

**DAIBOCHI BERHAD (12994 - W)**  
**(formerly known as DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD)**  
**UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER**  
**ENDED DECEMBER 31, 2018**

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the fourth quarter ended December 31, 2018. The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	3 Months ended		12 Months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	<b>110,452</b>	105,661	<b>430,756</b>	388,647
<b>Operating (loss)/profit</b>	<b>(363)</b>	11,294	<b>23,432</b>	37,611
Finance costs	<b>(1,052)</b>	(893)	<b>(3,856)</b>	(3,017)
Share of results of equity-accounted associate	<b>815</b>	777	<b>1,046</b>	1,154
<b>(Loss)/Profit before tax</b>	<b>(600)</b>	11,178	<b>20,622</b>	35,748
Income tax expense	<b>(514)</b>	(2,680)	<b>(3,775)</b>	(8,665)
<b>(Loss)/Profit for the financial period</b>	<b>(1,114)</b>	8,498	<b>16,847</b>	27,083
<b>Other comprehensive income for the financial period, net of income tax</b>				
<b>Item that will be reclassified subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	<b>1,234</b>	(2,705)	<b>(6,362)</b>	(3,139)
<b>Total comprehensive income for the financial period</b>	<b>120</b>	5,793	<b>10,485</b>	23,944
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	<b>(1,573)</b>	7,904	<b>15,241</b>	25,932
Non-controlling interests	<b>459</b>	594	<b>1,606</b>	1,151
	<b>(1,114)</b>	8,498	<b>16,847</b>	27,083
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	<b>(906)</b>	6,083	<b>11,134</b>	23,865
Non-controlling interests	<b>1,026</b>	(290)	<b>(649)</b>	79
	<b>120</b>	5,793	<b>10,485</b>	23,944
<b>(Loss)/Earnings per ordinary share</b>				
<b>attributable to owners of the Company</b>				
- Basic (sen)	<b>(0.48)</b>	2.42	<b>4.65</b>	7.92

**(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, 2017 and the accompanying explanatory notes attached to the interim financial statements.)**

