

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30/09/2019 RM'000 Unaudited	30/09/2018 RM'000 Unaudited	30/09/2019 RM'000 Unaudited	30/09/2018 RM'000 Unaudited
REVENUE		52,584	52,076	150,204	143,508
OPERATING EXPENSES		(42,821)	(46,727)	(127,735)	(126,141)
OTHER INCOME		1,484	739	2,417	1,392
PROFIT FROM OPERATIONS		11,247	6,088	24,886	18,759
SHARE OF RESULTS OF JOINT VENTURES		217	769	622	757
FINANCE COSTS		(729)	(635)	(2,017)	(2,130)
PROFIT BEFORE TAX	B9	10,735	6,222	23,491	17,386
TAX EXPENSE	B3	(636)	(15)	(3,684)	(3,054)
PROFIT FOR THE PERIOD		10,099	6,207	19,807	14,332
OTHER COMPREHENSIVE INCOME, NET OF TAX:-					
Foreign currency translation differences for foreign operation		(76)	140	(13)	(11)
Fair value adjustment on available-for-sale financial assets		2	(17)	219	(25)
Total other comprehensive income for the period		(74)	123	206	(36)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD, ATTRIBUTABLE TO OWNERS OF THE PARENT		10,025	6,330	20,013	14,296
EARNING PER SHARE ATTRIBUTABLE TO OWNER OF THE PARENT					
- Basic (sen)	B8	5.35	3.29	10.50	7.60
- 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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THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30/09/2019 RM'000 Unaudited	As at 31/12/2018 RM'000 Audited
ASSETS			
Non Current Assets			
Property, Plant & Equipment		160,896	148,650
Investment Properties	A10	10,715	10,715
Investment in Joint Ventures		21,665	21,043
AFS investments		1,697	1,478
		194,973	181,886
Current Assets			
Inventories		21,409	21,745
Trade and other receivables		53,948	53,427
Tax Recoverable		1,866	843
Short term fund with a licensed financial institution		25,384	36,177
Cash and Cash Equivalents		15,590	16,172
		118,197	128,364
TOTAL ASSETS		313,170	310,250
LIABILITIES			
Non Current Liabilities			
Borrowings	B5	16,904	15,934
Deferred tax liabilities		8,714	8,662
		25,618	24,596
Current Liabilities			
Trade & Other Payables		14,783	25,056
Borrowings	B5	29,919	37,761
		44,702	62,817
TOTAL LIABILITIES		70,320	87,413
EQUITY			
Share Capital		94,361	94,361
Reserves		148,489	128,476
TOTAL EQUITY		242,850	222,837
TOTAL EQUITY AND LIABILITIES		313,170	310,250
Net Assets per share attributable to owners of the parent (RM)		1.29	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	-	-	-	-	19,807	19,807
Other comprehensive income, net of income tax	-	-	219	(13)	-	206
Total comprehensive income for the period	-	-	219	(13)	19,807	20,013
At 30 September 2019	94,361	386	448	1,263	146,392	242,850
At 1 January 2018	94,361	386	364	1,280	107,577	203,968
Profit for the period	-	-	-	-	14,332	14,332
Other comprehensive income, net of income tax	-	-	(25)	(11)	-	(36)
Total comprehensive income for the period	-	-	(25)	(11)	14,332	14,296
At 30 September 2018	94,361	386	339	1,269	121,909	218,264

(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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ENDED 30 SEPTEMBER 2019
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 MONTHS ENDED	
	30/09/2019	30/09/2018
	RM'000	RM'000
	Unaudited	Unaudited
Profit before tax	23,491	17,386
Adjustments for non-cash flow items:-		
Non-cash items	3,988	5,020
Non-operating items	593	240
Operating profit before changes in working capital	28,072	22,646
Changes in working capital		
Net changes in current assets	613	(5,635)
Net changes in current liabilities	(10,274)	328
Cash from operation	18,411	17,339
Dividend received	733	2,506
Interest paid	(2,017)	(2,130)
Interest received	72	51
Tax paid	(5,648)	(4,471)
Tax refund	992	108
Net Cash Flows From Operating Activities	12,543	13,403
Investing Activities		
- Acquisition of property, plant and equipment	(17,053)	(18,027)
- Placement of fixed deposits	(2)	-
- Proceed from disposal of property, plant and equipment	12	125
Net Cash Flows Used In Investing Activities	(17,043)	(17,902)
Financing activities		
- Bank borrowings	(2,798)	1,982
- Proceed from finance lease	1,205	-
- Proceed from term loans	3,382	5,711
- Repayment of finance lease	(3,395)	(3,499)
- Repayment of term loans	(557)	(756)
Net Cash Flows (Used in) / From Financing Activities	(2,163)	3,438
Effects of exchange rate changes on cash & cash equivalents	(2)	10
Net Change In Cash and Cash Equivalents	(6,665)	(1,051)
Cash and Cash Equivalents At Beginning Of Year	46,641	51,963
Effects of exchange rate changes	(4)	(10)
Cash and Cash Equivalents At End Of Period	39,972	50,902

