- e) the human resource management unit.

All these units in their respective fields of work assist the organization in identifying and evaluating significant exposures to risk and contribute to the improvement of risk management and control system.

The representations from these units sit at the Group Corporate meeting ("GCM") and/or Internal Corporate meeting ("ICM") once a month to present their day-to-day problems and to provide solutions to resolve them especially on risk management related issues.

STATEMENT ON INTERNAL AUDIT FUNCTION

The team of in-house internal auditors operates independently of the activities of the subsidiaries it audits. The in-house internal auditors report directly to the Audit Committee. During the year the team of in-house internal auditors carried out 3 specific audits viz:

1. Finance and Accounts Audit
2. Administration Audit
3. Human Resource Audit.

After each audit, the findings and recommendations are submitted to the heads of the subsidiaries in which the audit was carried out. The local management of the audited subsidiary is obliged to response 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 Company or its subsidiaries in which the audit was carried out.

Once every quarter, the Head of the in-house internal auditors meets with the Audit Committee with reports of audits conducted at each audited subsidiary to review and monitor the effectiveness of the Group's internal control system.

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

During the year ended 31 December 2010, the Group has paid RM 40,406 to carry out the internal audit functions, performed by the in-house internal auditors.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

The breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year ended 31 December 2010 are as follows: -

PPHB/Subsidiaries Involved	Related Party	Relation-ship	Nature of Transaction	RM'000
Public Packages (NT) Sdn. Bhd.	City Packaging Industry Sdn. Bhd.	**	Sale of carton boxes	11
Public Packages (NT) Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	3
Public Packages (Prai) Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	1
PPH Display Design Sdn. Bhd.	Fame Pack Holdings Sdn. Bhd.	***	Rent of property for staff accommodation	22
PPH Printing & Packaging (Penang) Sdn. Bhd.	Teckwah Paper Products Sdn. Bhd.	*	Sub-contract of printing work by Teckwah Paper Products Sdn. Bhd.	16
PPH Printing & Packaging (Penang) Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	2
Public Packages Asia (S) Pte. Ltd.	Fame Pack Holdings Sdn Bhd	***	Rent of office lot	60
PPH Printing & Packaging (Kulim) Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	2
Public Packages Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	9
Public Packages Asia Sdn. Bhd.	Fame Pack Holdings Sdn. Bhd.	***	Rent of property for staff accommodation	54
Public Packages Asia Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	2

PPHB/Subsidiaries Involved	Related Party	Relationship	Nature of Transaction	RM'000
PPH Management (M) Sdn. Bhd.	PPH Multimedia Network Sdn. Bhd.	*****	Purchase of computers and its related parts	2

Mr. Koay Chiew Poh (“KCP”) is a director and major shareholder of PPHB. Madam Ooi Siew Hong (“OSH”) is the spouse of KCP and a major shareholder of PPHB. Mr. Koay Teng Liang (“KTL”) and Mr. Koay Teng Kheong (“KTK”) are directors of PPHB, whilst Mr. Koay Chue Beng (“KCB”) is the alternate director to KCP.

The family relationship between the directors, major shareholders and persons connected to directors and/or major shareholders of PPHB are as follows: -

- (a) OSH is the spouse of KCP
- (b) KTL and KTK are the sons of KCP and OSH
- (c) KCP and KCB are brothers.

They are interested in the transactions due to the following: -

* Teckwah Paper Products Sdn. Bhd. is the wholly owned subsidiary of PPH Teckwah Value Chain Sdn. Bhd. (“PTVC”). PTVC is a 50% joint-venture company between PPH Paper Products Sdn. Bhd. (“PPHPP”) and third parties. PPHPP is a wholly owned subsidiary of PPHB. KCP who is a major shareholder of PPHB being the common director of PPHB and PTVC is deemed interested.

** Mr. Ooi Teong Huat is the substantial shareholder of City Packaging Industry Sdn. Bhd. and he holds 99% of the total and issued paid-up capital of City Packaging Industry Sdn. Bhd. Mr. Ooi Teong Huat is the brother of OSH, the brother-in-law of KCP and KCB, and the uncle of KTL and KTK.

Both City Packaging Industry Sdn. Bhd. and Mr. Ooi Teong Huat do not hold shares in PPHB.

*** Fame Pack Holdings Sdn. Bhd. is a major shareholder of PPHB of which KCP and OSH who are major shareholders of PPHB have interest. KCP is also a director of PPHB.

**** KTL is a director and major shareholder of PPH Multimedia Network Sdn. Bhd. KTL holds 40% of the total paid up capital of PPH Multimedia Network Sdn. Bhd.

Whist, Koay Boon Pee Holding Sdn. Bhd. (“KBPH”) is a major shareholder of PPH Multimedia Network Sdn. Bhd. of which KCP and KCB are directors and shareholders of KBPH.

AUDIT COMMITTEE REPORT

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

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

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. COMPOSITION

- (a) The Audit Committee shall be appointed by the Directors amongst its members of no fewer than 3 Non-Executive members, a majority of whom being Independent Directors. An independent director shall be the one who fulfils the requirements as provided in the Listing Requirements of Bursa Securities.
- (b) At least one of the Audit Committee members must be either a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants he/she must have:
 - i. At least 3 years' working experience and passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - ii. At least 3 years' working experience and is a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - iii. A degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
 - iv. Such other requirements as prescribed or approved by the Bursa Securities.
- (c) All the members of the Audit Committee should be financially literate and that no Alternate Director shall be appointed as a member of the Audit Committee.
- (d) The members of the Audit Committee shall elect from among their number a Chairman who is an Independent Director.
- (e) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board shall, within 3 months of the event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- (f) The Board shall review the terms of office and performance of Audit Committee members at least once every 3 years.

2. AUTHORITY

The Audit Committee is authorized by the Board, in accordance with the procedure to be determined by the Board of Directors and at the cost of the Company, to:

- investigate any activity within the Audit Committee's terms of reference;
- have resources which are reasonably required to enable it to perform its duties;
- have full and unrestricted access to any information pertaining to the Company or the Group;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;

- attend the quarterly operation and management meeting and through the meeting, relevant issues affecting the Company can be brought to the attention of the audit committee in a timely manner;
- convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

3. DUTIES

The duties and responsibilities of the Audit Committee shall be:

(a) to review:-

- with the external auditor, the audit plan;
- with the external auditor, his evaluation of the system of internal controls;
- with the external auditor, his audit report;
- the assistance given by the employees of the Company to the external auditor;
- the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - changes in or implementation of major accounting policy;
 - significant and unusual events;
 - compliance with accounting standards and other legal requirements;
- any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- any letter of resignation from the external auditors and senior staff of internal auditors of the Company;
- whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment,
- review and verify the allocation of options pursuant to the Employee Share Option Scheme of the Company;

(b) to do the following in relation to the internal audit function :

- to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- to review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- to review any appraisal or assessment of the performance of members of the internal audit function;
- to approve any appointment or termination of senior staff members of the internal audit function; and
- to take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(c) to recommend the nomination of a person or persons as External Auditors; and

- (d) to carry out such other functions as may be agreed to by the Audit Committee and the Board of Directors.

4. OVERSEEING THE INTERNAL AUDIT FUNCTION

- (a) The Audit Committee shall oversee all internal audit functions which is independent of the activities it audits and is authorized to commission investigations to be conducted by internal audit, as it deems fit.
- (b) The Head of Internal Audit shall report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee.

5. PROCEDURES

- (a) The Audit Committee may regulate its own procedures and in particular, the calling of the meetings, the notice given of such meetings, the voting and the proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- (b) The Secretary shall circulate the minutes of the meeting of the Audit Committee to all members of the Board.

6. ATTENDANCE AT MEETINGS

- (a) A quorum of the Audit Committee shall be 2 members. The majority of the members present must be independent.
- (b) The Head of Finance and The Head of Internal Audit shall normally attend the meetings of the Audit Committee. The External Auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.
- (c) The Audit Committee should meet with the External Auditors without Executive Board members present at least twice a year.
- (d) The Chairman of the Audit Committee should engage on a continuous basis with the Senior Management, such as the Executive Chairman, the Chief Executive Officer, the Finance Director, the head of the Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.
- (e) The Company Secretary shall be the Secretary of the Audit Committee.

7. FREQUENCY OF MEETINGS

Meetings shall be held not less than 4 times a year. The external auditors may request a meeting if they consider necessary to table any matter the external auditors wish to bring to the attention of the Directors or shareholders of the Company.

AUDIT COMMITTEE MEETINGS

A total of 5 Audit Committee meetings were held during the financial year ended 31 December 2010.

The attendances of Audit Committee members at Audit Committee meetings are as follows: -

Name of Audit Committee Members	No. of Audit Committee Meetings Attended
Mr. Ng Thim Fook	5
Puan Nurjannah Binti Ali	5
Mr. Ong Eng Choon	5

SUMMARY OF ACTIVITIES

The activities of the Audit Committee for the financial year were summarised as below:

1. Reviewed draft audited financial statements together with external auditors.
2. Reviewed unaudited quarterly financial statements prior to recommendation to the Board for approval.
3. Reviewed internal audit plans/reports and discuss findings and recommendations made by the internal auditors.
4. Discussed and reviewed with the external auditors the external audit plan and approach, results of their examinations, auditors report and management letters relating to audit and updates on new developments on accounting standards.
5. Verified the allocation of options pursuant to the Employee Share Option Scheme (“ESOS”) of the Company.

The Audit Committee noted that the Company has a total of 5,262,000 shares available under the Company’s ESOS to the Executive Directors and employees of the Company and the options have not been exercised as at 31 December 2010. The exercise price for the ESOS shares is RM 0.64 and the ESOS is valid until 11 April 2012.

6. Reviewed and recommend to the Board the re-appointment of the external auditors.
7. Reviewed the quarterly reports on Recurrent Related Party Transactions of a Revenue or Trading Nature.

INTERNAL AUDIT FUNCTION

The Audit Committee has been instrumental in the establishment of an internal audit function, which 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 its subsidiaries and to submit its findings and recommendations to the Committee and senior management of the subsidiaries.

DIRECTORS' REPORT

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 2010.

PRINCIPAL ACTIVITY

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

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 year	8,307	1,860

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

Since the end of the previous financial year, the Company has paid a first and final tax exempt dividend of 5% amounting to RM2,747,412 for the financial year ended 31 December 2009, as proposed in the directors' report of that year.

