

PUBLIC PACKAGES HOLDINGS BERHAD
THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2016
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
REVENUE	40,810	40,465	122,740	118,766
OPERATING EXPENSES	(36,855)	(37,375)	(108,707)	(105,018)
OTHER INCOME	691	635	1,089	1,107
PROFIT FROM OPERATIONS	4,646	3,725	15,122	14,855
SHARE OF RESULTS OF JOINT VENTURES	188	(207)	519	(197)
FINANCE COSTS	(633)	(694)	(1,867)	(2,308)
PROFIT BEFORE TAX	4,201	2,824	13,774	12,350
TAX EXPENSE	(1,025)	(1,244)	(3,079)	(3,378)
PROFIT FOR THE PERIOD	3,176	1,580	10,695	8,972
OTHER COMPREHENSIVE INCOME, NET OF TAX:-				
Foreign currency translation differences for foreign operations	(13)	822	(166)	1,180
Fair value adjustment on available-for-sale financial assets	(61)	(12)	(84)	(97)
Total other comprehensive income for the period	(74)	810	(250)	1,083
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD, ATTRIBUTABLE TO OWNERS OF THE PARENT	3,102	2,390	10,445	10,055
EARNING PER SHARE ATTRIBUTABLE TO OWNER OF THE PARENT				
- Basic (sen)	2.89	1.44	9.73	8.16
- Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2016 RM'000 Unaudited	As at 31/12/2015 RM'000 Audited
ASSETS		
Non Current Assets		
Property, Plant & Equipment	106,428	106,545
Investment Properties	9,407	9,407
Goodwill	211	675
Investment in Joint Ventures	21,274	19,754
AFS investments	448	532
	137,768	136,913
Current Assets		
Inventories	17,865	17,824
Trade and other receivables	44,206	47,100
Tax Recoverable	1,917	786
Short term funds with a licensed financial institution	28,761	26,439
Cash & Cash Equivalents	15,774	15,288
	108,523	107,437
TOTAL ASSETS	246,291	244,350
LIABILITIES		
Non Current Liabilities		
Borrowings	9,447	8,192
Deferred tax liabilities	9,773	10,434
	19,220	18,626
Current Liabilities		
Trade & Other Payables	12,833	20,794
Borrowings	32,004	33,138
Government Grant	-	4
	44,837	53,936
TOTAL LIABILITIES	64,057	72,562
EQUITY		
Share Capital	54,949	54,949
Reserves	127,285	116,839
TOTAL EQUITY	182,234	171,788
TOTAL EQUITY AND LIABILITIES	246,291	244,350
Net Assets per share attributable to owners of the parent (RM)	1.66	1.56

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31st December 2015 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	Share Premium 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 2015	54,949	1,295	386	333	392	99,286	156,641
Total comprehensive income for the period	-	-	-	(97)	1,180	8,972	10,055
At 30 September 2015	<u>54,949</u>	<u>1,295</u>	<u>386</u>	<u>236</u>	<u>1,572</u>	<u>108,258</u>	<u>166,696</u>
At 1 January 2016	54,949	1,295	386	342	1,320	113,497	171,789
Total comprehensive income for the period	-	-	-	(84)	(166)	10,695	10,445
At 30 September 2016	<u>54,949</u>	<u>1,295</u>	<u>386</u>	<u>258</u>	<u>1,154</u>	<u>124,192</u>	<u>182,234</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 MONTHS ENDED	
	30/09/2016 RM'000 Unaudited	30/09/2015 RM'000 Unaudited
Profit before tax	13,774	12,350
Adjustments for non-cash flow items:-		
Non-cash items	5,273	5,081
Non-operating items	575	1,904
Operating profit before changes in working capital	19,622	19,335
Changes in working capital		
Net changes in current assets	2,590	(4,749)
Net changes in current liabilities	(3,939)	5,934
Cash from operation	18,273	20,520
Dividend received	745	2,620
Interest paid	(1,867)	(2,307)
Tax paid	(4,868)	(4,049)
Tax refund	-	107
Net Cash Flows From Operating Activities	12,283	16,891
Investing Activities		
- Acquisition of property, plant and equipment	(4,815)	(3,756)
- Interest received	18	17
- Other investment	(1,001)	-
- Placement of fixed deposit	(900)	-
- Proceed from disposal of property, plant and equipment	295	5
Net Cash Flows Used In Investing Activities	(6,403)	(3,734)
Financing activities		
- Net of bank borrowings	(4,183)	(4,683)
Net Cash Flows Used in Financing Activities	(4,183)	(4,683)
Effects of exchange rate changes on cash & cash equivalents	1	165
Net Change In Cash & Cash Equivalents	1,698	8,639
Cash & Cash Equivalents At Beginning Of Year	40,010	28,747
Effects of exchange rate changes	(55)	562
Cash & Cash Equivalents At End Of Period	41,653	37,948