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**ENDED DECEMBER 31, 2018**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited</b>	Audited	Audited
	<b>As Of</b>	As Of	As Of
	<b>31.12.2018</b>	31.12.2017	01.01.2017
	<b>RM'000</b>	RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	135,453	138,088	141,218
Investment in an associate	18,269	19,363	20,245
Goodwill	31,753	35,137	-
Deferred tax assets	113	117	119
<b>Total non-current assets</b>	<b>185,588</b>	<b>192,705</b>	<b>161,582</b>
<b>Current assets</b>			
Inventories	90,344	86,537	72,554
Trade and other receivables	74,945	67,766	57,783
Tax recoverable	351	805	627
Derivative financial assets	52	6	21
Short-term deposits, cash and bank balances	10,481	18,306	15,829
	<b>176,173</b>	<b>173,420</b>	<b>146,814</b>
Asset classified as held for sale	972	-	-
<b>Total current assets</b>	<b>177,145</b>	<b>173,420</b>	<b>146,814</b>
<b>Total assets</b>	<b>362,733</b>	<b>366,125</b>	<b>308,396</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	164,176	164,163	136,623
Treasury shares	(1,145)	(508)	(2,354)
Reserves	34,730	37,193	54,902
Equity attributable to owners of the Company	197,761	200,848	189,171
Non-controlling interests	22,345	21,054	-
<b>Total equity</b>	<b>220,106</b>	<b>221,902</b>	<b>189,171</b>
<b>Non-current liabilities</b>			
Trade and other payables	-	664	508
Borrowings			
- interest bearing	12,219	20,128	13,417
Deferred tax liabilities	13,612	13,016	12,860
<b>Total non-current liabilities</b>	<b>25,831</b>	<b>33,808</b>	<b>26,785</b>
<b>Current liabilities</b>			
Trade and other payables	59,124	57,912	51,297
Derivative financial liabilities	25	-	570
Borrowings			
- bank overdraft (interest bearing)	2,814	10	-
- interest bearing	54,729	49,737	40,573
Tax payable	104	2,756	-
<b>Total current liabilities</b>	<b>116,796</b>	<b>110,415</b>	<b>92,440</b>
<b>Total liabilities</b>	<b>142,627</b>	<b>144,223</b>	<b>119,225</b>
<b>Total equity and liabilities</b>	<b>362,733</b>	<b>366,125</b>	<b>308,396</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the financial year ended December 31, 2017 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER  
ENDED DECEMBER 31, 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of The Company						Distributable Reserve Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Issued Capital RM'000	Treasury Shares RM'000	- Non-Distributable Reserves -							
			Share Premium RM'000	Translation Reserve RM'000	Warrants Reserve RM'000	Discount on Shares RM'000				
<b>Balance as of January 1, 2018</b>	164,163	(508)	-	(1,472)	9,837	(9,837)	38,665	200,848	21,054	221,902
Total comprehensive income for the financial period	-	-	-	(4,107)	-	-	15,241	11,134	(649)	10,485
<b>Transactions with owners :</b>										
Dividends to owners of the Company	-	-	-	-	-	-	(13,597)	(13,597)	-	(13,597)
Dividends to non-controlling shareholder									(18)	(18)
Exercise of warrants	9	-	-	-	(1)	1	-	9	-	9
Share buy-back	-	(1,145)	-	-	-	-	-	(1,145)	-	(1,145)
Disposal of treasury shares	4	508	-	-	-	-	-	512	-	512
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,958	1,958
Total transactions with owners	13	(637)	-	-	(1)	1	(13,597)	(14,221)	1,940	(12,281)
<b>Balance as of December 31, 2018</b>	<b>164,176</b>	<b>(1,145)</b>	<b>-</b>	<b>(5,579)</b>	<b>9,836</b>	<b>(9,836)</b>	<b>40,309</b>	<b>197,761</b>	<b>22,345</b>	<b>220,106</b>
<b>Balance as of January 1, 2017</b>	136,623	(2,354)	2,950	595	-	-	51,357	189,171	-	189,171
Total comprehensive income for the financial period	-	-	-	(2,067)	-	-	25,932	23,865	79	23,944
<b>Transactions with owners :</b>										
Dividends to owners of the Company	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Bonus shares	27,324	-	(2,950)	-	-	-	(24,374)	-	-	-
Warrant issue	-	-	-	-	9,837	(9,837)	-	-	-	-
Share buy-back	-	(4,490)	-	-	-	-	-	(4,490)	-	(4,490)
Disposal of treasury shares	216	6,336	-	-	-	-	-	6,552	-	6,552
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	20,975	20,975
Total transactions with owners	27,540	1,846	(2,950)	-	9,837	(9,837)	(38,624)	(12,188)	20,975	8,787
<b>Balance as of December 31, 2017</b>	<b>164,163</b>	<b>(508)</b>	<b>-</b>	<b>(1,472)</b>	<b>9,837</b>	<b>(9,837)</b>	<b>38,665</b>	<b>200,848</b>	<b>21,054</b>	<b>221,902</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the financial year ended December 31, 2017 and the accompanying explanatory notes attached to the interim financial statements.)