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 5% amounting to RM2,747,412 for the financial year ended 31 December 2010 will be proposed for the shareholders' approval.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on 17 June 2002. The ESOS was implemented on 27 June 2002 and is to be in force for a period of 10 years. The details of options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

----- Options over ordinary shares of RM0.50 each -----						
Grant date	Exercise price	Balance at 1.1.10	Granted and Accepted	Exercised	Lapsed due to resignation	Balance at 31.12.10
5.1.04	RM0.64	5,268,000	-	-	(6,000)	5,262,000

The salient features of the ESOS are disclosed in the notes to the financial statements. Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS

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

Koay Chiew Poh
Koay Teng Liang
Koay Teng Kheong (appointed on 25.03.11)
Nurjannah Binti Ali
Ng Thim Fook
Ong Eng Choon
Koay Chue Beng (re-designated as alternate director to Koay Chiew Poh on 25.03.11)

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 and options of the Company and its related corporations during the financial year are as follows:

----- Number of ordinary shares of RM0.50 each -----				
	Balance at 1.1.10	Bought	Sold	Balance at 31.12.10
Direct interest :				
Koay Chiew Poh	4,226,480	-	-	4,226,480
Koay Chue Beng	358,692	-	-	358,692
Koay Teng Liang	46,664	-	-	46,664
Deemed interest :				
Koay Chiew Poh	49,167,670	-	-	49,167,670
Koay Chue Beng	3,935,000	-	-	3,935,000
----- Number of options over ordinary shares of RM0.50 each ----				
	Balance at 1.1.10	Granted	Exercised	Balance at 31.12.10
Koay Chiew Poh	1,134,000	-	-	1,134,000
Koay Chue Beng	340,000	-	-	340,000

The remaining directors in office at the end of the financial year do not have any interest in shares and options 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' BENEFITS

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 as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the 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 other than the share options granted under the Company's ESOS.

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or
- (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, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

AUDITORS

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 : 25 March 2011

DIRECTORS' STATEMENT

We, Koay Chiew Poh and Koay Teng Liang, being two of the directors of Public Packages Holdings Berhad state that in the opinion of the directors, the financial statements set out on pages 29 to 87 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2010 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 : 25 March 2011

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 29 to 87 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 25th)
day of March 2011.)
)

.....
Ooi Siew Hong

Before me,

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

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

Report on the Financial Statements

We have audited the financial statements of Public Packages Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and their statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 87.

The financial statements for the preceding year were audited by another firm of auditors whose report dated 2 April 2010, expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, as disclosed in Note 6 to financial statement,
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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, DJN
Partner
No. 1107/03/12 (J)
Chartered Accountant

Penang

Date: 25 March 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	NOTE	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	3	83,097	77,871	77,261
Investment properties	4	7,860	7,212	7,212
Property development	5	19,995	19,917	22,253
Investment in joint ventures	7	17,348	14,942	14,298
Other investments	8	405	190	775
Goodwill on consolidation	9	675	675	675
		<u>129,380</u>	<u>120,807</u>	<u>122,474</u>
Current assets				
Inventories	10	19,533	17,179	20,436
Trade receivables	11	36,059	34,387	34,836
Other receivables, deposits and prepayments	12	2,251	2,992	3,697
Tax recoverable		1,443	1,995	1,811
Fixed deposits with licensed banks	14	217	217	205
Cash and bank balances	15	6,450	13,612	6,837
		<u>65,953</u>	<u>70,382</u>	<u>67,822</u>
Assets classified as discontinued operations	16(iv)	-	*	-
		<u>65,953</u>	<u>70,382</u>	<u>67,822</u>
TOTAL ASSETS		<u>195,333</u>	<u>191,189</u>	<u>190,296</u>

* Represents RM1

The annexed notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

		31.12.2010	31.12.2009	1.1.2009
	NOTE	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
Share capital	17	54,949	54,949	54,949
Share premium		1,295	1,295	1,295
Revaluation reserve	18	16,106	16,106	16,825
Fair value adjustment reserve		215	-	-
Foreign translation reserve	19	(132)	(151)	(159)
Retained profits		41,596	36,036	26,315
Total equity		<u>114,029</u>	<u>108,235</u>	<u>99,225</u>
Non-current liabilities				
Finance lease liabilities	21	3,767	992	1,539
Borrowings	22	6,844	8,465	9,523
Deferred tax liabilities	23	10,976	11,404	11,242
		<u>21,587</u>	<u>20,861</u>	<u>22,304</u>
Current liabilities				
Trade payables	24	10,221	12,791	9,311
Other payables and accruals	25	4,268	4,914	8,141
Finance lease liabilities	21	1,342	605	560
Borrowings	22	43,718	43,577	50,573
Provision for taxation		168	203	182
		59,717	62,090	68,767
Liabilities classified as discontinued operations	16(iv)	-	3	-
		<u>59,717</u>	<u>62,093</u>	<u>68,767</u>
Total liabilities		<u>81,304</u>	<u>82,954</u>	<u>91,071</u>
TOTAL EQUITY AND LIABILITIES		<u>195,333</u>	<u>191,189</u>	<u>190,296</u>

The annexed notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	2010 RM'000	2009 RM'000
Continuing operations			
Revenue	26	145,949	131,667
Cost of sales		<u>(120,519)</u>	<u>(100,082)</u>
Gross profit		25,430	31,585
Other income		1,300	1,453
Selling and distribution expenses		(5,222)	(8,972)
Administrative expenses		(10,260)	(10,221)
Other expenses		<u>-</u>	<u>(1,671)</u>
Profit from operations		11,248	12,174
Finance costs		(2,933)	(2,035)
Share of results of joint ventures		<u>2,410</u>	<u>644</u>
Profit before taxation	27	10,725	10,783
Taxation	28	<u>(2,418)</u>	<u>(1,777)</u>
Profit for the year from continuing operations		8,307	9,006
Discontinued operations			
Loss for the year from discontinued operations	16	<u>-</u>	<u>(4)</u>
Profit for the year		<u>8,307</u>	<u>9,002</u>
Other comprehensive income, net of tax :			
Fair value adjustment on available-for-sale financial assets		10	-
Foreign currency translation differences for foreign operations		<u>19</u>	<u>8</u>
Other comprehensive income for the year, net of tax		<u>29</u>	<u>8</u>
Total comprehensive income for the year, attributable to owners of the parent		<u>8,336</u>	<u>9,010</u>
Earnings per share attributable to owners of the parent (sen per share)			
Basic earnings per share from continuing operations	29	<u>8</u>	<u>8</u>
Basic loss per share from discontinued operations	29	<u>-</u>	<u>-</u>

The annexed notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

		Attributable to Owners of the Parent					
		Non-distributable			Distributable		
		Share Capital	Share Premium	Revaluation Reserve	Fair Value Adjustment Reserve	Foreign Translation Reserve	Retained Profits
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NOTE							Total
2010							RM'000
At 1 January		54,949	1,295	16,106	-	(151)	108,235
Effect of adopting FRS 139		-	-	-	205	-	205
At 1 January, restated		54,949	1,295	16,106	205	(151)	108,440
Total comprehensive income		-	-	-	10	19	8,336
Dividend	30	-	-	-	-	-	(2,747)
At 31 December		54,949	1,295	16,106	215	(132)	114,029
2009							
At 1 January		54,949	1,295	16,825	-	(159)	99,225
Total comprehensive income		-	-	-	-	8	9,010
Realisation of revaluation surplus due to disposal of property development project		-	-	(719)	-	-	719
At 31 December		54,949	1,295	16,106	-	(151)	108,235

The annexed notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- Continuing operations	10,725	10,783
- Discontinued operations (Note 16)	-	(4)
Adjustments for :		
Bad debts	-	86
Depreciation	4,755	4,712
Dividend income from quoted investments	(27)	(27)
Gain on deconsolidation of subsidiaries	(3)	(6)
Gain on disposal of investment property	(53)	-
Impairment loss on receivables	8	981
Impairment of quoted and unquoted investments	-	585
Impairment of golf club membership	-	45
Interest expense on overdrafts, bills payable and others	2,933	2,035
Interest income from fixed deposits and others	(5)	(2)
Inventories written off	-	15
Loss/(Gain) on disposal of property, plant and equipment	14	(5)
Property, plant and equipment written off	-	2
Rental income	-	(540)
Reversal of impairment loss on receivables	-	(15)
Share of results of joint ventures	(2,410)	(644)
Unrealised gain on foreign exchange	-	(35)
Operating profit before working capital changes	15,937	17,966
(Increase)/Decrease in property development	(78)	2,336
(Increase)/Decrease in inventories	(2,354)	3,242
Increase in receivables	(939)	(94)
Decrease in payables	(3,216)	(45)
Cash from operations	9,350	23,405
Dividend received	23	21
Interest paid	(2,933)	(2,035)
Interest received	5	2
Rental received	-	507
Income tax paid	(2,950)	(1,838)
Income tax refund	625	397
Net cash from operating activities/		
Balance carried forward	4,120	20,459

The annexed notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
Balance brought forward	4,120	20,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,345)	(5,263)
Acquisition of investment properties	(675)	-
Placement of fixed deposits	-	(12)
Proceeds from disposal of property, plant and equipment	50	14
Proceeds from disposal of investment properties	80	-
Rental received	-	33
Net cash used in investing activities	(6,890)	(5,228)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,747)	-
Payment of bills payable	(1,477)	(1,543)
Repayment of finance lease liabilities	(190)	(568)
Repayment of borrowings	(2,118)	(1,256)
Net cash used in financing activities	(6,532)	(3,367)
Effects of changes in exchange rates	33	156
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,269)	12,020
Effects of changes in exchange rates on cash and cash equivalents	(8)	10
CASH AND CASH EQUIVALENTS AT BEGINNING	7,470	(4,560)
CASH AND CASH EQUIVALENTS AT END	(1,807)	7,470
Represented by :		
Cash and bank balances	6,450	13,612
Bank overdrafts	(8,257)	(6,142)
	(1,807)	7,470
Acquisition of property, plant and equipment		
Total acquisition	10,047	5,329
Acquired under hire purchase loans	(3,702)	(66)
	6,345	5,263

