

**PUBLIC PACKAGES HOLDINGS BERHAD**  
**SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD**  
**ENDED 30 JUN 2010**

**NOTES TO THE INTERIM FINANCIAL REPORT**

**A1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION**

The interim financial statements have been prepared under the historical cost convention.

The interim financial report has been prepared in accordance with FRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with annual financial statements for the financial year ended 31st December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31st December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations. On 1 January 2010, the Group adopted the following FRSs:-

**FRSs, Amendments to FRSs and**

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments : Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share-based payment : Vesting Conditions and Cancellations
Amendment to FRS 7	Financial Instruments : Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interest in Joint Ventures
Amendment to FRS 132	Financial Instruments : Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 139	Financial Instruments : Recognition and Measurement
Amendment to FRS 140	Investment Property
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 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than for the application of FRS 8, 101, 117 and 139, the application of the above FRSs, Amendments to FRSs and Interpretation did not result any significant changes in the accounting policies and presentation of the financial result of the Group.

**FRS 8: Operating segments**

The new standards requires the disclosure of segment information based on the information reviewed by the Group's chief operating maker, no futher segmental information disclosure will be necessary. This standard does not have any impact on the financial position and results of the Group.

**FRS 101: Presentation of financial Statements**

FRS 101 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners with all non-owner changes in equity are presented as a single line labelled as total comprehensive income. Total comprehensive income presents all items of income and expense recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. This standard does not have any impact on the financial position and results of the Group.

The comparative financial information on the consolidated statement of comprehensive income have been represented as summarised below so that it is conformity with the revised standard:-

	<i>Consolidated income statement</i>	<i>Effect on FRS 101 (RM'000)</i>	<i>Consolidated Statement of Comprehensive Income</i>
	<i>As previously reported</i>		<i>As restated</i>
	<i>(RM'000)</i>		<i>(RM'000)</i>
Other income	616	(358)	258
Investing result: others	16	(16)	-
<i>Other comprehensive income:-</i>			
Currency translation differences for foreign operations	-	(41)	(41)
Gain on disposal on development properties	-	415	415

**FRS 117: Leases**

The amendments required entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment with no effect on report profit or equity. However, as a result of the adoption of amendments to FRS 117, comparative balances have been restated as below:-

	<i>As previously reported</i>	<i>Effect on FRS 117</i>	<i>As restated</i>
	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>
Property, plant and equipment	67,506	10,366	77,872
Prepaid lease payment	10,366	(10,366)	-

**FRS 139: Financial Instruments - Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial statements. Financial statements are recorded initially at fair value. Subsequent measurement of the financial instruments at balance sheet date reflects the designation of financial instruments. The Group determines the classification at initial recognition and for the first adoption of the standard, as at transitional date on 1 January 2010.

*Financial Assets*

Financial assets are classified as financial assets at fair value through profit and loss, loans and receivables, held to maturity investment and available for sale (AFS) financial asset or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

## (i) Loan and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivable less provision for doubtful debts. Under FRS 139, loan and receivables are initially measured at fair value and subsequently amortised using the effective interest rate method (EIR). Gain or losses are recognised in the profit and loss account when the loan and receivables are derecognised or impaired, as well as through the amortisation process.

## (ii) AFS investments

AFS financial assets comprise quoted investment that are not held for trading. AFS investments are measured at fair value initially. After initial recognition, AFS investments are measured at fair value with gain or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired whereby gain or loss previously reported in equity is included in the profit and loss account.

The fair value of quoted investment is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investment where there is no active market, fair value is determined using valuation techniques.

## (iii) Financial assets at fair value through profit and loss

Financial assets held for trading and those designated as fair value through profit and loss. A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Gain or losses on financial assets held at fair value through profit and loss are recognised in the profit and loss account.

*Financial Liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provision of the financial instruments. Financial liabilities are recognised initially at fair value. Subsequent to the initial recognition, all financial liabilities are measured at amortised cost using effective interest method, except for derivatives which are measured at fair value. Any gain or losses arising from changes in fair value of derivatives are recognised in the profit and loss account, unless they are designated as hedging derivatives.

*Impact on opening balances*

In accordance with the transitional provision of FRS139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. The changes accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

	<i>As previously reported</i>	<i>Effect on FRS 139</i>	<i>As restated</i>
	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>
<b>Assets</b>			
Other investments	190	(190)	-
AFS investments	-	395	395
<b>Equity</b>			
AFS reserve	-	(205)	(205)

**A2. AUDITED ACCOUNTS**

The auditor's report in respect of the financial statements of the Group for the financial year ended 31 December 2009 was not subject to any qualification.

**A3. SEASONALITY & CYCLICALITY**

The Group's manufacturing division generally experience an "up-down" cycle once a year, with low demand usually in the beginning of the year and will slowly pick up again during the year.

**A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items for the current quarter and financial period to date.

**A5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATE**

There were no material changes in the estimates of amounts, which give a material effect in the current quarter and financial period to date.

**A6. DETAILS OF ISSUE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There was no issuance, cancellations, repurchase, resale and repayment of debt and equity for the financial period ended 30 Jun 2010.

**A7. DIVIDEND PAID**

A first and final dividend in respect of the financial year ended December 31, 2009 of 2.5 cent per share tax exempt dividend on 109,896,498 ordinary shares, amounting to RM2,747,412 was paid on 17 June 2010.