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**ENDED DECEMBER 31, 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	Audited
	<b>12 Months ended</b>	12 Months ended
	<b>31.12.2018</b>	31.12.2017
	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers and other receivables	427,632	397,932
Cash paid to suppliers, employees and other payables	<b>(402,997)</b>	<b>(361,789)</b>
Cash generated from operations	24,635	36,143
Interest received	36	144
Interest paid	<b>(2,658)</b>	<b>(2,002)</b>
Tax paid	<b>(3,870)</b>	<b>(5,886)</b>
Net Cash From Operating Activities	<b>18,143</b>	28,399
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	64	27
Acquisition of assets through a business combination	-	(28,063)
Dividend income from an associate	2,140	2,036
Purchase of property, plant and equipment, net of finance leases drawdown	<b>(14,042)</b>	<b>(4,346)</b>
Proceeds from disposal of property, plant and equipment	992	148
Net Cash Used In Investing Activities	<b>(10,846)</b>	<b>(30,198)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share buy-back	<b>(1,145)</b>	<b>(4,490)</b>
Proceeds from disposal of treasury shares	512	6,552
Issuance of share capital to non-controlling interests of a subsidiary	1,958	1,978
Proceeds from issuance of ordinary shares	9	-
Share issuance expenses	-	(206)
Drawdown of term loans	6,644	28,623
Repayment of term loans	<b>(14,229)</b>	<b>(9,658)</b>
Dividends paid to owners of the Company	<b>(13,597)</b>	<b>(14,250)</b>
Interest paid	<b>(1,198)</b>	<b>(1,016)</b>
Proceeds from short-term borrowings (net)	7,233	(257)
Repayment of finance leases	<b>(2,993)</b>	<b>(2,833)</b>
Net Cash (Used in)/From Financing Activities	<b>(16,806)</b>	4,443
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,509)</b>	2,644
<b>Cash and cash equivalents at beginning of financial year</b>	<b>18,296</b>	15,829
Effect of exchange differences	<b>(1,120)</b>	(177)
<b>Cash and cash equivalents at end of financial period *</b>	<b>7,667</b>	18,296
<b>* Cash and cash equivalents at end of financial period consist of:-</b>		
Cash and bank balances	10,481	18,306
Bank overdrafts	<b>(2,814)</b>	<b>(10)</b>
	<b>7,667</b>	18,296

**(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2017 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 MFRS 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, 2017. 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, 2017.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRSs") framework issued by the Malaysian Accounting Standards Board with effect from January 1, 2018, and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. Accordingly, the financial statements of the Group for the financial year ended December 31, 2018 is the first set of financial statements prepare in accordance with the MFRSs.

For periods up to and including the financial year ended December 31, 2017, the Group prepared its financial statements in accordance with the Financial Reporting Standards ("FRSs") in Malaysia. The convergence from FRSs to the MFRSs framework does not have significant effect on the financial statements of the Group.

The following MFRSs, IC Interpretation and amendments to MFRSs have been adopted by the Group during the current period:

<b>MFRSs, IC Interpretation and amendments to MFRSs</b>		<b>Effective date</b>
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	January 1, 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	January 1, 2018
MFRS 15	Revenue from Contracts with Customers	January 1, 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	January 1, 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	January 1, 2018

The adoption of the MFRSs, IC Interpretation and amendments to MFRSs does not have significant financial impact on the financial statements of the Group.

**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**

There was no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

**A7 Dividend Paid**

	<b>12 months ended</b>	
	<b>31.12.2018</b>	31.12.2017
	<b>RM'000</b>	RM'000
Fourth interim single tier dividend paid for the financial year 2017: 1.30 sen per ordinary share paid on March 21, 2018. (2017: 1.32 sen single tier dividend per ordinary share for the financial year 2016 paid on April 10, 2017).	<b>4,263</b>	3,604
First interim single tier dividend paid for the financial year 2018: 1.05 sen per ordinary share paid on June 28, 2018. (2017: 1.32 sen single tier dividend per ordinary share for the financial year 2017 paid on June 22, 2017).	<b>3,441</b>	3,607
Second interim single tier dividend paid for the financial year 2018: 0.80 sen per ordinary share paid on September 27, 2018. (2017: 1.00 sen single tier dividend per ordinary share for the financial year 2017 paid on September 20, 2017).	<b>2,619</b>	3,275
Third interim single tier dividend paid for the financial year 2018: 1.00 sen per ordinary share paid on December 21, 2018. (2017: 1.15 sen single tier dividend per ordinary share for the financial year 2017 paid on December 28, 2017).	<b>3,274</b>	3,764
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**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 Capital Commitments**

Capital commitments not provided for in the financial statements as of December 31, 2018 were as follows: -

	<b>RM'000</b>
Property, plant and equipment	
- Authorised and contracted for	<b>5,697</b>
- Authorised but not contracted for	<b>17,147</b>
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**A11 Subsequent event**

On December 10, 2018, certain shareholders of the Company entered into a Conditional Share Sale Agreement (“CSSA”) with Scientex Berhad (“Scientex”) for the disposal of 139,062,766 ordinary shares in the Company, representing 42.41% of the total number of issued shares in Daibochi to Scientex.