The annexed notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	NOTE	2010 RM'000	2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	4	6
Investment in subsidiaries	6	49,884	49,884
Investment in joint venture	7	7,200	-
Other investment	8	*	*
		<u>57,088</u>	<u>49,890</u>
Current assets			
Other receivables, deposits and prepayments	12	708	708
Amount due from subsidiaries	13	42,347	49,420
Tax recoverable		540	981
Cash and bank balances	15	<u>1,527</u>	<u>4,950</u>
		<u>45,122</u>	<u>56,059</u>
TOTAL ASSETS		<u>102,210</u>	<u>105,949</u>
EQUITY AND LIABILITIES			
Share capital	17	54,949	54,949
Share premium		1,295	1,295
Revaluation reserve	18	29,345	29,345
Retained profits	20	<u>9,840</u>	<u>10,727</u>
Total equity		<u>95,429</u>	<u>96,316</u>
Non-current liabilities			
Borrowings	22	<u>3,955</u>	<u>6,279</u>
Current liabilities			
Other payables and accruals	25	12	11
Borrowings	22	<u>2,814</u>	<u>3,343</u>
		<u>2,826</u>	<u>3,354</u>
Total liabilities		<u>6,781</u>	<u>9,633</u>
TOTAL EQUITY AND LIABILITIES		<u>102,210</u>	<u>105,949</u>

* Represents RM1

The annexed notes form an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	2010 RM'000	2009 RM'000
Revenue	26	2,689	4,178
Other income		9	337
Administrative expenses		(262)	(208)
Other expenses		<u>-</u>	<u>(1,199)</u>
Profit from operations		2,436	3,108
Finance costs		<u>(266)</u>	<u>(321)</u>
Profit before taxation	27	2,170	2,787
Taxation	28	<u>(310)</u>	<u>(393)</u>
Profit for the year		<u>1,860</u>	<u>2,394</u>

The annexed notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

			--- Non-distributable ---	- Distributable -		
	NOTE	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
2010						
At 1 January		54,949	1,295	29,345	10,727	96,316
Profit for the year		-	-	-	1,860	1,860
Dividend	30	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,747)</u>	<u>(2,747)</u>
At 31 December		<u>54,949</u>	<u>1,295</u>	<u>29,345</u>	<u>9,840</u>	<u>95,429</u>
2009						
At 1 January		54,949	1,295	29,345	8,333	93,922
Profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,394</u>	<u>2,394</u>
At 31 December		<u>54,949</u>	<u>1,295</u>	<u>29,345</u>	<u>10,727</u>	<u>96,316</u>

The annexed notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,170	2,787
Adjustments for :		
Bad debts	-	614
Depreciation	2	2
Dividend income from subsidiaries	(2,083)	(3,515)
Impairment of unquoted investments	-	585
Interest expense on overdrafts, bills payable and others	266	321
Interest income from fixed deposits and others	(606)	(663)
Operating (loss)/profit before working capital changes	(251)	131
Increase in receivables	-	(332)
Increase/(Decrease) in payables	1	(47)
Cash used in operations	(250)	(248)
Dividend received	1,850	2,961
Interest paid	(266)	(321)
Interest received	606	663
Income tax paid	(135)	-
Income tax refund	563	183
Net cash from operating activities	2,368	3,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint venture	(7,200)	-
Repayment from subsidiaries	7,009	3,050
Net cash (used in)/from investing activities	(191)	3,050
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,747)	-
Repayment of borrowings	(3,000)	(2,930)
Net cash used in financing activities	(5,747)	(2,930)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,570)	3,358
CASH AND CASH EQUIVALENTS AT BEGINNING	4,537	1,179
CASH AND CASH EQUIVALENTS AT END	967	4,537
Represented by :		
Cash and bank balances	1,527	4,950
Bank overdraft	(560)	(413)
	967	4,537

The annexed notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 March 2011.

Principal Activities

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

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. 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.

2.1 Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and in accordance with applicable Financial Reporting Standards (“FRSs”) and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company have adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 July 2009 and 1 January 2010 as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand (RM’000).

2.2 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.

2.2.1 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.

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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

The depreciable costs of property, plant and equipment are allocated on the straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the property, 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, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are in Note 9.

(iv) Net realisable values of 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 each reporting date 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.

(vi) **Fair value of investment properties**

The management had carried out a survey by reference to market evidence of transaction prices for similar properties to arrive at the estimate fair value of the Group's investment properties instead of formal valuation. Based on this survey, the carrying amount as at the end of the reporting period approximate the fair value.

2.3 **Adoption of New and Revised FRSs**

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following new and revised FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2009 and 1 January 2010 :

(a) Mandatory for financial period beginning on or after 1 July 2009 :

FRS 8	Operating Segments
-------	--------------------

The adoption of this FRS did not have a material impact on the presentation and disclosure.

(b) Mandatory for financial period beginning on or after 1 January 2010 :

FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements. Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to FRS 2	Share Based Payment. Amendments relating to vesting conditions and cancellations
Amendments to FRS 132	Financial Instruments : Presentation. Amendments relating to puttable financial instruments and effective date and transition of the classification of compound instruments
Amendments to FRS 139, FRS 132 and IC Interpretation 9	Financial Instruments : Recognition and Measurement, Financial Instruments : Disclosure and Reassessment of Embedded Derivatives. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives
Improvements to FRSs issued in 2009 and mandatory for annual financial periods beginning on or after 1 January 2010.	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

FRS 4 Insurance Contract and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions are effective for annual financial period beginning on or after 1 January 2010, but they are not relevant to the operations of the Group and of the Company.

Initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group and of the Company except for the following. The effects of adoption on the financial statements are shown in Note 38 to the financial statements.

FRS 7 Financial Instruments : Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments : Disclosure and Presentation. FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of qualitative and quantitative information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114₂₀₀₄ Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

The Group identifies two sets of segments (business and geographical) using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Following the adoption of FRS 8, the Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114₂₀₀₄.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group and the Company shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The details of the changes in accounting policies arising from the adoption of FRS 139 are discussed below :

- **Impairment of trade receivables :**

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

- **Financial guarantee contracts :**

During the current period and prior years, the Company provided financial guarantees to banks in connection with bank borrowings granted to certain subsidiaries. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

Improvements to FRSs 2009

The adoption of Improvements to FRSs issued in 2009 and mandatory for annual financial periods beginning on or after 1 January 2010 will have the following impacts on the financial statements :

Amendment to FRS 117 Leases

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

2.4 Standards Issued But Not Yet Effective

The following are Standards and IC Interpretations which are not yet effective and have not been early adopted by the Group and by the Company :

(a) Effective for financial periods beginning on or after 1 March 2010

Amendment to FRS 132 Financial Instruments : Presentation. Amendments relating to classification of rights issue

(b) Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards (Revised 2010)
FRS 3	Business Combinations (Revised 2010)
FRS 127	Consolidated and Separate Financial Statements (Revised 2010)
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Improvements to FRSs issued in 2010 and mandatory for annual financial periods beginning on or after 1 July 2010.	

(c) Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters. Amendment relating to transition provisions for first-time adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters. Amendment relating to transition provision for first-time adopters in the industry of oil and gas
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions. Amendments relating to the scope and accounting for group cash-settled share-based payments transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments. Amendments relating to the fair value measurement using fair value hierarchy and disclosure of liquidity risk
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers *

* During the financial year, MASB approved and issued IC Interpretation 18 – Transfers of Assets from Customers and requires the interpretation to be applied prospectively to all transfers of assets from customers received on or after 1 January 2011.

(d) Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Amendment relating to the treatment of prepayments of future contributions when there is a minimum funding requirement

(e) Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15	Agreements for the Construction of Real Estate
FRS 124	Related Party Disclosures

The existing FRS 1, FRS 3, FRS 127 and FRS 124 will be withdrawn upon the adoption of the new requirements. IC Interpretation 15 will replace FRS 201₂₀₀₄. IC Interpretation 8 and IC Interpretation 11 will be withdrawn upon the application of Amendments to FRS 2 -

Group Cash-settled Share-based Payment Transactions. IC Interpretation 12 is not expected to be relevant to the operations of the Group and of the Company.

The directors anticipate that the adoption of these new/revised FRSs, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Group in the period for initial application except for the following :

FRS 124 Related Party Disclosures

The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in the standard do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

FRS 3 Business Combination (Revised 2010)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

FRS 127 Consolidated and Separate Financial Statements (Revised 2010)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The revised standard requires losses to be allocated to non-controlling interests, even if it results in the non-controlling interest to be in a deficit position.

2.5 Subsidiaries and Basis of Consolidation

Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Investment in subsidiaries which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's separate financial statements.

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

Basis of Consolidation

The consolidated financial statements comprise the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

Unrealised gains and losses on transactions between Group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any cost directly attributable to the business combination. Adjustments to those fair values relating to previously held interest are treated as a revaluation and recognised in other comprehensive income.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on the statement of financial position. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.11.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit or loss.

Subsidiary companies are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill on acquisition and exchange differences.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented separately in the profit or loss of the Group, and within the equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 **Property, Plant and Equipment**

Property, plant and equipment are stated at cost except for land and certain buildings which are stated at valuation, less accumulated depreciation and accumulated impairment losses.

Land and buildings shown at valuation are based on valuation reports by external independent valuers. Revaluations are performed at least once in every five years.

Surpluses arising on revaluation are credited to asset revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the asset revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is included in profit or loss.

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

Buildings and apartments	2%
Short leasehold land	Amortised over lease period of 42 - 52 years
Plant and machinery	2.9% - 20%
Motor vehicles	5% - 14%
Furniture, fittings and office equipment	10% - 20%
Electrical installations	10%
Renovations	5% - 20%

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

Depreciation is provided in the month following the acquisition and to the month of disposal.

Depreciation on capital expenditure 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 and the attributable portion of the revaluation surplus if any, is taken directly to retained profits.

2.7 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 2.6 up to the date of change in use.

2.8 Property Development

Property development comprises development properties and development expenditure. Development properties are carried at cost/surrogate carrying amount plus development expenditure and attribute profit less foreseeable losses and progress billings. Development expenditure includes direct development costs, attributable overheads and other related development expenditure.

2.9 Investment In Joint Ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the entities require the unanimous consent of the parties sharing control. The Company's interests in jointly controlled entities are brought to account in the consolidated financial statements using the equity accounting method.

Adjustments are made in the Group's consolidated financial statements to eliminate the Company's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity.