(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 SEPTEMBER 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) Hotel
- (iv) Properties
- (v) Investment

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 September 2019							
Revenue							
Total sales	8,729	184,357	2,402	549	6,538	(52,371)	150,204
Results							
Profit before tax	1,927	21,570	(1,290)	277	7,109	(6,102)	23,491
Tax expense							(3,684)
Profit attributable to owners of the parent							19,807
Assets							
Segment assets	12,622	199,246	82,849	20,721	132,163	(157,962)	289,639
Investment in joint ventures					21,665		21,665
Unallocated corporate assets							1,866
Total assets							313,170
Liabilities							
Segment liabilities	347	12,956	1,396	48	36	-	14,783
Unallocated corporate liabilities							55,537
Total liabilities							70,320
Results for the year ended 30 September 2018							
Revenue							
Total sales	6,837	184,246	-	801	6,249	(54,625)	143,508
Results							
Profit before tax	686	15,437	-	(87)	6,030	(4,680)	17,386
Tax expense							(3,054)
Profit attributable to owners of the parent							14,332
Assets							
Segment assets	10,477	198,366	-	32,775	121,823	(88,137)	275,304
Investment in joint ventures					21,888		21,888
Unallocated corporate assets							1,875
Total assets							299,067
Liabilities							
Segment liabilities	363	16,819	-	2,202	31	-	19,415
Unallocated corporate liabilities							61,388
Total liabilities							80,803

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 25 November 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		9 MONTHS ENDED	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Rental of properties for staff accomodation and office lot				
- Fame Pack Holdings Sdn. Bhd.	57	53	173	176
- Koay Boon Pee Holding Sdn. Bhd.	4	-	4	-
- Koay Teng Liang	14	14	41	41
- Ooi Siew Hong	2	1	5	4
- Koay Teng Kheong	6	6	18	18
Rental of equipment				
- Koay Boon Pee Holding Sdn. Bhd.	144	103	370	308
Medical consultation				
- Peoples Primary Healthcare Sdn. Bhd.	33	23	131	23

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				9 MONTHS ENDED			
	30/9/2019	30/9/2018	Variance		30/9/2019	30/9/2018	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	52,584	52,076	508	0.98	150,204	143,508	6,696	4.67
Operating Profit	11,247	6,088	5,159	84.74	24,886	18,759	6,127	32.66
Profit Before Interest and Tax	11,464	6,857	4,607	67.19	25,508	19,516	5,992	30.71
Profit Before Tax	10,735	6,222	4,513	72.52	23,491	17,386	6,105	35.11
Profit After Tax	10,099	6,207	3,892	62.70	19,807	14,332	5,475	38.20

For the current quarter, the group recorded a revenue of RM52.584mil, which increased by RM0.508mil only compare similar quarter in last year. At the same time, profit before taxation surged from RM6.222mil in similar quarter last year to RM10.735mil in this quarter, showing an increase of 72.52%. Manufacturing remains main contributors to the Group. Better margin in both manufacturing and trading divisions helped the overall group performances. In addition, The Prestige Hotel which had commenced its business operation since June 2019 and bad debt recovery of RM0.800mil have also contributed to bottom line of the Group.

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

	Current	Immediate	Variance	
	Quarter	Preceding		
	30/9/2019	30/6/2019	RM'000	%
Revenue	52,584	50,072	2,512	5.02
Operating Profit	11,247	7,398	3,849	52.03
Profit Before Interest and Tax	11,464	7,528	3,936	52.28
Profit Before Tax	10,735	6,872	3,863	56.21
Profit After Tax	10,099	5,050	5,049	99.98

For the quarter under review, the Group recorded a revenue of RM52.584mil and a profit before tax of RM10.735mil as compared to revenue of RM50.072mil and profit before tax of RM6.872mil in the immediate preceding quarter. The reasons for improvement in performance will be disclosed in part (b) segmental analysis.

b) Segmental Analysis

	July-Sep	Jul-Sep	Jan-Sep	Jan-Sep
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<i>Revenue</i>				
- Manufacturing	46,054	49,285	139,003	135,895
- Trading	4,349	2,558	8,728	6,818
- Hotel	2,151	-	2,330	-
- Properties	26	107	77	334
- Investment	4	126	66	461
Total	52,584	52,076	150,204	143,508
<i>Profit/(Loss) before tax</i>				
- Manufacturing	8,184	5,266	21,660	16,063
- Trading	1,554	232	1,950	684
- Hotel	112	-	(1,188)	-
- Properties	(77)	(113)	(193)	(359)
- Investment	962	837	1,262	998
Total	10,735	6,222	23,491	17,386

Manufacturing

For manufacturing, the revenue for current quarter was decreased by RM3.231mil or 6.56% as compared to corresponding period in previous year. However, the profit before taxation for the division increase from RM5.266mil in corresponding quarter in last year to RM8.185mil in this quarter. The increase in bottom line was mainly due to better profit margin and continuous cost-control activities carried out by the division.