On February 11, 2019, the CSSA became unconditional and Scientex subsequently served its mandatory general takeover offer (“MGO”) to Daibochi to acquire all the remaining shares not already owned by Scientex.

The share exchange in accordance to the CSSA was completed on February 19, 2019, resulting in Daibochi becoming an associate of Scientex.

The MGO is expected to be completed by April, 2019.

**A12 Changes in the Composition of the Group**

On December 18, 2018, the Company’s wholly owned subsidiary, Daibochi New Zealand Ltd. (“DNZ”) has ceased to carry on business, discharged in full its liabilities to all its known creditors, and has distributed its surplus assets in accordance with its Constitution and New Zealand Companies Act 1993.

DNZ’s application for removal from the Companies Register was registered with the New Zealand Companies Office on February 7, 2019.

The winding-up of the subsidiary will not have material effect on the net earnings and net assets of the Group as the contribution from the subsidiary to the Group’s results is immaterial.

On February 19, 2019, Daibochi Berhad (“Daibochi”) became an associate of Scientex Berhad (“Scientex”) following the completion of a share exchange in accordance to the Conditional Share Sales Agreement signed by a group of individual shareholders of Daibochi and Scientex for the disposal of 139,062,766 ordinary shares in the Company, representing 42.41% of the total number of issued shares in Daibochi to Scientex (“Share Exchange”).

There were no other changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring and discontinuing operations as at December 31, 2018.

**A13 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 four principal geographical areas – Malaysia (country of domicile), Myanmar, Australia and New Zealand (“ANZ”).

The Group’s financial performance from continuing operations and information about its non-current assets\* by geographical location for the twelve months ended are as follows:

	Malaysia RM'000	Australia RM'000	New Zealand RM'000	MALAYSIA PLANT RM'000	Myanmar RM'000	Total RM'000	Elimination RM'000	Group RM'000
<b>3 months quarter ended December 31, 2018</b>								
<b>Revenue</b>								
-external	82,182	19,541	221	101,944	8,508	110,452	-	110,452
-internal	19,125	-	-	19,125	124	19,249	(19,249)	-
	<u>101,307</u>	<u>19,541</u>	<u>221</u>	<u>121,069</u>	<u>8,632</u>	<u>129,701</u>	<u>(19,249)</u>	<u>110,452</u>
(Loss)/profit by geographical location	<u>(1,896)</u>	<u>204</u>	<u>10</u>	<u>(1,682)</u>	<u>1,068</u>	<u>(614)</u>	<u>(801)</u>	<u>(1,415)</u>
Share of results of equity-accounted associate								<u>815</u>
<b>(Loss)/profit before tax</b>								<u>(600)</u>
<b>3 months quarter ended December 31, 2017</b>								
<b>Revenue</b>								
-external	78,216	19,632	975	98,823	6,838	105,661	-	105,661
-internal	18,011	-	-	18,011	1,638	19,649	(19,649)	-
	<u>96,227</u>	<u>19,632</u>	<u>975</u>	<u>116,834</u>	<u>8,476</u>	<u>125,310</u>	<u>(19,649)</u>	<u>105,661</u>
Profit by geographical location	<u>9,549</u>	<u>698</u>	<u>31</u>	<u>10,278</u>	<u>1,713</u>	<u>11,991</u>	<u>(1,590)</u>	<u>10,401</u>
Share of results of equity-accounted associate								<u>777</u>
<b>Profit before tax</b>								<u>11,178</u>



