

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED
MARCH 31, 2017

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the first quarter ended March 31, 2017. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		3 Months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	94,116	89,699	94,116	89,699
Operating profit	7,772	8,747	7,772	8,747
Finance costs	(688)	(608)	(688)	(608)
Share of results of equity-accounted associate	351	(66)	351	(66)
Profit before tax	7,435	8,073	7,435	8,073
Income tax expense	(1,667)	(1,565)	(1,667)	(1,565)
Profit for the period	5,768	6,508	5,768	6,508
Other comprehensive income for the period, net of income tax				
Item that will be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	324	(273)	324	(273)
Total comprehensive income for the period	6,092	6,235	6,092	6,235
Earnings per ordinary share				
attributable to owners of the Company				
- Basic (sen)	2.12	2.38	2.12	2.38

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As Of 31.03.2017 RM'000	Audited As Of 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	138,762	141,218
Investment in an associate	20,596	20,245
Deferred tax assets	123	119
Total non-current assets	159,481	161,582
Current assets		
Inventories	73,511	72,554
Trade and other receivables	57,684	57,783
Tax recoverable	23	627
Derivative financial assets	-	21
Short-term deposits, cash and bank balances	22,466	15,829
Total current assets	153,684	146,814
Total assets	313,165	308,396
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	136,819	136,623
Share premium	2,950	2,950
Treasury shares	-	(2,354)
Translation reserve	919	595
Retained earnings	53,521	51,357
Total equity	194,209	189,171
Non-current liabilities		
Trade and other payables	508	508
Borrowings		
- interest bearing	11,588	13,417
Deferred tax liabilities	12,774	12,860
Total non-current liabilities	24,870	26,785
Current liabilities		
Trade and other payables	52,045	51,297
Derivative financial liabilities	472	570
Borrowings		
- interest bearing	37,846	40,573
Tax payable	119	-
Dividends payable	3,604	-
Total current liabilities	94,086	92,440
Total liabilities	118,956	119,225
Total equity and liabilities	313,165	308,396

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to Owners of The Company</u>					Total Equity RM'000
	Issued Capital RM'000	Treasury Shares RM'000	Non-Distributable Reserves - Share Premium RM'000	Translation Reserve RM'000	Distributable Reserve - Retained Earnings RM'000	
Balance as of January 1, 2017	136,623	(2,354)	2,950	595	51,357	189,171
Total comprehensive income for the financial period	-	-	-	324	5,768	6,092
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(3,604)	(3,604)
Share buy-back	-	(1,821)	-	-	-	(1,821)
Disposal of treasury shares	196	4,175	-	-	-	4,371
Total transactions with owners	196	2,354	-	-	(3,604)	(1,054)
Balance as of March 31, 2017	136,819	-	2,950	919	53,521	194,209
Balance as of January 1, 2016	113,853	-	3,013	288	64,320	181,474
Total comprehensive income for the financial period	-	-	-	(273)	6,508	6,235
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(3,552)	(3,552)
Bonus shares	22,770	-	-	-	(22,770)	-
Share issuance expenses	-	-	(113)	-	-	(113)
Total transactions with owners	22,770	-	(113)	-	(26,322)	(3,665)
Balance as of March 31, 2016	136,623	-	2,900	15	44,506	184,044

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 Months ended 31.03.2017 RM'000	Unaudited 3 Months ended 31.03.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	94,129	89,093
Cash paid to suppliers, employees and other payables	<u>(83,048)</u>	<u>(90,447)</u>
Cash generated from/(used in) operations	11,081	(1,354)
Interest received	58	10
Interest paid	(467)	(368)
Tax paid	<u>(1,025)</u>	<u>(1,516)</u>
Net Cash From/(Used In) Operating Activities	<u>9,647</u>	<u>(3,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7	26
Purchase of property, plant and equipment, net of finance leases drawdown	(976)	(2,310)
Proceeds from disposal of property, plant and equipment	<u>89</u>	<u>17</u>
Net Cash Used In Investing Activities	<u>(880)</u>	<u>(2,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	(1,821)	-
Proceeds from disposal of treasury shares	4,371	-
Share issuance expenses	-	(113)
Repayment of term loans	(1,105)	(2,252)
Interest paid	(221)	(240)
(Repayment of)/Proceeds from short-term borrowings (net)	(2,757)	6,264
Repayment of finance leases	<u>(695)</u>	<u>(653)</u>
Net Cash (Used In)/From Financing Activities	<u>(2,228)</u>	<u>3,006</u>
Net increase/(decrease) in cash and cash equivalents	6,539	(2,489)
Cash and cash equivalents at beginning of financial year	15,829	18,988
Effect of exchange differences	98	(182)
Cash and cash equivalents at end of financial period *	<u>22,466</u>	<u>16,317</u>
* Cash and cash equivalents at end of financial period consist of:-		
Short-term deposits with licensed banks	4,000	-
Cash and bank balances	<u>18,466</u>	<u>16,317</u>
	<u>22,466</u>	<u>16,317</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO THE QUARTERLY FINANCIAL REPORT

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended December 31, 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2016.

