

PUBLIC PACKAGES HOLDINGS BERHAD
SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30/06/2019 RM'000 Unaudited	30/06/2018 RM'000 Unaudited	30/06/2019 RM'000 Unaudited	30/06/2018 RM'000 Unaudited
REVENUE		50,072	48,503	97,620	91,432
OPERATING EXPENSES		(43,208)	(42,246)	(84,914)	(79,414)
OTHER INCOME		534	404	933	653
PROFIT FROM OPERATIONS		7,398	6,661	13,639	12,671
SHARE OF RESULTS OF JOINT VENTURES		130	(6)	405	(12)
FINANCE COSTS		(656)	(720)	(1,288)	(1,495)
PROFIT BEFORE TAX	B9	6,872	5,935	12,756	11,164
TAX EXPENSE	B3	(1,822)	(1,740)	(3,048)	(3,039)
PROFIT FOR THE PERIOD		5,050	4,195	9,708	8,125
OTHER COMPREHENSIVE INCOME, NET OF TAX:-					
Foreign currency translation differences for foreign operation		107	68	63	(151)
Fair value adjustment on available-for-sale financial assets		125	(21)	217	(8)
Total other comprehensive income for the period		232	47	280	(159)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD, ATTRIBUTABLE TO OWNERS OF THE PARENT		5,282	4,242	9,988	7,966
EARNING PER SHARE ATTRIBUTABLE TO OWNER OF THE PARENT					
- Basic (sen)	B8	2.68	2.22	5.15	4.31
- Diluted (sen)	B8	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31st December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

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SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30/06/2019 RM'000 Unaudited	As at 31/12/2018 RM'000 Audited
ASSETS			
Non Current Assets			
Property, Plant & Equipment		160,073	148,650
Investment Properties	A10	10,715	10,715
Investment in Joint Ventures		21,448	21,043
AFS investments		1,695	1,478
		193,931	181,886
Current Assets			
Inventories		22,586	21,745
Trade and other receivables		54,477	53,427
Tax Recoverable		-	843
Short term fund with a licensed financial institution		22,173	36,177
Cash and Cash Equivalents		20,660	16,172
		119,896	128,364
TOTAL ASSETS		313,827	310,250
LIABILITIES			
Non Current Liabilities			
Borrowings	B5	18,216	15,934
Deferred tax liabilities		8,393	8,662
		26,609	24,596
Current Liabilities			
Trade & Other Payables		17,756	25,056
Borrowings	B5	36,235	37,761
Provision for taxation		402	-
		54,393	62,817
TOTAL LIABILITIES		81,002	87,413
EQUITY			
Share Capital		94,361	94,361
Reserves		138,464	128,476
TOTAL EQUITY		232,825	222,837
TOTAL EQUITY AND LIABILITIES		313,827	310,250
Net Assets per share attributable to owners of the parent (RM)		1.23	1.18

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31st December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Revaluation Reserve RM'000	AFS Reserve RM'000	Foreign Translation Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2019	94,361	386	229	1,276	126,585	222,837
Profit for the period	-	-	-	-	9,708	9,708
Other comprehensive income, net of income tax	-	-	217	63	-	280
Total comprehensive income for the period	-	-	217	63	9,708	9,988
At 30 June 2019	94,361	386	446	1,339	136,293	232,825
At 1 January 2018	94,361	386	364	1,280	107,577	203,968
Profit for the period	-	-	-	-	8,125	8,125
Other comprehensive income, net of income tax	-	-	(8)	(151)	-	(159)
Total comprehensive income for the period	-	-	(8)	(151)	8,125	7,966
At 30 June 2018	94,361	386	356	1,129	115,702	211,934

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 MONTHS ENDED	
	30/06/2019	30/06/2018
	RM'000	RM'000
	Unaudited	Unaudited
Profit before tax	12,756	11,164
Adjustments for non-cash flow items:-		
Non-cash items	2,972	3,783
Non-operating items	334	712
Operating profit before changes in working capital	<u>16,062</u>	<u>15,659</u>
Changes in working capital		
Net changes in current assets	(1,864)	(5,114)
Net changes in current liabilities	(7,306)	(717)
Cash from operation	<u>6,892</u>	<u>9,828</u>
Dividend received	522	2,172
Interest paid	(1,288)	(1,495)
Interest received	48	21
Tax paid	(2,666)	(2,809)
Tax refund	592	108
Net Cash Flows From Operating Activities	<u>4,100</u>	<u>7,825</u>
Investing Activities		
- Acquisition of property, plant and equipment	(14,412)	(13,125)
- Placement of fixed deposits	(2)	-
- Proceed from disposal of property, plant and equipment	11	123
Net Cash Flows Used In Investing Activities	<u>(14,403)</u>	<u>(13,002)</u>
Financing activities		
- Bank borrowings	729	4,485
- Proceed from finance lease	1,083	-
- Proceed from term loans	3,382	2,183
- Repayment of finance lease	(2,404)	(2,316)
- Repayment of term loans	(381)	(564)
Net Cash Flows From Financing Activities	<u>2,409</u>	<u>3,788</u>
Effects of exchange rate changes on cash & cash equivalents	3	2
Net Change In Cash and Cash Equivalents	<u>(7,891)</u>	<u>(1,387)</u>
Cash and Cash Equivalents At Beginning Of Year	46,641	51,963
Effects of exchange rate changes	27	(77)
Cash and Cash Equivalents At End Of Period	<u><u>38,777</u></u>	<u><u>50,499</u></u>