<b>REVENUE</b>	< ----- Malaysia Plant ----- >			<b>MALAYSIA PLANT</b> RM'000	<b>Myanmar</b> RM'000	<b>Total</b> RM'000	<b>Elimination</b> RM'000	<b>Group</b> RM'000
	<b>Malaysia</b> RM'000	<b>Australia</b> RM'000	<b>New Zealand</b> RM'000					
<b>12 months quarter ended December 31, 2018</b>								
Revenue								
-external	321,301	77,252	1,241	399,794	30,962	430,756	-	430,756
-internal	73,894	-	-	73,894	3,880	77,774	(77,774)	-
	395,195	77,252	1,241	473,688	34,842	508,530	(77,774)	430,756
Profit by geographical location	13,610	1,218	1	14,829	4,111	18,940	636	19,576
Share of results of equity-accounted associate								1,046
<b>Profit before tax</b>								<b>20,622</b>
<b>12 months quarter ended December 31, 2017</b>								
Revenue								
-external	298,320	72,606	4,430	375,356	13,291	388,647	-	388,647
-internal	72,944	-	-	72,944	1,638	74,582	(74,582)	-
	371,264	72,606	4,430	448,300	14,929	463,229	(74,582)	388,647
Profit by geographical location	33,945	1,255	131	35,331	3,559	38,890	(4,296)	34,594
Share of results of equity-accounted associate								1,154
<b>Profit before tax</b>								<b>35,748</b>
<b><u>NON-CURRENT ASSETS</u></b>								
<b>As of December 31, 2018</b>								
Non-current assets	127,529	206	-	127,735	39,869	167,604	(398)	167,206
<b>As of December 31, 2017</b>								
Non-current assets	129,674	65	-	129,739	42,831	172,570	655	173,225

\*Non-current assets do not include investment in subsidiary/associated companies and deferred tax assets.

## 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:

<b>GROUP</b>	4Q 2018 RM '000	4Q 2017 RM '000	Change %	12m 2018 RM '000	12m 2017 RM '000	Change %
Revenue	110,452	105,661	4.5%	430,756	388,647	10.8%
Operating (loss)/profit	(363)	11,294	-103.2%	23,432	37,611	-37.7%
(Loss)/profit before tax	(600)	11,178	-105.4%	20,622	35,748	-42.3%
(Loss)/profit after tax	(1,114)	8,498	-113.1%	16,847	27,083	-37.8%
(Loss)/profit attributable to owners of the	(1,573)	7,904	-119.9%	15,241	25,932	-41.2%
<b>MYANMAR PLANT ("Daibochi Myanmar")</b>						
Revenue	8,632	8,476	1.8%	34,842	14,929	133.4%
Profit before tax	1,068	1,713	-37.7%	4,111	3,559	15.5%

For the three months ended December 31, 2018, the Group registered a 4.5% increase in revenue to RM110.45 million from RM105.66 million in the previous corresponding quarter due to higher domestic sales mainly driven by increased deliveries to a key multinational corporation ("MNC"). Exports as a percentage of group revenue dipped to 52.9% compared to 55.5% previously mainly due to lower shipments of RM4.59 million to the Philippines market, due the country's excise tax on sugar-sweetened beverages which was not present in the previous corresponding quarter. Contribution from the Malaysia plant grew 3.2% to RM101.94 million from RM98.82 million in the previous corresponding quarter.

Due to a one off Merger & Acquisition ("M&A") related transaction costs of RM4.86 million, the Group recognised a loss of RM600,000 in the quarter under review. Excluding this one off costs, the Group profit before tax ("PBT") decreased 61.9% from RM11.18 million in the previous corresponding quarter to RM4.26 million mainly due to higher raw materials cost particularly for polyester film, the sales mix, and increased operating expenses especially for bonus accrual, labour and electricity. The Group also recognised higher foreign currency exchange ("forex") loss of RM407,000 in the current quarter compared to a forex loss of RM83,000 in the previous corresponding quarter. The increased forex loss was due to the strengthening of the U.S. Dollar ("USD") versus the Malaysia Ringgit ("MYR") and Myanmar Kyat ("MMK") which had a material impact on the Group's USD-denominated transactions and its USD term loan for financing its investment in Daibochi Myanmar

Daibochi Myanmar recorded a 1.8% increase in revenue to RM8.63 million compared to RM8.48 million in the previous corresponding quarter. The higher revenue came despite a reduction in exports to Malaysia due to issues related to the new sales tax imposed on imports of packaging materials, resulting in exports to Malaysia only resuming in December 2018. The unit's growth was also constrained by the weaker MMK versus the MYR of approximately 16% compared to the previous corresponding quarter. Excluding the impact of forex changes, Daibochi Myanmar registered a 20.6% increase in revenue to MMK3.30 billion from MMK2.73 billion in the previous corresponding quarter.