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31st December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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ENDED 30 SEPTEMBER 2016

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 2015. 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 2015.

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 2016.

Effective for financial periods beginning on or after 1 January 2016

MFRS 14 Regulatory Deferred Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception.
Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Annual improvements to MFRS 2012 - 2014 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.

A3. AUDITED ACCOUNTS

The auditor's report in respect of the financial statements of the Group for the financial year ended 31 December 2015 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 and 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

The segment information are as follow:-

	Trading RM'000	Manufacturing RM'000	Properties RM'000	Investment RM'000	Consol adjustments RM'000	Total RM'000
Results for the period ended 30 September 2016						
Revenue						
Total sales	6,872	151,993	917	3,404	(40,446)	122,740
Results						
Profit before tax	657	12,034	158	1,864	(939)	13,774
Tax expense						(3,079)
Profit attributable to owners of the parent						10,695
Assets						
Segment assets	10,973	174,540	19,469	107,126	(89,008)	223,100
Investment in joint ventures				21,274		21,274
Unallocated corporate assets						1,917
Total assets						246,291
Liabilities						
Segment liabilities	394	12,126	146	167	-	12,833
Unallocated corporate liabilities						51,224
Total liabilities						64,057
Results for the period ended 30 September 2015						
Revenue						
Total sales	7,090	145,488	1,023	5,585	(40,420)	118,766
Results						
Profit before tax	1,438	10,485	78	3,992	(3,643)	12,350
Tax expense						(3,378)
Profit attributable to owners of the parent						8,972
Assets						
Segment assets	11,396	174,444	20,281	118,813	(94,811)	230,123
Investment in a joint venture				11,692		11,692
Unallocated corporate assets						801
Total assets						242,616
Liabilities						
Segment liabilities	307	17,301	366	189	-	18,163
Unallocated corporate liabilities						57,758
Total liabilities						75,921

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

During the current quarter under review, PPH Resources Sdn. Bhd. a wholly-owned subsidiary of Public Packages Holdings Berhad had entered into an agreement with Kyaw-Tha Co.,Ltd, Maruichi Co Limited and T&R Co.,Ltd through Kyaw-Tha PPH Company Limited, a Company incorporated in Republic of the Union of Myanmar. PPH Resources Sdn. Bhd. had invested and subscribed for 5,000 new shares of USD 100 each (representing 25% shareholding of Kyaw-Tha Company Limited).

Public Packages Asia (Thailand) Company Limited (PPAT), a dormant indirect wholly-owned subsidiary of the Company, had on 2 November 2016 received a notification from Department of Business Development, Ministry of Commerce (Thailand) informing that PPAT has been successfully struck off pursuant to Section 1254 of the Civil and Commercial Code (Proposed striking off).

Save as disclosed above, there were no other changes in the composition of the Group.