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31st December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

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ENDED 30 JUNE 2019

NOTES TO THE INTERIM FINANCIAL REPORT

A1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This unaudited condensed consolidated interim financial statement should read in conjunction with the audited financial statements for year ended 31 December 2018. The explanatory notes attached to the interim condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2018.

A2. SIGNIFICANT ACCOUNTING POLICIES

The Group adopted the following new and amended FRS and IC Interpretations mandatory for annual periods beginning on or after 1 January 2019.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
MFRS 16 Leases
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

The adoption of the above Standards and Interpretations did not have no significant impact on the financial statements of the Group upon their initial application.

The Group has not elected for early adoption of the relevant new and revised MFRSs, amendments to MFRSs and Interpretations have been issued but not yet effective until future periods.

A3. AUDITED ACCOUNTS

The auditor's report in respect of the financial statements of the Group for financial year ended 31 December 2018 was not subject to any qualification.

A4. 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.

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items for the current quarter under review.

A6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATE

There were no changes in estimates of amounts reported, which have a material effect in the current quarter.

A7. DETAILS OF ISSUE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance, cancellations, repurchase, resale or repayment of debt and equity for the current quarter.

A8. DIVIDEND PAID

There was no dividend paid for the current quarter.

A9. SEGMENTAL INFORMATION

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

- (i) Trading
- (ii) Manufacturing
- (iii) Properties
- (iv) Investment
- (v) Hotel

The segment information are as follow:-

	Trading RM'000	Manufacturing RM'000	Hotel RM'000	Properties RM'000	Investment RM'000	Consol adjustments RM'000	Total RM'000
Results for the year ended 30 June 2019							
Revenue							
Total sales	4,380	122,842	211	366	6,491	(36,670)	97,620
Results							
Profit before tax	387	13,633	(1,398)	199	6,322	(6,387)	12,756
Tax expense							(3,048)
Profit attributable to owners of the parent							9,708
Assets							
Segment assets	10,720	203,575	16,728	20,840	131,006	(90,490)	292,379
Investment in joint ventures				-	21,448		21,448
Total assets							313,827
Liabilities							
Segment liabilities	365	13,682	3,582	55	72	-	17,756
Unallocated corporate liabilities							63,246
Total liabilities							81,002
Results for the year ended 30 June 2018							
Revenue							
Total sales	4,279	117,649	-	540	1,965	(33,001)	91,432
Results							
Profit before tax	452	10,315	-	(63)	1,803	(1,343)	11,164
Tax expense							(3,039)
Profit attributable to owners of the parent							8,125
Assets							
Segment assets	10,508	202,644	-	29,398	119,069	(91,952)	269,667
Investment in joint ventures					21,119		21,119
Unallocated corporate assets							132
Total assets							290,918
Liabilities							
Segment liabilities	409	15,607	-	2,131	46	-	18,193
Unallocated corporate liabilities							60,791
Total liabilities							78,984

A10. CARRYING AMOUNT OF REVALUED ASSETS

The valuation of investment properties has been brought forward without any amendments from the previous Audited Financial Statement of the Group.

A11. SUBSEQUENT EVENTS

There was no material events subsequent to end of the current quarter under review.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group in the current quarter under review.

A13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

As at 26 Aug 2019, the total contingent liabilities is RM168,252,281. This consists of corporate guarantees given by the Company to secure credit facilities granted to our investments.