The financial statements of the joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's statement of financial position, investments in jointly controlled entities are stated at cost less impairment losses. Upon the disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

2.10 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments for the right to use an asset for an agreed period of time.

(i) Finance lease

A finance lease 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.

Plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and any impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

(ii) Operating Leases

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rentals are credited or charged to profit or loss on a straight line basis over the period of the lease.

2.11 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.

2.12 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.13 Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and categorise their financial assets as loans and receivables as well as available-for-sale financial assets.

A financial asset is derecognised where the contractual right to achieve cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities and other equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2.14 Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default in receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the 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. Such impairment losses are not reversed in subsequent periods.

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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.15 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.

2.16 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.

2.17 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.18 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are 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 financial instrument. The Group and the Company classified its financial liabilities as other financial liabilities.

(a) **Other financial liabilities**

The Group's and the Company's other financial liabilities include trade and other payables, intercompany balances, and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

For other financial liabilities, gains and losses recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 **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.

2.20 **Income 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) Income from property development is recognised on the percentage of completion method.
- (iii) Interest on fixed deposits is recognised on a time apportionment basis.
- (iv) Dividend income is recognised when the right to receive payment is established.
- (v) Financial, administrative and advisory fee is recognised when the services is rendered.
- (vi) Revenue from lease rental is recognised on a straight line basis over the lease period.

2.21 **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 state 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.

Share-Based Compensation

The Company’s employees share option scheme (“ESOS”), an equity-settled, share-based compensation plan, allows the Group’s employees to acquire ordinary shares of the Company. The fair value of the employees services received in exchange for the grant of the share options is recognised as an expense in profit or loss over the vesting periods of the grant with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share option granted, excluding the impact of any non-market vesting conditions.

At the end of each reporting period, the Group revises the estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Pursuant to the transitional provision of FRS 2 Share-based Payment, the share options of the Company had not been fair valued as the share options were granted before 31 December 2004.

2.22 **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2.23 Foreign Currency Translations

Transactions in foreign currencies are translated into functional currency at the approximate exchange rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies are translated into functional currency at the approximate exchange rates prevailing at the end of the reporting period. All gains and losses on exchange are recognised in profit or loss.

The results and financial position of foreign subsidiaries and joint ventures are accounted for as foreign entities and translated into presentation currency (“RM”) using the following procedures :

- (i) assets and liabilities of the foreign entities are translated into presentation currency at exchange rates ruling at the end of the reporting period;
- (ii) income and expenses are translated at the approximate average exchange rates ruling on the transaction dates; and
- (iii) all exchange translation differences are dealt with in the foreign currency translation reserve.

Any goodwill and fair value adjustments arising on the acquisition of a foreign entity will be treated as assets and liabilities of the foreign entity and translated at the closing rate.

Upon disposal of a foreign entity, the cumulative amount of exchange differences in the translation reserve will be recognised in profit or loss as part of gain or loss on disposal of that foreign subsidiary.

2.24 Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Segment Reporting

Segment reporting is presented for enhanced assessment of the Group’s risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

2.26 **Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.27 **Discontinued Operations**

Discontinued operations are carried at the lower of carrying amount and fair value.

A component of the Group is classified as discontinued operations when the Group has formally announced its intention to discontinue the operations and has initiated the process of cessation.

The comparative information of the Group relating to the discontinued operations have been represented accordingly.

GROUP

- 56 -

3. PROPERTY, PLANT AND EQUIPMENT

GROUP

	-----At Valuation-----			----- At Cost -----					Capital work in progress RM'000	Total RM'000
	Freehold land and buildings RM'000	Apartments RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Electrical installations RM'000	Renovations RM'000	
Accumulated depreciation										
At 1 January 2009										
As previously stated	551	12	-	-	47,421	3,246	7,450	463	858	-
Effect of adopting the amendment to FRS 117	-	-	1,482	-	-	-	-	-	-	-
As restated	551	12	1,482	-	47,421	3,246	7,450	463	858	1,482
Current charge	547	12	256	2	3,070	285	398	18	124	-
Disposals	-	-	-	-	(1)	(171)	-	-	-	-
Written off	-	-	-	-	(570)	-	***	-	-	-
Reclassification	-	-	-	-	(18)	-	18	-	-	-
Foreign currency translation	-	-	-	-	8	1	1	-	**	10
At 31 December 2009 / 1 January 2010										
Current charge	1,098	24	1,738	2	49,910	3,361	7,867	481	982	-
Disposals	523	12	256	2	3,110	319	400	18	115	-
Foreign currency translation	-	-	-	-	-	(51)	-	-	-	-
	-	-	-	-	(2)	-	(1)	-	-	(3)
At 31 December 2010	1,621	36	1,994	4	53,018	3,629	8,266	499	1,097	70,164
Carrying amount										
At 31 December 2009	31,607	541	10,366	21	31,824	1,268	1,251	87	775	131
At 31 December 2010	31,087	529	10,127	19	33,741	2,109	1,021	69	676	3,719
										83,097

** Represents RM250

*** Represents RM112

3. PROPERTY, PLANT AND EQUIPMENT

COMPANY

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2010			
At cost			
At 1 January / 31 December	<u>171</u>	<u>422</u>	<u>593</u>
Accumulated depreciation			
At 1 January	165	422	587
Current charge	<u>2</u>	<u>-</u>	<u>2</u>
At 31 December	<u>167</u>	<u>422</u>	<u>589</u>
Carrying amount			
At 31 December	<u>4</u>	<u>-</u>	<u>4</u>
2009			
At cost			
At 1 January / 31 December	<u>171</u>	<u>422</u>	<u>593</u>
Accumulated depreciation			
At 1 January	163	422	585
Current charge	<u>2</u>	<u>-</u>	<u>2</u>
At 31 December	<u>165</u>	<u>422</u>	<u>587</u>
Carrying amount			
At 31 December	<u>6</u>	<u>-</u>	<u>6</u>

- (a) The carrying amount of property, plant and equipment of the Group held under finance leases at the end of the reporting period is RM7,988,808 (2009 : RM3,098,658).

Leased assets are pledged as security for the related finance lease liabilities (Note 21).

- (b) In addition to assets held under finance leases, the Group's freehold land and buildings and short leasehold land with carrying amount of RM36,115,542 (2009 : RM36,741,465) are charged to local financial institutions for term loan facilities granted to the Company.
- (c) The landed properties of the Group carried at valuation were revalued in November 2007 based on professional independent valuations using the open market value basis.

The carrying amount of the revalued properties had the properties been carried at cost less accumulated depreciation are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Freehold land and buildings	17,016	17,428
Apartments	318	327
Short leasehold land	3,960	4,061
	<u>21,294</u>	<u>21,816</u>

- (d) The strata titles for certain buildings of the Group have yet to be issued by the relevant authorities.

4. INVESTMENT PROPERTIES

	GROUP	
	2010 RM'000	2009 RM'000
At 1 January	7,212	7,212
Addition	675	-
Disposal	(27)	-
At 31 December	<u>7,860</u>	<u>7,212</u>
Represented by :		
Freehold land	5,745	5,772
Buildings	2,115	1,440
	<u>7,860</u>	<u>7,212</u>

Investment properties are stated at fair value, which has been determined based on managements' estimation by reference to market evidence of transaction prices for similar properties and are approximately the same value as previous year.

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

	GROUP	
	2010 RM'000	2009 RM'000
Rental income	<u>83</u>	<u>97</u>
Direct expenses	<u>62</u>	<u>68</u>

Investment properties of RM5,745,241 (2009 : RM5,772,000) are charged to a financial institution for banking facilities granted to the Company.

5. **PROPERTY DEVELOPMENT**

	GROUP	
	2010 RM'000	2009 RM'000
(a) Property development project comprises :		
Freehold land, at surrogate carrying amount	15,465	15,465
Development expenditure	4,530	4,452
	<u>19,995</u>	<u>19,917</u>
(b) Movement in freehold land is as follows :		
At 1 January	15,465	17,801
Disposed during the year	-	(2,336)
At 31 December	<u>15,465</u>	<u>15,465</u>
(c) Movement in development expenditure is as follows :		
At 1 January	4,452	4,452
Addition during the year	78	-
At 31 December	<u>4,530</u>	<u>4,452</u>

The development properties carried at surrogate carrying amount were revalued in 2002 based on independent professional valuations using the open market value basis.

Freehold land with carrying amount of RM15,465,000 (2009 : RM15,465,000) is pledged to a financial institution as security for banking facilities extended to that subsidiary.

6. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2010 RM'000	2009 RM'000
At valuation :		
Unquoted shares	<u>49,884</u>	<u>49,884</u>

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

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2010	2009	
Direct subsidiaries			
Public Packages Sdn. Bhd.	100%	100%	Manufacturing and retailing of corrugated cartons and packing materials.
PPH Printing & Packaging (Penang) Sdn. Bhd.	100%	100%	Manufacturing of offset printed display boxes.
PPH Printing & Packaging (Kulim) Sdn. Bhd.	100%	100%	Manufacturing of gift and display boxes.
Public Packages Properties Sdn. Bhd.	100%	100%	Property investment.
PPH Paper Products Sdn. Bhd.	100%	100%	Design and sale of paper products.
PPH Plaza Sdn. Bhd.	100%	100%	Property development.
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 (Port Kelang) Sdn. Bhd.	-	100%	Inactive.
Public Packages (Kelantan) Sdn. Bhd.	100%	100%	Inactive.
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.
Top Matrix Portfolio Sdn. Bhd.	70%	70%	Investment holding.
NT Industrial Park (M) Sdn. Bhd.	100%	100%	Property development and civil construction works.
* Public Packages Philippines, Inc. (Incorporated in Philippines)	70%	70%	Inactive.

Name of Subsidiaries	Effective Equity Interest		Principal Activities
	2010	2009	
Public Packages (Shah Alam) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated cartons and packing materials.
# PPH Technology (M) Sdn. Bhd.	-	60%	Investment holding.
PPH Display Design Sdn. Bhd.	100%	100%	Trading of paper products.
* 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.
* Public Packages Asia (Thailand) Company Limited (Incorporated in Thailand)	100%	100%	Manufacturing of paper boxes and packing material.
* Subsidiaries not audited by Grant Thornton.			
# Subsidiaries successfully wound up during the year.			