A13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

As at 28 November 2016, the total contingent liabilities is RM165,506,071. 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		9 MONTHS ENDED	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Sales to related parties				
- City Packaging Industry Sdn. Bhd.	-	6	7	20
- Denson SCM Sdn. Bhd.	861	-	861	-
Management fee income received from a related party				
- Pearl Island Resort Development Sdn. Bhd.	3	-	9	-
Rental of properties for staff accomodation and office lot				
- Fame Pack Holdings Sdn. Bhd.	58	59	188	187
- Koay Teng Liang	14	14	41	41
- Ooi Siew Hong	1	1	4	4
- Koay Teng Kheong	11	-	32	-
Rental of equipment				
- Koay Boon Pee Holding Sdn. Bhd.	84	66	230	84

Related party relationship:

City Packaging Industry Sdn. Bhd.	:	A company in which person connected to certain directors of the Company, namely Messrs. Koay Chiew Poh, Koay Chue Beng, Koay Chiew Kang, Koay Teng Liang and Koay Teng Kheong, has substantial financial interest.
Denson SCM Sdn. Bhd.	:	A 100% owned sub-subsidiary of Koay Boon Pee Holding Sdn. Bhd.
Pearl Island Resort Development Sdn. Bhd.	:	A company in which the directors of the Company, namely Messrs. Koay Chiew Poh and Koay Chiew Kang are also directors of the Company.
Fame Pack Holdings Sdn. Bhd.	:	A substantial shareholder of the Company and connected to Mr. Koay Chiew Poh.
Koay Boon Pee Holding Sdn. Bhd.	:	A company connected to Koay Chiew Poh, Koay Chiew Kang and Koay Chue Beng.

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.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE AND CURRENT YEAR PROSPECTS

	Apr-Jun 2016 RM'000	Jul-Sep 2016 RM'001	Jul-Sep 2015 RM'000	Jan-Sep 2016 RM'000	Jan-Sep 2015 RM'000
<i>Revenue</i>					
- Trading	2,455	2,718	2,920	6,862	7,087
- Manufacturing	39,050	37,757	37,111	114,790	110,570
- Properties	148	131	178	450	557
- Investment	215	204	256	638	552
Total	41,868	40,810	40,465	122,740	118,766
<i>Profit/(Loss) before tax</i>					
- Trading	186	379	850	664	1,445
- Manufacturing	3,959	4,381	2,680	14,062	12,326
- Properties	(22)	(83)	(237)	(104)	(184)
- Investment	(199)	(476)	(469)	(848)	(1,237)
Total	3,924	4,201	2,824	13,774	12,350

a) Comparison with corresponding period in previous year

The group recorded a revenue of RM40.810 mil and profit before tax of RM4.201mil in the current quarter ended 30 September 2016. As compared to proceeding year corresponding quarter of 30 September 2015, the revenue and profit before tax increased by RM0.345mil and RM1.377mil respectively.

Manufacturing

For manufacturing, the revenue for current quarter was increased by RM0.646mil or 1.74% as compared to corresponding period in previous year. Besides, the profit before tax had registered RM4.381mil for current quarter compared to proceeding quarter of RM2.680mil. The increase in sales volume was due to higher market demand and cost cutting activities.

Trading

The revenue for current quarter decreased by RM0.202mil or 6.92% as compared to corresponding period in previous year. The profit before tax for trading division was decrease from RM0.850mil to RM0.379mil in previous corresponding quarter. The decrease mainly due to low demand.

Properties

Loss before tax improved from a loss of RM0.237mil to RM0.083mil compared to corresponding period in proceeding year. Although there was a decrease in revenue, the division implemented tighter control on operating expenses resulting in the improvement.