A14. RELATED PARTY DISCLOSURE

The following table show the transactions which had been entered into with related parties:

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Rental of properties for staff accomodation and office lot				
- Fame Pack Holdings Sdn. Bhd.	58	61	116	123
- Koay Teng Liang	13	13	27	27
- Ooi Siew Hong	1	2	3	3
- Koay Teng Kheong	6	6	12	12
Rental of equipment				
- Koay Boon Pee Holding Sdn. Bhd.	123	102	226	205
Medical consultation				
- Peoples Primary Healthcare Sdn. Bhd.	44	-	98	-

Related party relationship:

Fame Pack Holdings Sdn. Bhd. : A substantial shareholder of the Company and connected to Mr. Koay Chiew Poh.

Koay Boon Pee Holding Sdn. Bhd. : A company connected to Koay Chiew Poh, Koay Chiew Kang and Koay Chue Beng.

Peoples Primary Healthcare Sdn. : A company in which the directors of the Company, namely Messrs. Koay Teng Liang and Koay Teng Kheong, have substantial financial interests.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

A15. CAPITAL COMMITMENTS

The amount of commitments not provided for in the interim financial statements for the current quarter as follows:

RM'000

Approved and contracted for :-
Property, plant and equipment

6,402

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE AND CURRENT YEAR PROSPECTS

a) *Overall Review of Group's Financial Performance*

Table 1: Financial review for current quarter and financial year to date

	3 MONTHS ENDED				6 MONTHS ENDED			
	30/6/2019	30/6/2018	Variance		30/6/2019	30/6/2018	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	50,072	48,503	1,569	3	97,620	91,432	6,188	7
Operating Profit	7,398	6,661	737	11	13,639	12,671	968	8
Profit Before Interest and Tax	7,528	6,655	873	13	14,044	12,659	1,385	11
Profit Before Tax	6,872	5,935	937	16	12,756	11,164	1,592	14
Profit After Tax	5,050	4,195	855	20	9,708	8,125	1,583	19

The group recorded a revenue of RM50.072mil and profit before tax of RM6.872 mil in the current quarter ended 30 June 2019. As compared to preceeding year corresponding quarter of 30 June 2018, the revenue increased by RM1.569mil and RM0.937mil respectively. Manufacturing divisions remain main contributors to the Group.

Table 2: Financial review of current quarter compared with immediate preceeding quarter

	Current Quarter	Immediate Preceding Quarter	Variance	
	30/6/2019	31/3/2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	50,072	47,548	2,524	5
Operating Profit	7,398	6,241	1,157	19
Profit Before Interest and Tax	7,528	6,516	1,012	16
Profit Before Tax	6,872	5,884	988	17
Profit After Tax	5,050	4,658	392	8

For the quarter under review, the Group recorded a revenue of RM50.072mil and a profit before tax of RM6.872mil as compared to revenue of RM47.548mil and profit before tax of RM5.884mil in the immediate preceeding quarter. The reasons for improvement in performance will be disclosed in part (b) segmental analysis.

b) *Segmental Analysis*

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
	RM'000	RM'000	RM'000	RM'000
<i>Revenue</i>				
- Manufacturing	47,802	45,576	92,949	86,610
- Trading	2,122	2,690	4,379	4,260
- Hotel	179	-	179	-
- Properties	(35)	104	51	227
- Investment	4	133	62	335
Total	50,072	48,503	97,620	91,432
<i>Profit/(Loss) before tax</i>				
- Manufacturing	7,767	5,470	13,476	10,797
- Trading	(25)	538	396	452
- Hotel	(1,300)	-	(1,300)	-
- Properties	392	(118)	(116)	(246)
- Investment	38	45	300	161
Total	6,872	5,935	12,756	11,164

Manufacturing

For manufacturing, the revenue for current quarter was increased by RM2.226mil or 4.88% as compared to corresponding period in previous year. In tandem with increase in sales, the profit before taxation for the division was also increase from RM5.470mil to RM7.767mil. The increase in performance was mainly due to increase in market demand and continuous cost-control activities carried out by the division.

Trading

The revenue for current quarter decreased by RM0.568mil or 21.12% as compared to corresponding period in previous year. At the same time, the profit before tax for trading division was also decreased from profit of RM0.538mil previous corresponding quarter to loss of RM0.025mil in this quarter. The decrease is mainly due to slow in market demand.

Hotel

The Prestige Hotel located at 8 Gat Lebu Gereja had officially commenced its business operation on 1 June 2019. The total revenue recorded during the month was RM0.179mil with loss before taxation of RM1.300mil. The losses was mainly derived from pre-operating expenses incurred by the division.

Investment

The joint controlled entities remain contributing to bottom line of this division. Share of profit from joint controlled entities during this quarter was RM0.130mil compare to loss of RM0.006mil in previous corresponding quarter.

c) *Prospects*

We continue to expect 2019 to be very challenging year. However, we will continue to strengthen our market position and expand customer base amidst the continuous competition and challenges faced. Our effort in enhancing operational efficiency and effectiveness by putting in place cost control measures will be continued. Barring unforeseen circumstances, we foresee a reasonable performance of the Group for the year ahead.