The significant accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those of the Group's consolidated audited financial statements for the financial year ended December 31, 2016 except for the adoption of the following:

Amendments to FRSs		Effective date
Amendments to FRS 12	Disclosure of Interests in Other Entities (Annual Improvements to FRSs 2014-2016 Cycle)	January 1, 2017
Amendments to FRS 107	Disclosure Initiative	January 1, 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017

The adoption of the amendments to FRSs does not have significant financial impact on the financial statements of the Group and of the Company.

Malaysian Financial Reporting Standards ("MFRSs")

On November 19, 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after January 1, 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities ("TE") will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by TE will be mandatory for annual financial periods beginning on or after January 1, 2013. On July 4, 2012, the MASB has decided to allow TE to defer the adoption of the MFRS Framework for another year. The MFRS Framework will therefore be mandated for all companies for annual financial periods beginning on or after January 1, 2014. On August 7, 2013, the MASB has decided to extend the transitional period for another year, i.e. the adoption of the MFRS Framework by all entities for annual financial periods beginning on or after January 1, 2015.

On September 2, 2014, with the issuance of MFRS 15 Revenue from Contracts with Customers and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141), the MASB announced that TE are required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017. On October 28, 2015, the MASB notified that the effective date of MFRS 15 is deferred to annual periods beginning on or after January 1, 2018. Accordingly, the effective date of application of MFRS Framework of the TE is also deferred to annual periods beginning on or after January 1, 2018.

An associate of the Group falls within the scope of definition of TE and has opted to defer the adoption of the new MFRS Framework and accordingly, the Group will be required to prepare its first set of financial statements using the MFRS Framework for the financial year ending December 31, 2018.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

A2 Audit report

The audit report of the preceding annual financial statements was not qualified.

A3 Seasonal or cyclical factors

The operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors.

A4 Unusual items

There were no items during this quarter affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

A5 Changes in estimates

The same estimates reported in the previous financial year were used in preparing the financial statements for the period under review.

A6 Debt and Equity Securities

During the current quarter, the Company repurchased 820,600 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM1,821,297 including transaction costs and has been deducted from equity. The repurchased transactions were financed by internally generated funds and the average price paid for the shares was RM2.22. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

During the current quarter, the Company had disposed of 1,935,300 treasury shares valued at RM2.26 for a total net consideration of RM4,371,637 in the open market, resulting in a surplus of RM196,160 which have been credited to the share capital account.

A7 Dividend Paid

There was no dividend paid during the financial quarter ended March 31, 2017.

A8 Related party transactions

There were no significant related party transactions for the Group during the period under review.

A9 Contingent liabilities

There were no contingent liabilities as at the date of this quarterly report.

A10 Operating segments

No segment information has been prepared as the Group is primarily engaged in manufacturing and marketing of flexible packaging materials.

Geographical Information

The Group operates in three principal geographical areas – Malaysia (country of domicile), Australia and New Zealand (“ANZ”).

The Group’s revenue from continuing operations from external customers and information about its non-current assets* by geographical location for the three months ended are as follows:

	31.03.2017	31.03.2016
	RM’000	RM’000
Revenue		
Malaysia	77,596	77,343
Australia	15,497	11,547
New Zealand	1,023	809
	<u>94,116</u>	<u>89,699</u>
	31.03.2017	31.03.2016
	RM’000	RM’000
Non-current assets *		
Malaysia	138,667	132,731
Australia	95	115
New Zealand	-	1
	<u>138,762</u>	<u>132,847</u>

* Non-current assets excluding investment in an associate and deferred tax assets.

A11 Capital Commitments

Capital commitments not provided for in the financial statements as of March 31, 2017 were as follows: -

	RM’000
Property, plant and equipment	
- Authorised and contracted for	143
- Authorised but not contracted for	11,959
	<u>=====</u>

A12 Subsequent events

On April 28, 2017, the Company’s subsidiary, Daiboche Flexibles Sdn Bhd secured regulatory approval from the Myanmar Investment Commission in relation to its investment in a 60% owned subsidiary.