Daibochi Myanmar's PBT decreased 37.7% to RM1.07 million from RM1.71 million in the previous corresponding quarter mainly due to higher key raw material costs due to the weaker MMK against the USD.

Other than a slight increase in labour cost in line with yearly adjustment in wages, operational cost for Daibochi Myanmar was largely maintained. The Myanmar plant's lean operating structure provides it with a keen competitive edge in securing new customers in Myanmar and the Southeast Asia ("SEA") region.

## **TWELVE MONTHS REVIEW**

For the financial year ended December 31, 2018, the Group recorded 10.8% higher revenue of RM430.76 million compared to RM388.65 million in the previous financial year. Growth was driven by higher sales to the domestic and export markets, and new contributions from Daibochi Myanmar which commenced operations in July 2017. Exports as a percentage of total group revenue rose to 55.8% compared to 54.8% a year ago.

The Malaysia plant recorded a 6.5% growth in revenue to RM399.79 million compared to RM375.36 million a year ago. The commendable growth was achieved despite a RM14.80 million reduction in sales to a key customer, particularly for the Philippines market following the country's implementation of excise tax on sugar-sweetened beverages.

Due to a one off M&A related transaction costs of RM4.86 million, the Group recognised a profit of RM20.62 million. Excluding this one off costs, the Group PBT decreased 28.7% to RM25.48 million from RM35.75 million in the previous year. This was mainly due to forex loss of RM3.27 million comparing unfavourably to forex gain of RM801,000 a year ago. Other factors impacting profitability were higher key raw materials cost, the sales mix, and higher operating costs particularly for labour and electricity as well as a one-off transitional cost for a new customer in Australia.

Daibochi Myanmar recorded revenue of RM34.84 million and PBT of RM4.11 million for the year ended December 31, 2018. There is no comparison for the corresponding period in the previous year as Daibochi Myanmar commenced operations in July 2017.

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

### **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:

<b>GROUP</b>	<b>4Q 2018 RM '000</b>	<b>3Q 2018 RM '000</b>	<b>Changes %</b>
Revenue	110,452	109,190	1.2%
Operating (loss)/profit	(363)	7,353	-104.9%
(Loss)/profit before tax	(600)	6,406	-109.4%
(Loss)/profit after tax	(1,114)	5,867	-119.0%
(Loss)/profit attributable to owners of the	(1,573)	5,687	-127.7%
<b>MYANMAR PLANT ("Daibochi Myanmar")</b>			
Revenue	8,632	6,481	33.2%
Profit before tax	1,068	516	107.0%

For the three months ended December 31, 2018, group revenue increased marginally to RM110.45 million from RM109.19 million in the preceding quarter mainly attributed to higher domestic sales, offset by slower demand in export markets, particularly to Australia. Exports as a percentage of group revenue stood at 52.9% compared to 56.4% in the preceding quarter. Contribution from Malaysia plant amounted to RM101.94 million, representing a marginal decrease of 0.7% from RM102.71 million in the preceding quarter.

Due to a one off M&A related transaction costs of RM4.86 million, the Group recognised a loss of RM600,000 in the quarter under review. Excluding this one off costs, the Group PBT was 33.5% lower at RM4.26 million compared to RM6.41 million in the preceding quarter largely due to the sales mix and higher operating expenses especially for bonus accrual.

Daibochi Myanmar recorded 33.2% higher revenue of RM8.63 million compared to RM6.48 million in the preceding quarter on commencement of sales to a major local food and beverage ("F&B") customer.