7. INVESTMENT IN JOINT VENTURES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	9,311	9,311	7,200	-
Share of results and negative goodwill	8,076	5,666	-	-
Share of foreign exchange reserves	(39)	(35)	-	-
	<u>17,348</u>	<u>14,942</u>	<u>7,200</u>	<u>-</u>

During the financial year, the Company has acquired 50% equity interest in PPH Teckwah Value Chain Sdn. Bhd. from its wholly-owned subsidiary, namely PPH Paper Products Sdn. Bhd. for a total cash consideration of RM7,200,000.

The Group's share of assets, liabilities, revenue and expenses of the joint ventures using the equity method of accounting are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Property, plant equipment	5,535	6,578
Investment properties	2,615	2,614
Current assets	12,262	8,556
Current liabilities	(2,350)	(2,228)
Non-current liabilities	(714)	(578)
	<u>17,348</u>	<u>14,942</u>
Revenue	20,344	13,191
Cost of sales	(11,254)	(7,281)
	<u>9,090</u>	<u>5,910</u>
Gross profit	9,090	5,910
Other income	709	540
Administrative expenses	(6,901)	(5,449)
	<u>2,898</u>	<u>1,001</u>
Profit from operations	2,898	1,001
Finance costs	(26)	(49)
	<u>2,872</u>	<u>952</u>
Profit before taxation	2,872	952
Taxation	(462)	(308)
	<u>2,410</u>	<u>644</u>
Profit for the year	<u>2,410</u>	<u>644</u>

The particulars of joint ventures are as follows :

Name of Company	Effective Equity Interest		Principal Activities
	2010	2009	
^ PPH Teckwah Value Chain Sdn. Bhd. (Incorporated in Malaysia)	50%	50%	Investment holding and the provision of management services to related companies.
^ PT PPH Display Design (Incorporated in Indonesia)	60%	60%	Dormant.

^ Not audited by Grant Thornton

8. **OTHER INVESTMENTS**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Available-for-sale financial assets				
Unquoted equity instruments in Malaysia				
- at valuation	10,286	10,286	10,286	10,286
- at cost	510	510	-	-
Impairment	(10,796)	(10,796)	(10,286)	(10,286)
Carrying amount	*	*	*	*
Equity instruments quoted in Malaysia				
- at cost	817	817	-	-
Impairment	(627)	(627)	-	-
Effect of adopting FRS 139	190	190	-	-
Current year adjustment	205	-	-	-
	10	-	-	-
Carrying amount	405	190	-	-
Total carrying amount	405	190	*	*
Market value of quoted equity instruments	405	397	-	-

* Represents RM1

Prior to 1 January 2010, the investments in Malaysian quoted and unquoted equity instruments are stated at cost less impairment. The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

9. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2010 RM'000	2009 RM'000
At 1 January / 31 December	675	675

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.

No impairment loss is required for the goodwill as its recoverable amount is in excess of its carrying amount.

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 for the subsequent years.
- (ii) Discount rate
The discount rate applied to the cash flow projections is based on the weighted average cost of capital rate of the Group.

10. INVENTORIES

	GROUP	
	2010 RM'000	2009 RM'000
At cost :		
Raw materials	11,622	10,997
Work-in-progress	1,564	1,239
Finished goods	5,297	3,848
Other consumables	1,050	1,095
	<u>19,533</u>	<u>17,179</u>

11. TRADE RECEIVABLES

	GROUP	
	2010 RM'000	2009 RM'000
Trade receivables	37,062	35,382
Less : Allowance for impairment		
At 1 January	995	14
Current year	8	981
	<u>(1,003)</u>	<u>(995)</u>
At 31 December	<u>36,059</u>	<u>34,387</u>

The trade receivables are non-interest bearing and are generally on 30 to 120 days (2009 : 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The foreign currency exposure of trade receivables are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Ringgit Malaysia	34,299	31,789
US Dollar	454	3,484
Singapore Dollar	1,570	109
Thai Baht	739	-
	<u>37,062</u>	<u>35,382</u>

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total Amount	3,571	5,828	1,509	3,025
Less : Allowance for impairment	(1,320)*	(2,836)	(801)*	(2,317)
	<u>2,251</u>	<u>2,992</u>	<u>708</u>	<u>708</u>
Represented by:				
Other receivables	725	1,557	701	702
Deposits	441	147	2	2
Golf club membership	156	156	-	-
Prepayments	929	789	5	4
Tax prepayment	-	343	-	-
	<u>2,251</u>	<u>2,992</u>	<u>708</u>	<u>708</u>

* Included in the allowance for impairment of the Group and of the Company is impairment written off amounting to RM1,516,114.

13. **AMOUNT DUE FROM SUBSIDIARIES**

COMPANY

Loans to subsidiaries amounting to RM9,117,529 (2009 : RM10,362,892) bear interest at 6.25% (2009 : 6.25%) per annum. The remaining amount due from subsidiaries are non-interest bearing, unsecured and are repayable on demand.

14. **FIXED DEPOSITS WITH LICENSED BANKS**

GROUP

The fixed deposits of the Group are charged to local banks as security for banker's guarantee granted to certain subsidiaries.

The effective interest rates and maturities as at the end of the reporting period is 3% (2009 : 3%) per annum and 12 months (2009 : 12 months) respectively.

15. **CASH AND BANK BALANCES**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash on hand and at banks	6,450	10,112	1,527	1,450
Short term deposits	-	3,500	-	3,500
	<u>6,450</u>	<u>13,612</u>	<u>1,527</u>	<u>4,950</u>

The effective interest rates of the short term deposits is Nil (2009 : 1.10% to 1.20%) per annum.

The Group's foreign currency exposure of cash and bank balances are as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Ringgit Malaysia	3,828	10,132
US Dollar	1,486	3,480
Singapore Dollar	345	-
Thai Baht	791	-
	<u>6,450</u>	<u>13,612</u>

16. DISCONTINUED OPERATIONS

The discontinued operations is in respect of two wholly-owned subsidiaries, namely PPH Technology (M) Sdn. Bhd. and Public Packages (Port Kelang) Sdn. Bhd. On 30 September 2009 and 31 December 2009, the Company had made an application to wind up these subsidiaries. Subsequent to the application, both the subsidiaries were successfully wound up on 20 July 2010 and 8 December 2010 respectively.

(i) An analysis of the results of discontinued operations is as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Other income	-	18
Administrative expenses	-	(6)
Other expenses	-	(16)
	<u>-</u>	<u>(4)</u>
Loss before taxation	-	(4)
Taxation	-	-
	<u>-</u>	<u>-</u>
Loss for the year	<u>-</u>	<u>(4)</u>

(ii) The cash flows attributable to the discontinued operations are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Operating cash flows	-	(3)
	<u>-</u>	<u>(3)</u>

(iii) The following have been included in arriving at loss before taxation of discontinued operations :

	GROUP	
	2010 RM'000	2009 RM'000
Audit fee	-	1
- other auditors	-	16
Bad debts	-	16
	<u>-</u>	<u>16</u>
And crediting :		
Reversal of allowance for doubtful debts	-	15
	<u>-</u>	<u>15</u>

- (iv) The following are major classes of assets and liabilities classified as held for sale in the consolidated statement of financial position as at 31 December 2009 :

	GROUP	
	2010 RM'000	2009 RM'000
Assets		
Other investments	-	*
Liabilities		
Other payables and accruals	-	3
* Represents RM1		

17. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised :				
At 1 January / 31 December	200,000	200,000	100,000	100,000
Issued and fully paid :				
At 1 January / 31 December	109,896	109,896	54,949	54,949

Employees Share Option Scheme ("ESOS")

The main features of the ESOS are as follows :

- The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- The total number of shares to be offered under the ESOS shall not exceed 10% of the issued share capital of the Company at any point of time during the existence of the ESOS which shall be in force for a period of ten years.
- The exercise price for each share option shall be based on the 5-day weighted average market price of the Company's shares as quoted on the Bursa Malaysia immediately preceding the date of offer at a discount of not more than ten per centum (10%) or at par value, whichever is higher.
- No option shall be granted for less than 1,000 shares to any eligible employee.

No option was exercised during the financial year under review.

18. **REVALUATION RESERVE**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable				
Revaluation reserve				
- properties	16,106	16,106	-	-
- investment in subsidiaries	-	-	29,345	29,345
	<u>16,106</u>	<u>16,106</u>	<u>29,345</u>	<u>29,345</u>

Movements in revaluation reserve are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Properties		
At 1 January	16,106	16,825
Realised upon disposal	-	(719)
	<u>16,106</u>	<u>16,106</u>
At 31 December	<u>16,106</u>	<u>16,106</u>

19. **FOREIGN TRANSLATION RESERVE**

GROUP

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

20. **RETAINED PROFITS**

COMPANY

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances.

Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

As at end of the reporting period, the Company has sufficient credit under the 108 balance to frank all of its retained profits if paid out as dividends.

21. **FINANCE LEASE LIABILITIES**

	GROUP	
	2010 RM'000	2009 RM'000
Total amount payable	5,836	1,730
Less : Interests in suspense	(727)	(133)
	5,109	1,597
Amount due within 1 year included under current liabilities	(1,342)	(605)
	3,767	992

The effective interest rates for finance lease liabilities range from 2.47% to 7.44% (2009 : 2.88% to 6.99%) per annum and are secured over the leased assets (Note 3 (a)). The maturities of finance lease liabilities are disclosed in Note 35.2.

22. **BORROWINGS**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current liabilities				
Secured :				
Term loans	6,844	8,465	3,955	6,279
Current liabilities				
Secured :				
Bank overdrafts	8,257	6,142	560	413
Bill payables	32,694	34,171	-	-
Term loans	2,767	3,264	2,254	2,930
	43,718	43,577	2,814	3,343

The borrowings are secured against the land, plant and machinery belonging to a subsidiary and assignment of all proceeds from future sale of assets of certain subsidiaries.

The term loans are repayable as follows :

- (i) Term loan I - monthly instalment of RM16,891 over 7 years commencing May 2009.
- (ii) Term loan II - quarterly instalment of RM267,857 over 7 years commencing July 2005.
- (iii) Term loan III - quarterly instalment of RM285,714 over 7 years commencing June 2006.
- (iv) Term loan IV - quarterly instalment of RM179,000 over 7 years commencing January 2009.
- (v) Term loan V - monthly instalment of RM23,488 over 7 years commencing September 2009.
- (vi) Term loan VI - monthly instalment of RM22,416 over 7 years commencing April 2010.