A13 Changes in the Composition of the Group

There were no changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring and discontinuing operations as of March 31, 2017.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

The Group's performance for the quarter under review as compared to the corresponding quarter of the previous financial year is as tabled below:

Description	1Q17 RM'000	1Q16 RM'000	% Change
Revenue	94,116	89,699	+4.9
PBT	7,435	8,073	-7.9

QUARTER REVIEW

For the three months ended March 31, 2017, the Group recorded revenue of RM94.12 million, an increase of 4.9% compared to RM89.70 million for the corresponding period in the previous year. The revenue growth year-on-year was mainly attributable to an 8% increase in export sales, particularly to Australia and the ASEAN region. Local revenue rose 2% from the previous year.

Meanwhile, PBT in the current quarter declined 7.9% to RM7.43 million from RM8.07 million a year ago. The lower PBT was mainly attributed to lower foreign currency gain of RM194,000 compared to RM1.37 million in the previous year. The Group also saw a double-digit increase in raw material costs compared to the previous year, in line with higher global crude oil prices and a weaker MYR versus the USD. The rise in raw material costs was however mitigated by better wastage control, and enhanced operations efficiency following an increase in new foreign worker hires in January 2017.

There were no other material factors affecting the earnings and/or revenue of the Group for the current period and year-to-date.

B2 Material Changes in Profit Before Tax for the Quarter Reported On As Compared with the Immediate Preceding Quarter

The Group's current quarter performance as compared to that of the preceding quarter is as tabled below:

Description	1Q17 RM'000	4Q16 RM'000	% Change
Revenue	94,116	90,360	+4.2
PBT	7,435	7,268	+2.3

For the three months under review, the Group's revenue increased 4.2% to RM94.12 million compared to RM90.36 million in the preceding quarter. The higher revenue was primarily attributed to the increase in local and export sales, particularly exports to ASEAN.

In the quarter under review, the Group recorded PBT of RM7.44 million as compared to RM7.27 million for the preceding quarter, representing an increase of 2.3%. The improvement in PBT was largely attributed to better wastage control and improved operations efficiency, in spite of the increase in raw material prices as compared to preceding quarter.

B3 Prospects

Daibochi is confident of achieving growth in the current financial year ending December 31, 2017 (FY2017), driven by expanded clientele, delivery of new export contracts, and better operational efficiency.

The Group had in the first quarter of 2017 commenced supply of consumer packaging to Indonesia to a new large regional customer with prominent F&B brands marketed primarily in Indonesia and ASEAN. The Group is also conducting trial production runs for another MNC for its FMCG products in Indonesia, and targets to commence supply in the second half of 2017. Meanwhile, the Group is also undergoing qualification with another MNC in Indonesia to supply one of its key F&B brands, and hopes to successfully qualify in the near term. These contracts are expected to contribute positively to the Group's financial performance in FY2017.

Daibochi also expects to achieve better operational efficiency in FY2017, as increased foreign labour hires since January 2017 had been effective in gradually mitigating ongoing labour shortage issues. The Group would also pursue opportunities to expand its workforce through its joint venture in Myanmar, which involves in-house training and internal transfers of new foreign workers to the Group's Malaysia operations. The Group had also made progress in its wastage control programme through heightened workforce education and engagement, leading to cost savings in the first quarter of 2017. The Group would continue to focus on educating its workforce towards achieving better operational efficiency.

Meanwhile, the Group expects the increased exports and improved operational efficiency to mitigate near-term challenges associated with higher raw material prices resulting from a weak MYR versus the USD as well as rising crude oil prices. The Group would also see an upward normalization of its effective tax rate for FY2017 compared to the previous year due to lower reinvestment allowances.

Daibochi had on April 28, 2017, secured approval from Myanmar Investment Commission for its investment in a 60% owned subsidiary. The subsidiary, named Daibochi Packaging (Myanmar) Company Limited which was established on February 7, 2017, will operate a consumer flexible packaging plant in Yangon, Myanmar and is expected to contribute significantly to the Group's performance effective third quarter 2017.

B4 Profit Forecast or Profit Guarantee

No profit forecast or profit guarantee was provided.