### **B3 Prospects**

Daibochi is optimistic on delivering commendable performance in the financial year ending 31 December 2019 (“FY2019”) on sustained growth in demand for flexible plastic packaging from the resilient F&B and fast moving consumer goods (“FMCG”) sectors in Malaysia and our export markets comprising the SEA region and Australia.

We also look forward to easing key raw materials costs in FY2019 in line with lower crude oil prices. Additionally, we are also hopeful of stabilization of the MYR and MMK against the USD in FY2019, which would result in reduced forex losses and potentially increased sales in Myanmar.

On February 19, 2019, Daibochi became an associate of Scientex Berhad (“Scientex”) following the completion of a share exchange in accordance to the Conditional Share Sales Agreement signed by a group of individual shareholders of Daibochi and Scientex for the disposal of 42.41% equity interest in Daibochi to Scientex. We look forward to exploring opportunities to work with Scientex to capture synergies, including through technology, expertise, and resource sharing to enhance operating efficiency and capabilities.

The ability to tap into Scientex’s complementary product portfolio is also expected to boost our value proposition to new customers, specifically to MNCs looking for a reliable flexible packaging partner capable of delivering high quality and sustainable solutions.

We also look forward to working together with Scientex in the research and development of a wider range of sustainable packaging solutions, which have become a priority for our MNC customers and leading industry players as they seek to address pressing environmental concerns.

As an enlarged entity in collaboration with Scientex, we would also be able to study new opportunities to expand at a more rapid pace, either organically through investments in new machinery or through strategic acquisitions going forward.

The combination of Daibochi and Scientex will create a truly world-class plastics converting player that will be the impetus to hasten the development of Malaysia’s plastics industry, and enabling it to compete effectively on the global stage.

Additionally, at our Myanmar plant, we have successfully obtained the Food Safety System Certification (“FSSC”) in January 2019, which provides a framework for effective management of food safety responsibilities. With the FSSC certification now in hand, Daibochi Myanmar will begin accelerating its efforts to enter into the qualification process with MNCs to supply their expanding packaging requirements in Myanmar and the SEA region.

Furthermore, issues related to the sales tax imposed by the Malaysia Government on imports of packaging materials have been resolved in November 2018. Towards this end, we look forward to picking up the pace of shipments from Daibochi Myanmar to our Malaysia plant to support the Group’s ability to effectively serve our customers while maintaining a lean operating cost structure.

**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		12 months ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Interest income	(8)	(21)	(100)	(171)
Other operating income	(653)	(577)	(3,387)	(2,360)
(Gain)/loss on disposal of property, plant and equipment	(45)	(17)	173	(84)
Interest expense	1,052	893	3,856	3,017
Depreciation of property, plant and equipment	3,623	3,518	14,004	13,774
Inventories write-down -net	443	(319)	3,159	2,024
Foreign exchange loss/(gain)	794	89	3,365	(550)
Foreign exchange (gain)/loss on derivatives	(387)	(6)	(93)	(251)

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		12 months ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current:				
- Malaysian Tax	675	1,437	3,073	7,307
- Foreign Tax	100	451	378	1,099
- (Over)/under provision in prior year	(26)	(1)	(267)	103
	<u>749</u>	<u>1,887</u>	<u>3,184</u>	<u>8,509</u>
Deferred tax:				
- Current	(235)	793	576	154
- Under provision in prior year	-	-	15	2
	<u>514</u>	<u>2,680</u>	<u>3,775</u>	<u>8,665</u>

The effective tax rate for the financial quarter ended December 31, 2018 was lower than the statutory tax rate mainly due to availability of tax incentives.

**B7 Status of Corporate Proposals**  
There were no corporate proposals announced as of the date of this quarterly report.