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 1 year RM '000	More than 1 year and less than 2 years RM '000	More than 2 years and less than 5 years RM '000	More than 5 years RM '000
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GROUP

2010

Bank overdrafts	7.55 - 8.50	8,257	8,257	-	-	-
Bill payables	2.99 - 7.70	32,694	32,694	-	-	-
Term loans	3.75 - 7.80	9,611	2,767	1,965	3,699	1,180

2009

Bank overdrafts	6.80 - 7.80	6,142	6,142	-	-	-
Bill payables	3.16 - 4.75	34,171	34,171	-	-	-
Term loans	3.80 - 7.60	11,729	3,264	3,264	3,987	1,214

COMPANY

2010

Bank overdraft	7.80	560	560	-	-	-
Term loans	3.75 - 4.54	6,209	2,254	1,413	1,743	799

2009

Bank overdraft	6.80 - 7.60	413	413	-	-	-
Term loans	3.80 - 7.05	9,209	2,930	2,930	2,645	704

23. DEFERRED TAX LIABILITIES

	GROUP	
	2010 RM '000	2009 RM '000
At 1 January	11,404	11,242
Transferred (to)/from profit or loss	(199)	451
	11,205	11,693
Over provision in prior year	(229)	(289)
At 31 December	10,976	11,404
The deferred tax liabilities/(assets) are represented by temporary differences arising from :		
- Property, plant and equipment	7,144	7,651
- Reinvestment allowance	(218)	(402)
- Revaluation, net of related depreciation	4,068	4,155
- Unabsorbed capital allowances	(18)	-
	10,976	11,404

The following deferred tax (assets)/liabilities have not been recognised in the financial statements :

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Arising from property, plant and equipment	36	(5)	-	-
Unabsorbed tax losses	(974)	(928)	-	-
Unabsorbed capital allowances	(69)	(59)	(52)	(52)
	<u>(1,007)</u>	<u>(992)</u>	<u>(52)</u>	<u>(52)</u>

The comparative figures have been restated to reflect the revised deductible and taxable temporary differences of the Group and of the Company.

24. TRADE PAYABLES

The trade payables are non-interest bearing and are normally settled on 30 to 90 days (2009 : 30 to 90 days) term.

The foreign currency exposure of trade payables are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Ringgit Malaysia	10,120	11,889
US Dollar	69	902
Thai Baht	32	-
	<u>10,221</u>	<u>12,791</u>

25. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables	1,468	2,237	4	3
Accruals	2,696	2,480	8	8
Deposits received	104	192	-	-
Amount due to a director	-	5	-	-
	<u>4,268</u>	<u>4,914</u>	<u>12</u>	<u>11</u>

The amount due to a director was unsecured, interest free and was repayable on demand.

The foreign currency exposure of other payables are as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Ringgit Malaysia	1,382	2,196
Singapore Dollar	46	41
Philippine Peso	27	-
Thai Baht	13	-
	<u>1,468</u>	<u>2,237</u>

26. **REVENUE**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	145,352	131,160	-	-
Rental income	569	507	-	-
Interest income	1	-	606	663
Dividend income	27	-	2,083	3,515
	<u>145,949</u>	<u>131,667</u>	<u>2,689</u>	<u>4,178</u>

27. **PROFIT BEFORE TAXATION**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
After charging :				
Audit fee				
- Company's auditors	80	47	15	8
- other auditors				
- current year	17	53	-	-
Bad debts	-	86	-	614
Depreciation	4,755	4,712	2	2
Directors' fee for				
non-executive directors	78	78	78	78
Hire of equipment and				
machinery	139	69	-	-
Impairment loss on receivables	8	981	-	-
Impairment of				
- unquoted investment	-	585	-	585
- golf club membership	-	45	-	-
Interest expense	2,933	2,035	266	321
Inventories written off	-	15	-	-
Loss on disposal of property,				
plant and equipment	14	-	-	-
Property, plant and equipment				
written off	-	2	-	-
Realised loss on foreign				
exchange	516	376	-	-
Rental of premises	393	587	-	-
Rental of land	46	50	-	-
* Staff costs	25,965	20,225	-	-

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
And crediting :				
Interest income	5	2	606	663
Gain on deconsolidation of subsidiaries	3	6	-	-
Gain on disposal of investment property	53	-	-	-
Gain on disposal of property, plant and equipment	-	5	-	-
Gain on foreign exchange				
- realised	113	112	5	-
- unrealised	-	35	-	-
Gross dividend from				
- unquoted subsidiaries	-	-	2,083	3,515
- Malaysian quoted shares	27	27	-	-
Lease rental income	136	77	-	-
Rental income	607	540	-	-
Reversal of impairment loss on receivables	-	15	-	-

* Staff costs

Included in the Group's staff costs are defined contribution plans of RM1,917,000 (2009 : RM2,095,000).

Directors' emoluments

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

	GROUP	
	2010 RM'000	2009 RM'000
Executive directors of the Company :		
- Salaries, bonus and wages	1,203	1,246
- EPF	224	236
	1,427	1,482
- Benefit-in-kind	3	4
	1,430	1,486
Executive directors of subsidiaries :		
- Salaries, bonus and wages	1,420	1,724
- EPF	241	290
	1,661	2,014
	3,091	3,500

28. **TAXATION**

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Based on results for the year				
- Current tax	(2,487)	(1,830)	(302)	(610)
- Deferred tax	199	(451)	-	-
	<u>(2,288)</u>	<u>(2,281)</u>	<u>(302)</u>	<u>(610)</u>
(Under)/Over provision in prior year				
- Current tax	(359)	215	(8)	217
- Deferred tax	229	289	-	-
	<u>(130)</u>	<u>504</u>	<u>(8)</u>	<u>217</u>
	<u>(2,418)</u>	<u>(1,777)</u>	<u>(310)</u>	<u>(393)</u>

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation				
- Continuing operations	10,725	10,783	2,170	2,787
- Discontinued operations	-	(4)	-	-
	<u>10,725</u>	<u>10,779</u>	<u>2,170</u>	<u>2,787</u>
Less : Share of results of joint ventures	<u>(2,410)</u>	<u>(644)</u>	<u>-</u>	<u>-</u>
	<u>8,315</u>	<u>10,135</u>	<u>2,170</u>	<u>2,787</u>
Income tax at Malaysian statutory tax rate of 25%	(2,079)	(2,695)	(543)	(697)
Income not subject to tax	338	682	288	408
Different tax rates in other countries	70	76	-	-
Expenses not deductible for tax purposes	(1,026)	(1,195)	(47)	(321)
Deferred tax movement not provided	(15)	(93)	-	-
Reinvestment allowance claimed	270	679	-	-
Annual crystallisation of deferred tax on revaluation reserves	87	95	-	-
Utilisation of unabsorbed tax losses and capital allowances	6	-	-	-
Reduced income tax for small and medium scale company	61	63	-	-
Balance carried forward	<u>(2,288)</u>	<u>(2,388)</u>	<u>(302)</u>	<u>(610)</u>

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Balance brought forward	(2,288)	(2,388)	(302)	(610)
Deferred tax on realisation of revaluation reserve	-	107	-	-
	(2,288)	(2,281)	(302)	(610)
(Under)/Over provision in prior year	(130)	504	(8)	217
	(2,418)	(1,777)	(310)	(393)

The amount and future availability of unabsorbed tax losses and capital allowances for which the related tax effects have not been accounted for at the end of the reporting period is estimated at RM974,000 (2009 : RM928,000) and RM87,000 (2009 : RM60,000) respectively. This unabsorbed amount is available for set off against future taxable income of the Group.

The foreign subsidiary in Thailand has been granted certain privileges on exemption of income tax for the period of 8 years effective from 2004.

29. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated based on the Group's profit for the year attributable to owners of the parent of RM8,307,154 (2009 : RM9,001,465) over the weighted average number of ordinary shares in issue of 109,896,498 (2009 : 109,896,498).

Diluted earnings per share has not been computed as the effect of the share options under ESOS is anti-dilutive in nature.

30. DIVIDEND

	2010 RM'000	2009 RM'000
First and final tax exempt dividend of RM0.025 per share in respect of the financial year ended 31 December 2009	2,747	-

31. CAPITAL COMMITMENT

Capital expenditure not provided for in the financial statement is as follows :

	GROUP	
	2010 RM'000	2009 RM'000
Approved and contracted for :		
- Property, plant and equipment	3,294	1,692
Approved but not contracted for :		
- Property, plant and equipment	-	128

32. **SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments.

Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses and corporate assets and expenses.

Business Segments

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

- | | | |
|-------|--------------------|--|
| (i) | Investment holding | Investment holding and provision of financial, administrative and advisory services. |
| (ii) | Manufacturing | Manufacturing and relating 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. |

	Continuing operations				
	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Eliminations RM'000
					Total RM'000
2010					
Revenue					
External sales	1	117,625	569	27,754	-
Inter-segment	5,101	46,652	430	730	(52,913)
	<u>5,102</u>	<u>164,277</u>	<u>999</u>	<u>28,484</u>	<u>145,949</u>
Result					
Segment results	1,083	9,477	98	442	143
Interest income					5
Finance costs					(2,933)
Share of results of joint ventures	2,410	-	-	-	2,410
Profit before taxation					10,725
Taxation					(2,418)
Profit for the year					<u>8,307</u>
Assets					
Segment assets	86,148	156,408	36,596	10,757	(113,367)
Investment in joint ventures	17,348	-	-	-	-
Unallocated corporate assets					1,443
Total assets					<u>195,333</u>
Liabilities					
Segment liabilities	153	12,811	457	1,068	-
Unallocated corporate liabilities					14,489
Total liabilities					<u>66,815</u>
					<u>81,304</u>
Other information					
Impairment loss on receivables	-	8	-	-	8
Capital expenditure	-	9,752	753	695	(400)
Depreciation	7	4,571	27	150	-
Realised gain on foreign exchange	5	107	-	-	1
Realised loss on foreign exchange	-	453	-	2	61
					516