Investment

Loss before tax increased from RM0.469mil to RM0.476mil. Although there was an improvement in the share of profit from jointly controlled entities from loss of RM0.207mil to profit of RM0.188mil, the improvement was not reflected in the bottom line due to an impairment on goodwill of RM0.387mil made during the quarter.

b) Comparison with preceeding quarter

For the quarter under review, the Group recorded a revenue of RM40.810mil and a profit before tax of RM4.201mil as compared to revenue of RM41.868mil and profit before tax of RM3.924mil in the immediate preceeding quarter, showing decrease of RM1.058mil (2.527%) and increase of RM0.664mil (6.465%) respectively. The increase in profitability was mainly due to the reasons as disclosed above.

c) Prospects

We continue to expect 2016 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 year.

B3. TAX EXPENSE

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Profit before tax	4,201	2,824	13,774	12,350
Current year taxation :-				
Income tax	1,279	1,012	3,740	3,849
Deferred tax	(254)	232	(661)	(471)
	<u>1,025</u>	<u>1,244</u>	<u>3,079</u>	<u>3,378</u>

The effective tax rate of the Group was lower than statutory tax rate due to reinvestment allowances claimed by subsidiary companies as well as effects of changes in tax rates in different countries.

B4. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal announced but not completed as at the date of this report.

B5. BANK BORROWINGS AND DEBT SECURITIES

	Unsecured RM'000
Current	32,004
Non-current	9,447
	<u>41,451</u>

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 period by weighted average number of ordinary shares in issue during the period.

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Net profit for the period (RM'000)	3,176	1,580	10,695	8,972
Weighted average number of ordinary shares in issue ('000)	109,896	109,896	109,896	109,896
Basic earnings per share (sen)	<u>2.89</u>	<u>1.44</u>	<u>9.73</u>	<u>8.16</u>
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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		9 MONTHS ENDED	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived				
a) After Charging				
Amortisation of goodwill	464	-	464	-
Depreciation	1,611	1,738	4,812	5,086
Bad debts	1	*	1	*
Interest expense	633	694	1,867	2,308
Loss on foreign exchange - realised	39	86	648	587
Loss on disposal of property, plant and equipment	42	7	42	7
Rental of equipment and machinery	131	115	369	240
Rental of premises	134	168	400	454
b) After Crediting				
Interest income	9	5	18	17
Gain on foreign exchange - realised	328	593	936	1,310
Gain on disposal of property, plant and equipment	219	-	219	-
Lease rental income	74	56	185	186
Rental income	143	189	487	586
Dividend income	248	2,290	745	2,620

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 2015.

* represents RM 1

B10. REALISED AND UNREALISED RETAINED EARNING

	GROUP	
	30/09/2016	30/09/2015
	RM'000	RM'000
Total retained earning of Public Packages Holdings Berhad and its subsidiaries		
- Realised	141,087	126,347
- Unrealised	(9,773)	(10,723)
	<u>131,314</u>	<u>115,624</u>
Total share of retained earning from joint ventures:		
- Realised	3,199	2,518
	<u>134,513</u>	<u>118,142</u>
Less: Consolidation adjustments	(10,321)	(9,884)
Total retained earning	<u>124,192</u>	<u>108,258</u>

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 30/09/2016 RM'000	CORRESPONDING QUARTER ENDED 30/09/2015 RM'000	CURRENT YEAR TO DATE ENDED 30/09/2016 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/09/2015 RM'000
1. Revenue	40,810	40,465	122,740	118,766
2. Profit / (loss) before tax	4,201	2,824	13,774	12,350
3. Profit / (loss) for the period	3,176	1,580	10,695	8,972
4. Profit / (loss) attributable to ordinary equity holders of the parent	3,176	1,580	10,695	8,972
5. Basic earnings / (loss) per share (sen)	2.89	1.44	9.73	8.16
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)		1.66		1.56

Part A3: Additional Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30/09/2016 RM'000	CORRESPONDING QUARTER ENDED 30/09/2015 RM'000	CURRENT YEAR TO DATE ENDED 30/09/2016 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/09/2015 RM'000
1. Profit from the operation	4,646	3,725	15,122	14,855
2. Gross interest income	9	5	18	17
3. Gross interest expenses	633	694	1,867	2,308