B2. 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.

B3. TAX EXPENSE

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	6,872	5,935	12,756	11,164
Current year taxation :-				
Income tax	1,844	1,619	3,317	3,144
Deferred tax	(22)	121	(269)	(105)
	<u>1,822</u>	<u>1,740</u>	<u>3,048</u>	<u>3,039</u>

The effective tax rate of the Group was higher than statutory tax rate due to non-allowable expenses.

B4. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced or outstanding as at the date of this report.

B5. BANK BORROWINGS AND DEBT SECURITIES

The borrowings as at 30 June 2019 are as follows:

	Current	Non-current	Total
	Liabilities	Liabilities	
	RM'000	RM'000	RM'000
Secured			
- Bank overdrafts	3,844	-	3,844
- Bill payables	28,384	-	28,384
- Finance lease	3,775	4,312	8,087
- Term loans	232	13,904	14,136
	<u>36,235</u>	<u>18,216</u>	<u>54,451</u>

The borrowings are secured by way of:

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

B6. MATERIAL LITIGATION

There is no pending material litigation at the date of issuance of this report.

B7. DIVIDENDS

The Board of Directors does not recommend any dividend payment for the period under review.

B8. EARNING PER SHARE

The basic earnings per share is calculated by dividing the net profit for the year by weighted average number of ordinary shares in issue during the period.

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Net profit for the period (RM'000)	5,050	4,195	9,708	8,125
Weighted average number of ordinary shares in issue ('000)	188,624	188,624	188,624	188,624
Basic earnings per share (sen)	2.68	2.22	5.15	4.31
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

There is no diluted earning per share as the company does not have any convertible financial instruments in issue.

B9. PROFIT BEFORE TAXATION

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived				
a) After Charging				
Depreciation	1,492	1,816	2,972	3,624
Impairment loss on receivables	-	162	-	177
Interest expense	656	720	1,288	1,495
Loss on foreign exchange - realised	48	166	183	669
Loss on disposal of property, plant and equipment	9	-	9	-
Rental of equipment and machinery	191	161	354	319
Rental of premises	157	148	305	309
b) After Crediting				
Bad debts recovered	*	18	*	18
Interest income	20	17	48	21
Gain on foreign exchange - realised	197	141	378	280
Gain on disposal of property, plant and equipment	3	-	3	63
Lease rental income	77	44	137	93
Rental income	98	114	191	245
Dividend income	240	312	522	672

Other than above items, there were no impairment of assets, provision and write off of inventories, gain or loss on disposal of quoted and unquoted investments or properties, gain or loss on derivatives and exceptional items for the current quarter and financial year ended 31 December 2018.

* Represents RM1

B10. REALISED AND UNREALISED RETAINED

	GROUP	
	30/06/2019	30/06/2018
	RM'000	RM'000
Total retained earning of Public Packages Holdings Berhad and its subsidiaries	156,598	138,574
- Realised	(8,393)	(8,981)
- Unrealised	148,205	129,593
Total share of retained earning from joint ventures:	2,336	2,007
- Realised	150,541	131,600
	(14,248)	(15,898)
Less: Consolidation adjustments		
Total retained earning	136,293	115,702

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30/06/2019 RM'000	CORRESPONDING QUARTER ENDED 30/06/2018 RM'000	CURRENT YEAR TO DATE ENDED 30/06/2019 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/06/2018 RM'000
1. Revenue	50,072	48,503	97,620	91,432
2. Profit / (loss) before tax	6,872	5,935	12,756	11,164
3. Profit / (loss) for the period	5,050	4,195	9,708	8,125
4. Profit / (loss) attributable to ordinary equity holders of the parent	5,050	4,195	9,708	8,125
5. Basic earnings / (loss) per share (sen)	2.68	2.22	5.15	4.31
6. Proposed / declared dividend per share (sen)		-	-	-
		As at end of current quarter		As at preceding financial year end
7. Net assets per share attributable to ordinary equity of the parent (RM)		1.23		1.18

Part A3: Additional Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30/06/2019 RM'000	CORRESPONDING QUARTER ENDED 30/06/2018 RM'000	CURRENT YEAR TO DATE ENDED 30/06/2019 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/06/2018 RM'000
1. Profit from the operation	7,398	6,661	13,639	12,671
2. Gross interest income	20	17	48	21
3. Gross interest expenses	656	720	1,288	1,495