	Continuing operation				Discontinued operation		Consolidated RM'000
	Investment RM'000	Manufacturing RM'000	Property RM'000	Trading RM'000	Eliminations RM'000	Total RM'000	
2009							
Revenue							
External sales	321	115,876	507	14,963	-	131,667	131,667
Inter-segment	6,926	38,791	430	-	(46,147)	-	-
	<u>7,247</u>	<u>154,667</u>	<u>937</u>	<u>14,963</u>	<u>(46,147)</u>	<u>131,667</u>	<u>131,667</u>
Result							
Segment results	3,326	10,822	474	2,341	(4,791)	12,172	12,168
Interest income						2	2
Finance costs						(2,035)	(2,035)
Share of results of joint ventures	644	-	-	-	-	644	644
Profit before taxation						10,783	10,779
Taxation						(1,777)	(1,777)
Profit for the year						<u>9,006</u>	<u>9,002</u>
Assets							
Segment assets	7,134	127,504	34,277	5,337	-	174,252	174,252
Investment in joint ventures	14,942	-	-	-	-	14,942	14,942
Unallocated corporate assets						1,995	1,995
Total assets						<u>191,189</u>	<u>191,189</u>
Liabilities							
Segment liabilities	156	16,331	203	1,018	-	17,708	17,708
Unallocated corporate liabilities						65,246	65,246
Total liabilities						<u>82,954</u>	<u>82,954</u>
Other information							
Impairment loss on receivables	-	981	-	-	-	981	981
Bad debts	8	46	29	3	-	86	86
Capital expenditure	13	5,279	-	37	-	5,329	5,329
Depreciation	8	4,622	27	55	-	4,712	4,712
Impairment of quoted and unquoted investments	585	-	-	-	-	585	585
Impairment of golf club membership	-	45	-	-	-	45	45
Realised gain on foreign exchange	29	75	-	-	-	104	104
Realised loss on foreign exchange	-	369	-	1	-	370	370
Unrealised gain on foreign exchange	-	45	-	(10)	-	35	35

Geographical Segments

The Group's location of its customers is in the principal geographical regions, namely Malaysia, Thailand and Singapore.

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

	Revenue		Non-current assets	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	133,532	120,074	128,747	120,297
Thailand	7,406	6,789	180	267
Singapore	5,011	4,804	48	53
	<u>145,949</u>	<u>131,667</u>	<u>128,975</u>	<u>120,617</u>

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

	2010 RM	2009 RM
Property, plant and equipment	83,097	77,871
Investment properties	7,860	7,212
Property development	19,995	19,917
Investment in joint ventures	17,348	14,942
Goodwill on consolidation	675	675
	<u>128,975</u>	<u>120,617</u>

33. RELATED PARTY DISCLOSURES

(i) Related party transactions with related subsidiaries

	COMPANY	
	2010 RM'000	2009 RM'000
Interest income from subsidiaries	<u>606</u>	<u>663</u>

(ii) Related party transactions with related parties

	GROUP	
	2010 RM'000	2009 RM'000
Sales to related parties	11	24
Purchases from related parties	37	87
Rental of property for staff accommodation	76	54
Rental of office lot	<u>60</u>	<u>56</u>

(iii) **Compensation of key management personnel**

The Group and the Company have no other member of key management personnel apart from the Board of Directors of the Company and of its subsidiaries which compensation has been shown in Note 27.

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
Gemstar Sdn. Bhd.	: Subsidiary of joint venture.
Tompac Industrial Sdn. Bhd.	: Subsidiary of joint venture.
Techwah Paper Products Sdn. Bhd.	: Subsidiary of joint venture.
PPH Printing & Packaging (Johor) Sdn. Bhd.	: Subsidiary of joint venture.
Techwah Value Chain Sdn. Bhd.	: Subsidiary of joint venture.
City Packaging Industry Sdn. Bhd.	: A company which person connected to certain directors of the Company, namely Messrs. Koay Chiew Poh, Koay Chue Beng and Koay Teng Liang, has substantial financial interest.
Koay Boon Pee Holding Sdn. Bhd.	: A company connected to Messrs. Koay Chiew Poh and Koay Chue Beng.
Fame Pack Holdings Sdn. Bhd.	: A substantial shareholder of the Company and connected to Mr. Koay Chiew Poh.

34. 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) Other liabilities measured at amortised cost (“AC”).

	Carrying amount RM'000	AFS RM'000	L&R RM'000	AC RM'000	Others RM'000
2010					
GROUP					
Financial assets					
Other investments (Note 8)	405	405	-	-	-
Trade receivables (Note 11)	36,059	-	36,059	-	-
Other receivables, deposits and prepayments (Note 12)	2,251	-	2,251	-	-
Fixed deposits with licensed banks (Note 14)	217	-	217	-	-
Cash and bank balances (Note 15)	6,450	-	6,450	-	-
	45,382	405	44,977	-	-
Financial liabilities					
Borrowings (Note 22)	50,562	-	-	50,562	-
Finance lease liabilities (Note 21)	5,109	-	-	-	5,109
Trade payables (Note 24)	10,221	-	-	10,221	-
Other payables and accruals (Note 25)	4,268	-	-	4,268	-
	70,160	-	-	65,051	5,109
2010					
COMPANY					
Financial assets					
Other investment (Note 8)	*	*	-	-	-
Other receivables, deposits and prepayments (Note 12)	708	-	708	-	-
Amount due from subsidiaries (Note 13)	42,347	-	42,347	-	-
Cash and bank balances (Note 15)	1,527	-	1,527	-	-
	44,582	*	44,582	-	-
Financial liabilities					
Borrowings (Note 22)	6,769	-	-	6,769	-
Other payables and accruals (Note 25)	12	-	-	12	-
	6,781	-	-	6,781	-

* Represents RM1

Comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

35. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market 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.

35.1 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 and other receivables. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given.

35.1.1 Trade receivables

The Group typically gives the existing customers credit terms that range between 30 to 120 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.

GROUP

The ageing of trade receivables as at the end of the reporting period is as follows:

	Gross RM'000	Impairment RM'000	Net RM'000
Not past due	22,594	-	22,594
1 to 30 days past due	5,149	-	5,149
31 to 60 days past due	2,263	-	2,263
61 to 90 days past due	4,779	-	4,779
Past due more than 90 days	2,277	(1,003)	1,274
	14,468	(1,003)	13,465
	37,062	(1,003)	36,059

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

Total impairment loss relates to customers that have financial difficulties and have defaulted in repayment even after legal actions have been taken.

The Group has trade receivables amounting to RM13,465,000 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.

GROUP AND COMPANY

The Group and the Company have no significant concentration of credit risk.

35.1.2 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. 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

35.1.3 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 in the Company's 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.

35.2 Liquidity risk

Liquidity risk is the risk the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages its 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 its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The table below summarises the maturity profile of the Company's financial liabilities as at the reporting date based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000
2010						
GROUP						
Finance lease liabilities	5,109	5,836	1,627	1,420	2,713	76
Interest bearing borrowings	50,562	50,562	43,718	1,965	3,699	1,180
Trade payables and other payables	14,489	14,489	14,489	-	-	-
	70,160	70,887	59,834	3,385	6,412	1,256

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000
COMPANY						
Interest bearing borrowings	6,769	6,769	2,814	1,413	1,743	799
Other payables	12	12	12	-	-	-
	<u>6,781</u>	<u>6,781</u>	<u>2,826</u>	<u>1,413</u>	<u>1,743</u>	<u>799</u>

35.3 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 the carrying amount as at the end of the reporting period is as follows :

	GROUP RM'000	COMPANY RM'000
Fixed rate instruments		
Financial assets	217	-
Financial liabilities	<u>5,109</u>	<u>-</u>
Floating rate instruments		
Financial liabilities	<u>50,562</u>	<u>6,769</u>

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 RM'000	COMPANY RM'000
Reduced in profit before taxation	<u>(58)</u>	<u>(6)</u>

35.4 Foreign currency risk

The objectives of the Group's foreign exchange policies 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 Group entities. The currencies giving rise to this risk are primarily US Dollar (USD) and Singapore Dollar (SGD).

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

	USD RM'000	SGD RM'000	OTHERS RM'000
GROUP			
Trade receivables	454	1,570	739
Cash and bank balances	1,486	345	791
Trade payables	(69)	-	(32)
Other payables	-	(46)	(40)
Net exposure	1,871	1,869	1,458

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 reduced profit before taxation by the amount shown below and a corresponding decrease would have an equal but opposite effect.

	GROUP RM'000	COMPANY RM'000
USD	187	-
SGD	187	-
Other currencies	146	-
Reduced in profit before taxation	520	-

35.5 **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to support the Group's stability and growth so as to maximise shareholders' returns and stakeholders' benefits.

To achieve its objectives, the Group ensures an optimal capital structure is maintained. The Group actively and regularly reviews its capital structure by taking into consideration the future capital requirements of the Group, capital efficiency, prevailing and projected profitability, projected operating cash flows, projected expenditures and projected strategic investment opportunities. As part of managing the capital structure, the Group may adjust the amount of dividend payment.

36. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

GROUP AND COMPANY

The carrying amounts of fixed deposits, cash and bank balances, receivables, payables and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that re-priced to market interest rates on or near the reporting date.

The investment in Malaysian quoted equity instruments (Note 8) have been adjusted to their fair value by reference to their published market bid price at the end of the reporting period. As for the unquoted equity instruments (Note 8), the fair value information has not been disclosed due to their fair value cannot be measured reliably.

COMPANY

No disclosure of fair value is made for intercompany loans/advances, as it is not practicable to determine their fair values with sufficient reliability since these balances are repayable on demand.

37. MATERIAL LITIGATION

A civil suit had been filed by Public Packages Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary of the Company, against Flextronics Technology (Penang) Sdn. Bhd. in the year 2008 for an outstanding amount of RM1,815,527. PPSB has filed an application for summary judgement which was heard on 10 March 2010. On 14 April 2010, the Court dismissed PPSB's application for summary judgement and set the matter for full trial. The case was set for case management on 7 July 2010, but was vacated due to public holiday in Penang on that day. The case is now fixed for management on 8 April 2011 by the Deputy Registrar.

38. EFFECTS OF ADOPTING NEW OR REVISED FRSs

38.1 Amendment to FRS 117 Leases

The amendment requires the Group to reassess the classification of leasehold land as finance lease or operating lease based on the extent of risks and rewards associated with the land. The Group has reassessed the risks and rewards of the leasehold land and concluded that they are finance leases. Consequently, leasehold land has been reclassified from prepaid lease payments to property, plant and equipment.