B5 Profit Before Tax

Profit before tax is arrived at after (crediting)/charging:

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Interest income	(65)	(36)
Other operating income	(744)	(477)
Gain on disposal of property, plant and equipment	(25)	(17)
Interest expense	688	608
Depreciation of property, plant and equipment	3,371	3,126
Inventories write-down -net	1,502	736
Foreign exchange (gain)/loss	(161)	106
Foreign exchange gain on derivatives	(33)	(1,476)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B6 Income Tax Expense

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Current:		
- Malaysian Tax	1,695	1,021
- Foreign Tax	57	45
	<u>1,752</u>	<u>1,066</u>
Deferred tax:		
- Current	(85)	499
	<u>1,667</u>	<u>1,565</u>

The effective tax rate for the financial quarter ended March 31, 2017 was lower than the statutory tax rate mainly due to availability of tax incentives.

B7 Status of Corporate Proposals

On April 3, 2017, the Company announced its intention to undertake the following proposals:

- (i) Proposed bonus issue of up to 54,649,171 new Daibochi Shares ("Bonus Share(s)") to be credited as fully paid-up on the basis of two (2) Bonus Shares for every ten (10) existing Daibochi Shares held on an entitlement date to be determined later ("Entitlement Date") ("Proposed Bonus Issue of Shares"); and
- (ii) (Proposed bonus issue of up to 27,324,585 new warrants ("Warrant(s)") on the basis of one (1) free Warrant for every ten (10) existing Daibochi Shares held on the same Entitlement Date as the Proposed Bonus Issue of Shares ("Proposed Bonus Issue of Warrants").

(collectively referred to as the Proposals).

The Company received the approval from Bursa Securities in relation to the following on April 19, 2017:

- (i) Admission to the Official List and the listing and quotation of up to 27,324,585 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;
- (ii) Listing and quotation of up to 54,649,171 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares; and
- (iii) Listing of up to 27,324,585 new Daibochi Shares to be issued pursuant to the exercise of Warrants.

The Proposals are also subject to the approval being obtained from the shareholders of Daibochi at an extraordinary general meeting to be convened on May 24, 2017

Barring any unforeseen circumstances, the Board expects the Proposals to be completed by the second quarter of 2017.

B8 Group Borrowings

Details of the Group's borrowings as of March 31, 2017 were as follows:-

	Current	Non-Current
	RM'000	RM'000
Unsecured - Ringgit Malaysia	24,713	7,940
Unsecured - United States Dollar	10,264	-
Secured - Ringgit Malaysia	2,869	3,648
	<u>37,846</u>	<u>11,588</u>

B9 Financial instruments

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on trade transactions.

As of March 31, 2017, the Group has the following outstanding derivatives:-

	Principal or Notional Amount RM'000	Fair Value RM'000	Net loss RM'000
Foreign currency forward contracts:-			
Less than 1 year	6,856	7,328	<u>472</u>

There is no change to the Group's financial risk management policies in managing these derivatives, its related accounting policies and the market risk associated with these derivatives since the last financial year.

B10 Material litigation

There was no pending material litigation as of the date of this quarterly report.

B11 Dividends

The Board is pleased to declare a first interim single tier dividend of 1.32 sen for the financial year ending March 31, 2017 and the said dividend will be paid on June 22, 2017 (2016: 1.45 sen single tier dividend) to shareholders whose names appear on the Company's Record of Depositors on May 30, 2017.

B12 Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the financial period under review attributable to owners of the Company by the weighted average number of ordinary shares in issue during the said financial period, adjusted by the number of ordinary shares repurchased and disposed during the financial period under review.

	3 months ended	
	31.03.2017 RM'000	31.12.2016 RM'000
Profit attributable to owners of the Company (RM'000)	<u>5,768</u>	<u>6,508</u>
Weighted average number of ordinary shares in issue ('000):		
Issued ordinary shares as of January 1	273,246	273,246
Effect of treasury shares held	<u>(551)</u>	-
Weighted average number of ordinary shares as of March 31	<u>272,695</u>	273,246
Basic earnings per share (sen)	<u>2.12</u>	<u>2.38</u>

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares outstanding during the financial periods.

B13 Disclosure of realised and unrealised earnings

The breakdown of retained earnings of the Group as of the reporting date, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	31.03.2017	31.12.2016
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	73,921	72,357
- Unrealised	(13,591)	(14,090)
	60,330	58,267
Total share of retained earnings from an associate:-		
- Realised	(1,948)	(2,299)
- Unrealised	(24)	(24)
	58,358	55,944
Less: Consolidation adjustments	(4,837)	(4,587)
Total Group retained earnings	53,521	51,357

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: May 4, 2017
c.c. Securities Commission