**B8 Trade and other receivables**

	<b>31.12.2018</b> <b>RM'000</b>	31.12.2017 RM'000
Trade receivables	<b>66,931</b>	60,604
Other receivables	<b>5,389</b>	2,925
Prepayments	<b>2,372</b>	3,953
Deposits	<b>253</b>	284
	<b><u>74,945</u></b>	<u>67,766</u>

The Group grant credit on various terms. Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for impairment receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Analysis of trade receivables as of the end of the reporting period was:

	<b>31.12.2018</b> <b>RM'000</b>	31.12.2017 RM'000
Neither past due nor impaired	<b>57,107</b>	52,909
Past due but not impaired:	<b>9,824</b>	7,695
1 month	<b>7,785</b>	6,529
2 months	<b>1,427</b>	576
3 months	<b>300</b>	424
More than 3 months	<b>312</b>	166
	<b><u>66,931</u></b>	<u>60,604</u>

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the terms for the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

**B9 Group Borrowings**

Details of the Group's borrowings as at the financial quarter were as follows:-

	<b>As of 4<sup>th</sup> quarter ended 31.12.2018</b>					
	<b>Long term</b>		<b>Short term</b>		<b>Total</b>	
	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000
<b>Secured:</b>						
Finance lease liabilities in Ringgit Malaysia		895		919		1,814
<b>Unsecured:</b>						
Term loan in Ringgit Malaysia		6,284		4,074		10,358
Term loan in United States Dollar	1,216	5,040	2,250	9,327		14,367
Bankers' acceptances in Ringgit Malaysia		-		20,667		20,667
Bankers' acceptances in Australian Dollar		-	358	1,049		1,049
Bankers' acceptances in United States Dollar			4,509	18,693		18,693
Bank Overdraft		-		2,814		2,814
		<u>12,219</u>		<u>57,543</u>		<u>69,762</u>

	As of 4 <sup>th</sup> quarter ended 31.12.2017					
	Long term		Short term		Total	
	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000
<b>Secured:</b>						
Finance lease liabilities in Ringgit Malaysia		1,405		2,975		4,380
<b>Unsecured:</b>						
Term loan in Ringgit Malaysia		4,638		4,442		9,080
Term loan in United States Dollar	3,466	14,085	2,250	9,145	5,716	23,230
Bankers' acceptances in Ringgit Malaysia		-		23,893		23,893
Bankers' acceptances in United States Dollar		-	2,284	9,282	2,284	9,282
Bank Overdrafts in Ringgit Malaysia		-		10		10
		<u>20,128</u>		<u>49,747</u>		<u>69,875</u>

#### B10 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 December 31, 2018, the Group has the following outstanding derivatives:-

	Principal or Notional Amount RM'000	Fair Value RM'000	Net gain RM'000
Foreign currency forward contracts:-			
Less than 1 year	3,761	3,734	<u>27</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.

#### B11 Material litigation

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

#### B12 Dividends

The Board is pleased to declare a fourth interim single tier dividend of 0.50 sen for the financial year ended December 31, 2018 and the said dividend will be paid on April 26, 2019 to shareholders whose names appear on the Company's Record of Depositors on April 11, 2019.

**B13 Earnings Per Share**

Basic loss or earnings per share is calculated by dividing the loss or 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.

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2018</b>	31.12.2017	<b>31.12.2018</b>	31.12.2017
(Loss)/profit attributable to owners of the Company (RM'000)	<b>(1,573)</b>	7,904	<b>15,241</b>	25,932
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares as of January 1	<b>327,895</b>	327,895	<b>327,895</b>	327,895
Effect of treasury shares held	<b>(551)</b>	(580)	<b>(312)</b>	(346)
Effect of exercise of warrants	<b>4</b>	-	<b>3</b>	-
Weighted average number of ordinary shares as of December 31	<b>327,348</b>	327,315	<b>327,586</b>	327,549
Basic (loss)/earnings per share (sen)	<b>(0.48)</b>	2.42	<b>4.65</b>	7.92

Diluted earnings per ordinary share are not presented as the warrants are anti-dilutive where the average market price of ordinary shares during the period does not exceed the exercise price of the warrants.

By Order of the Board

Ms TAN GAIK HONG, MIA 4621  
Secretary  
Melaka  
Dated: February 22, 2019