Trading

The revenue for current quarter increased by RM1.791mil or 70.01% as compared to corresponding period in previous year. At the same time, the profit before tax for trading division was also surged from RM0.232mil in previous corresponding quarter to RM1.554mil in this quarter. The huge increase is mainly due to high in market demand and better profit margin.

Hotel

The Prestige Hotel located at 8 Gat Lebuu Gereja had officially commenced its business operation on 1 June 2019. The total revenue recorded during the month was RM2.151mil with profit before taxation of RM0.112mil.

Properties

The revenue of properties division was drop from RM0.107mil to RM0.026mil only. The reduction was mainly due to certain rental income had been reclassified from properties division to hotel division.

Investment

Bottom line of this division improved from profit of RM0.837mil in previous corresponding quarter to RM0.962mil in this quarter. The improvement at mainly due to jointly controlled entities continued contributing to the group, which share of profit registered at RM0.217mil during the quarter. In addition, bad debt recovery of RM0.800mil has also contributed to bottom line of the group.

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		9 MONTHS ENDED	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Profit before tax	10,735	6,222	23,491	17,386
Current year taxation :-				
Income tax	316	(83)	3,633	3,061
Deferred tax	320	98	51	(7)
	<u>636</u>	<u>15</u>	<u>3,684</u>	<u>3,054</u>

The effective tax rate of the Group was lower than statutory tax rate due to automation allowances enjoyed by the subsidiary companies and adjustment on overprovision in taxation that carried forward from last year.

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 September 2019 are as follows:

	Current Liabilities RM'000	Non-current Liabilities RM'000	Total RM'000
Secured			
- Bank overdrafts	789	-	789
- Bill payables	24,857	-	24,857
- Finance lease	4,041	3,176	7,217
- Term loans	232	13,728	13,960
	<u>29,919</u>	<u>16,904</u>	<u>46,823</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		9 MONTHS ENDED	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Net profit for the period (RM'000)	10,099	6,207	19,807	14,332
Weighted average number of ordinary shares in issue ('000)	188,624	188,624	188,624	188,624
Basic earnings per share (sen)	5.35	3.29	10.50	7.60
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		9 MONTHS ENDED	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived				
a) After Charging				
Depreciation	1,816	1,237	4,788	4,861
Impairment loss on receivables	-	-	-	177
Interest expense	729	635	2,017	2,130
Loss on foreign exchange - realised	27	32	210	701
Loss on disposal of property, plant and equipment	1	-	10	-
Property, plant & equipment written off	-	*	-	*
Rental of equipment and machinery	205	164	559	483
Rental of premises	186	147	491	456
b) After Crediting				
Bad debts recovered	800	-	800	18
Interest income	27	30	75	51
Gain on foreign exchange - realised	171	485	549	765
Gain on disposal of property, plant and equipment	-	2	3	65
Lease rental income	77	45	214	138
Rental income	135	112	326	357
Dividend income	223	334	745	1,006

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.

B10. REALISED AND UNREALISED RETAINED

	GROUP	
	30/09/2019	30/09/2018
	RM'000	RM'000
Total retained earning of Public Packages Holdings Berhad and its subsidiaries	166,734	144,121
- Realised	(8,714)	(9,080)
- Unrealised	158,020	135,041
Total share of retained earning from joint ventures:	2,553	2,776
- Realised	160,573	137,817
	(14,181)	(15,908)
Less: Consolidation adjustments		
Total retained earning	146,392	121,909

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 30/09/2019 RM'000	CORRESPONDING QUARTER ENDED 30/09/2018 RM'000	CURRENT YEAR TO DATE ENDED 30/09/2019 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/09/2018 RM'000
1. Revenue	52,584	52,076	150,204	143,508
2. Profit / (loss) before tax	10,735	6,222	23,491	17,386
3. Profit / (loss) for the period	10,099	6,207	19,807	14,332
4. Profit / (loss) attributable to ordinary equity holders of the parent	10,099	6,207	19,807	14,332
5. Basic earnings / (loss) per share (sen)	5.35	3.29	10.50	7.60
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)		1.29		1.18

Part A3: Additional Information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30/09/2019 RM'000	CORRESPONDING QUARTER ENDED 30/09/2018 RM'000	CURRENT YEAR TO DATE ENDED 30/09/2019 RM'000	CORRESPONDING YEAR TO DATE ENDED 30/09/2018 RM'000
1. Profit from the operation	11,247	6,088	24,886	18,759
2. Gross interest income	27	30	75	51
3. Gross interest expenses	729	635	2,017	2,130