**A8. SEGMENTAL INFORMATION**

Analysis by industry segment

	6 MONTHS ENDED	
	30/06/2010	
	Revenue	Profit / (loss)
	(RM'000)	before tax
		(RM'000)
Trading	14,772	1,498
Manufacturing	80,464	3,644
Properties	505	(98)
Investment holdings	1,018	(662)
Total	96,759	4,382
Consolidation adjustments	(25,115)	1,675
	<u>71,644</u>	<u>6,058</u>

**A9. REVALUATION**

The properties of the Group carried at valuation were revalued in November 2007 based on professional independent valuations using the open market value basis.

**A10. SUBSEQUENT EVENTS**

There was no material events after the reporting period, except on 20 July 2010, PPH Technology (M) Sdn Bhd (dormant company), 100% indirect subsidiary of the Company was deregistered pursuant to Section 308(4) of Companies Act 1965.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no material changes in the composition of the group in the current quarter and financial period to date.

**A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

As at 20 Aug 2010, the total contingent liabilities is RM96,203,941. This consists of corporate guarantees given by the Company to secure credit facilities granted to our investments.

**A13. CAPITAL COMMITMENTS**

Approved and Contracted for :	RM '000
Property, plant and equipment	<u>1,504</u>

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS****B1. PERFORMANCE REVIEW**

For the current quarter review, the turnover of the Group for current quarter of RM37.390mil increased by RM5.506mil (17.27%) when compared to corresponding quarter of last year. The Group has recorded a profit before taxation of RM4.319mil as compared to a profit of RM3.349mil in corresponding quarter of last year.

The increase in revenue is mainly due to the strengthening of the economy and improved market conditions.

**B2. COMMENT ON ANY MATERIAL CHANGE IN PROFIT BEFORE TAX FOR THE QUARTER REPORTED AS COMPARED WITH THE PRECEDING QUARTER**

For the current quarter review, the Group recorded a profit before taxation of RM4.319mil and turnover of RM37.390mil as compared to a profit before taxation of RM1.739mil and turnover of RM34.254mil in the immediate preceding quarter.

The better performance is due to improved market condition.

**B3. FACTORS AFFECTING COMPANY'S PROSPECT**

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Group's performance is expected to continue to be satisfactory for the year 2010.

**B4. EXPLANATORY NOTES ON VARIANCE WITH PROFIT FORECASTS AND/OR PROFIT GUARANTEE**

The Group did not issue any profit forecast and or profit guarantee to the public during the current financial period.

**B5. TAX EXPENSE**

	3 MONTHS ended 30/06/2010 RM'000	3 MONTHS ended 30/06/2009 RM'000	6 MONTHS ended 30/06/2010 RM'000	6 MONTHS ended 30/06/2009 RM'000
Profit before tax	4,319	3,349	6,058	4,093
Current year taxation :-				
Income tax	1,263	531	2,009	1,082
Deferred tax	(390)	195	(518)	327
	<u>873</u>	<u>726</u>	<u>1,491</u>	<u>1,409</u>
Effective tax rate (%)	20.21	21.68	24.61	34.42

Income tax is calculated at Malaysian statutory tax rate of 25% (2009: 25%) of the estimated profit for the period.

The effective tax rate of the Group are lower than the statutory income tax mainly due to the utilisation of brought forward unabsorbed capital allowances, tax losses and reinvestment allowances in certain profit making subsidiary companies to set off against income that would otherwise have been subjected to tax.

**B6. PROFIT / (LOSS) ON DISPOSAL OF UNQUOTED INVESTMENTS AND PROPERTIES**

There were no sales of unquoted investments and/or properties for the current quarter and financial period ended 30 Jun 2010.

**B7. PURCHASE / (DISPOSAL) OF QUOTED SHARES**

- a) There were no purchase or sale of quoted securities for the current quarter and financial period to date.
- b) Investments in quoted securities as at 30 Jun 2010 are stated at fair value.

**B8. STATUS OF CORPORATE PROPOSALS**

There is no corporate proposal announced but not completed as at 20 Aug 2010.

**B9. BANK BORROWINGS AND DEBT SECURITIES**

	Secured RM('000)	Unsecured RM('000)	Total RM('000)
Short - term	-	42,209	42,209
Long - term	312	8,910	9,222
	<u>312</u>	<u>51,119</u>	<u>51,431</u>

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

The Group does not have any off balance sheet financial instruments as at 20 Aug 2010.

**B11. MATERIAL LITIGATION**

Public Packages Sdn Bhd (PPSB) the wholly owned subsidiary of PPHB had filed a civil suit against Flextronics Technology (Penang) Sdn Bhd in year 2008 for an outstanding amount of RM1,815,527. PPSB had filed an application for Summary Judgement which was heard on 10 March 2010. On 14 April 2010, the Court dismissed the company's application for Summary Judgment and set the matter down for full trial. The case was set down for case management on 19 October 2010.

**B12. DIVIDENDS**

The Board of Directors does not recommend any dividend payment for the period ended 30 Jun 2010.

**B13. EARNING PER SHARE**

	3 MONTHS ENDED		3 MONTHS ENDED	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
<b>(a) Basic</b>				
Net profit for the period (RM'000)	3,446	2,623	4,567	2,684
Weighted average number of ordinary shares in issue ('000)	109,896	109,896	109,896	109,896
Basic earnings per share (sen)	3.14	2.39	4.16	2.44
<b>(b) Diluted</b>				
Net profit for the period (RM'000)	3,446	2,623	4,567	2,684
Weighted average number of ordinary shares in issue ('000)	109,896	109,896	109,896	109,896
Adjustment for share options ('000)	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	109,896	109,896	109,896	109,896
Diluted earnings per share (sen)	3.14	2.39	4.16	2.44