The reclassification has been made retrospectively and the comparatives have been restated as below :

	Previously Stated RM'000	Effect on FRS117 RM'000	Restated RM'000
Consolidated statement of financial position			
Property, plant and equipment	67,505	10,366	77,871
Prepaid land leases	10,366	(10,366)	-

38.2 Adjustments arising from adoption of FRS 139

In accordance with the transitional provisions of FRS139, the changes in accounting policy arising from the adoption of this standard are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as at 1 January 2010 as shown below :

	Previously Stated RM'000	Effect on FRS139 RM'000	Restated RM'000
Consolidated statement of financial position			
Other investment	190	205	395
Fair value adjustment reserve	-	(205)	(205)

39. **SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis in the annual audited financial statements.

The breakdown of retained profits as at the reporting date has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows :

	GROUP RM'000	COMPANY RM'000
2010		
Total retained profits of Public Packages Holdings Berhad and its subsidiaries:		
- Realised	55,513	9,840
- Unrealised	(11,312)	-
	<u>44,201</u>	<u>9,840</u>
Total share of retained profits from joint ventures:		
- Realised	8,076	-
	<u>52,277</u>	<u>9,840</u>
Less : Consolidated adjustments	(10,681)	-
Total retained profits as per statements of financial position	<u>41,596</u>	<u>9,840</u>

**LIST OF PROPERTIES OWNED BY
PUBLIC PACKAGES HOLDINGS BERHAD AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2010**

Location	Title	Existing Use	Date of last revaluation	Age of Building (years)	Land area / Built-up area (sq.foot)	CA as at 31.12.10 RM
PUBLIC PACKAGES SDN. BHD.						
Plot 72 Lintang Kampung Jawa Bayan Lepas Industrial Estate Penang	Leasehold 2.10.2047	Factory building	28.11.2007	21	22,509 / 11,516	1,484,055
Plot 96(A) Lintang Kampung Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 22.5.2050	Factory building	28.11.2007	21	32,356 / 5,688	1,784,708
Plot 96(B) Lintang Kampung Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 5.7.2054	Factory building	28.11.2007	14	16,985 / 9,979	617,172
Plot 67 Lintang Kampung Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 14.8.2047	Factory and office building	28.11.2007	22	44,083 / 94,249	3,401,628
Plot 116 Lintang Kampung Jawa Bayan Lepas Industrial Estate, Penang	Leasehold 18.10.2055	Factory and office building	28.11.2007	16	84,183 / 7,317	2,528,935
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	14	- / 500 (per unit)	443,500

Location	Title	Existing Use	Date of last revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	CA as at 31.12.10 RM
PUBLIC PACKAGES (NT) SDN. BHD.						
Lot 5632 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Factory Building	28.11.2007	16	- / 112,400	6,587,565
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	21	43,738 / 38,474	2,228,343
A-1-3 Kelisa Apartment Lorong Kikik Satu, Taman Inderawasih, Seberang Perai	Freehold	Hostel	28.11.2007	18	- / 726	84,600
Block F95 Taman Pelangi, Prai (10 units)	Leasehold 22.4.2092	Hostel	28.11.2007	14	- / 500 (per unit)	458,235
Plot 468 Jalan Perusahaan Baru Prai Industrial Estate Penang	Leasehold 19.4.2049	Factory and office building	28.11.2007	21	93,329 / 77,727	5,111,057
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	16	261,361 / 140,924	8,128,416
PPH PRINTING & PACKAGING (KULIM) SDN BHD						
Plot 75 Kulim Industrial Estate Kulim, Kedah	Leasehold 21.9.2049	Factory and office building	28.11.2007	20	52,272/ 54,140	2,582,336

Location	Title	Existing Use	Date of last revaluation	Age of Building (years)	Land area / Built-up area (sq.feet)	CA as at 31.12.10 RM
PUBLIC PACKAGES PROPERTIES SDN BHD						
Lot 5631 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Vacant land	28.11.2007	-	522,253 / -	5,745,241
Lot 5632 Mukim 11 (Nibong Tebal) Seberang Perai Selatan, Penang	Freehold	Rental	28.11.2007	-	511,877 / -	6,578,000
84 Lebuhraya Kapal, Penang	Freehold	Rental	28.11.2007	26	1,389 / 2,800	250,000
5-2-4 Edgecumbe Court, Penang	Freehold	Rental	28.11.2007	22	- / 700	175,000
Unit SB15 Block A, No. 1 Persiaran Gurney	Freehold	Rental	28.11.2007	25	- / 1,815	540,000
Unit I-4-3 Taman Desa Relau Penang	Freehold	Rental	28.11.2007	19	- / 700	135,000
Unit 368-2-04 Belisa Row Jalan Burma, Penang	Freehold	Rental	28.11.2007	16	- / 1,055	340,000
No. A-17-02, Verticas Residensi, off Jalan Ceylon, Kuala Lumpur	Freehold	Development In Progress	-	1	- / 2,111	674,737
PPH PLAZA SDN BHD						
Lot 741, 742 & 743 Section 23 Bandar Georgetown Daerah Timur Laut, Penang	Freehold	Project development	23.12.2002	-	56,230	15,465,000
						65,343,528

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 31 March 2011

Authorised Capital	:	RM100,000,000
Issued and Fully Paid Up Capital	:	RM54,948,249
Classes of shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	2,540

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees) as at 31 March 2011

Name	<u>No. of Ordinary Shares Held</u>			
	Direct Interest	%	Indirect Interest	%
1. Fame Pack Holdings Sdn. Bhd.	45,232,670	41.16	-	-
2. Gemrich (M) Sdn. Bhd.	6,504,540	5.92	-	-
3. Koay Chiew Poh	4,226,480	3.85	49,167,670 *	44.74
4. Ooi Siew Hong	-	-	49,167,670 *	44.74

Note:

* Deemed interested by virtue of Section 6A of the Companies Act, 1965 held through Fame Pack Holdings Sdn. Bhd. and Koay Boon Pee Holding Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS as at 31 March 2011

Name	<u>No of Ordinary Shares Held</u>			
	Direct Interest	%	Indirect Interest	%
1. Koay Chiew Poh	4,226,480	3.85	49,167,670 (a)	44.74
2. Koay Chue Beng	358,692	0.33	3,935,000 (b)	3.58
3. Koay Teng Liang	46,664	0.04	-	-
4. Koay Teng Kheong	-	-	-	-
5. Nurjannah Binti Ali	-	-	-	-
6. Ng Thim Fook	-	-	-	-
7. Ong Eng Choon	-	-	-	-

Notes:

- Deemed interested by virtue of Section 6A of the Companies Act, 1965 held through Fame Pack Holdings Sdn. Bhd. and Koay Boon Pee Holding Sdn. Bhd.
- Deemed interested by virtue of Section 6A of the Companies Act, 1965 held through Koay Boon Pee Holding Sdn. Bhd.

DISTRIBUTION OF SHAREHOLDERS as at 31 March 2011

Holdings	No. of Holders	%	No. of Shares	%
Less than 100	167	6.57	7,810	0.01
100 - 1,000	151	5.95	65,124	0.06
1,001 - 10,000	1,508	59.37	9,103,740	8.28
10,001 - 100,000	645	25.39	20,058,196	18.25
100,001 - 5,494,823	67	2.64	28,924,418	26.32
5,494,824 and above	2	0.08	51,737,210	47.08
TOTAL	2,540	100.00	109,896,498	100.00

THIRTY LARGEST SHAREHOLDERS as at 31 March 2011

No.	Name	No. of Shares	%
1.	Fame Pack Holdings Sdn. Bhd	45,232,670	41.16
2.	Gemrich (M) Sdn Bhd	6,504,540	5.92
3.	Koay Chiew Poh	4,226,480	3.85
4.	Koay Boon Pee Holding Sdn Bhd	3,935,000	3.58
5.	Multiple Accomplishments Sdn Bhd	2,299,870	2.09
6.	Koay Chew Guan	1,552,480	1.41
7.	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Goh Eng Hoe	1,000,000	0.91
8.	Song Kim Lee	1,000,000	0.91
9.	Koay Chiew Kang	796,564	0.72
10.	Koay Chew Huat @ Koay Chiew Huat	690,320	0.63
11.	Koay Chew Kooi	675,000	0.61
12.	Yap Wing Chun	635,012	0.58
13.	Leng Bee Bee	559,000	0.51
14.	Tai Poon Yen	548,000	0.50
15.	George Lee Sang Kian	523,000	0.48
16.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Kim Khun (Penang-CL)	517,100	0.47
17.	George Lee Sang Kian	449,200	0.41
18.	Leong Ngak Keong	387,000	0.35
19.	Koay Chue Beng	358,692	0.33
20.	Tok Ley Siang	353,332	0.32
21.	PM Nominees (Tempatan) Sdn Bhd Malpac Management Sdn Bhd	345,000	0.31
22.	Lim Hui Huat @ Lim Hooi Chang	295,000	0.27
23.	Koay Chiew Lee	293,332	0.27
24.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siu Soon Chye (E-BMM/SAT)	281,900	0.26
25.	Ch'ng Chan Seng	280,000	0.25
26.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Pow (33R)	279,000	0.25
27.	Koay Chiew Kang	273,332	0.25
28.	Teoh Ewe Seng	262,460	0.24
29.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Siew Ping	247,000	0.22
30.	Leau Kim Pun @ Liau Kim Pun	240,000	0.22
		-----	-----
		75,040,284	68.28
		=====	=====

PUBLIC PACKAGES HOLDINGS BERHAD

(Company No. 162413-K)

PROXY FORM

* I/We.....
(Full Name in Block Letters)

of
(Address)

being * a member/members of Public Packages Holdings Berhad, hereby appoint

.....
(Full Name in Block Letters)

of.....
(Address)

or failing him, the Chairman of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the 24th 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 Friday, 20 May 2011 at 10.00 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION	1	2	3	4	5	6	7	8
FOR								
AGAINST								

Please indicate with an “X” in the appropriate box provided on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

The proportion of my holding to be represented by my proxies are as follows:-

First proxy	“A”	%
Second proxy	“B”	%
	<u>100%</u>	

In case of vote taken by a show of hand *first proxy “A”/second proxy “B” shall vote on my behalf.

No. of Shares Held: _____

Signature of Member(s)

Signed this day of2011

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meetings.
4. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

* Strike out whichever not desired

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

PUBLIC PACKAGES HOLDINGS BERHAD

Wisma Public Packages
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