



DAIBOCHI BERHAD
(Company No: 197201001354 [12994-W])
(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 January 2021
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31 January 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.1.2021 RM'000	Preceding year corresponding quarter 31.1.2020 RM'000	Current year to date 31.1.2021 RM'000	Preceding year corresponding period 31.1.2020 RM'000
Revenue	161,342	158,963	318,020	311,527
Operating profit	16,512	21,185	34,129	37,693
Interest expense	(391)	(1,160)	(825)	(2,713)
Profit before tax	16,121	20,025	33,304	34,980
Taxation	(963)	(4,662)	(5,314)	(8,313)
Profit for the quarter / period	15,158	15,363	27,990	26,667
Profit attributable to:				
Owners of the Company	15,097	14,632	27,885	25,608
Non-controlling interests	61	731	105	1,059
Profit for the quarter / period	15,158	15,363	27,990	26,667
Earnings per share attributable to owners of the Company (sen per share)				
- Basic	4.61	4.47	8.52	7.82
- Diluted	4.59	N/A	8.47	N/A

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2020)



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QUARTERLY REPORT

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 January 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.1.2021 RM'000	Preceding year corresponding quarter 31.1.2020 RM'000	Current year to date 31.1.2021 RM'000	Preceding year corresponding period 31.1.2020 RM'000
Profit for the quarter / period	15,158	15,363	27,990	26,667
Other comprehensive (loss)/income, net of income tax:				
Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation of foreign operations	(2,795)	607	(1,183)	801
Other comprehensive (loss)/income for the quarter / period, net of income tax	(2,795)	607	(1,183)	801
Total comprehensive income for the quarter / period, net of income tax	12,363	15,970	26,807	27,468
Total comprehensive income for the quarter / period attributable to:				
Owners of the Company	13,738	14,713	27,303	25,876
Non-controlling interests	(1,375)	1,257	(496)	1,592
	12,363	15,970	26,807	27,468

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2020)

DAIBOCHI BERHAD
(Company No: 197201001354 [12994-W])
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 January 2021

	AS AT CURRENT FINANCIAL QUARTER ENDED 31.1.2021 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31.7.2020 RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	233,963	199,849
Right-of-use assets	3,462	3,797
Deferred tax assets	167	164
Goodwill	75,060	75,842
	312,652	279,652
Current assets		
Inventories	60,794	72,325
Trade and other receivables	97,462	102,623
Tax recoverable	87	5
Cash and bank balances	27,420	28,484
	185,763	203,437
TOTAL ASSETS	498,415	483,089
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	164,235	164,176
Treasury shares	(1,145)	(1,145)
Reserves	107,243	89,761
Equity attributable to owners of the Company	270,333	252,792
Non-controlling interests	24,412	24,908
Total equity	294,745	277,700
Non-current liabilities		
Borrowings	1,656	2,349
Lease liabilities	2,981	3,365
Deferred tax liabilities	23,777	24,119
	28,414	29,833
Current liabilities		
Borrowings	62,678	75,890
Lease liabilities	2,487	2,258
Trade and other payables	104,599	96,005
Tax liabilities	5,492	1,403
	175,256	175,556
Total liabilities	203,670	205,389
TOTAL EQUITY AND LIABILITIES	498,415	483,089
Net assets per share attributable to owners of the Company (RM)	0.83	0.77

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2020)



DAIBOCHI BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 January 2021

	Share capital RM'000	Treasury shares RM'000	Reserves		Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
			Revaluation reserve RM'000	Translation reserves RM'000				
Balance as at 1 August 2020	164,176	(1,145)	7,468	694	81,599	252,792	24,908	277,700
Profit for the financial period	-	-	-	-	27,885	27,885	105	27,990
Other comprehensive loss for the financial period, net of income tax	-	-	-	(582)	-	(582)	(601)	(1,183)
Total comprehensive income for the financial period	-	-	-	(582)	27,885	27,303	(496)	26,807
Dividends paid	-	-	-	-	(9,821)	(9,821)	-	(9,821)
Exercise of warrants	59	-	-	-	-	59	-	59
Balance as at 31 January 2021	164,235	(1,145)	7,468	112	99,663	270,333	24,412	294,745
Balance as at 1 August 2019	164,176	(1,145)	7,468	(5,055)	40,476	205,920	24,045	229,965
Profit for the financial period	-	-	-	-	25,608	25,608	1,059	26,667
Other comprehensive income for the financial period, net of income tax	-	-	-	268	-	268	533	801
Total comprehensive income for the financial period	-	-	-	268	25,608	25,876	1,592	27,468
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,453)	(2,453)
Balance as at 31 January 2020	164,176	(1,145)	7,468	(4,787)	66,084	231,796	23,184	254,980

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2020)

DAIBOCHI BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 31 January 2021

	6 MONTHS ENDED 31.1.2021 RM'000	6 MONTHS ENDED 31.1.2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	33,304	34,980
Adjustments	11,401	14,955
Operating profit before working capital changes	<u>44,705</u>	<u>49,935</u>
Movement in working capital:		
Decrease in inventories	11,932	8,832
Increase in receivables	(5,340)	(4,481)
Increase in payables	4,786	25,906
Cash generated from operations	<u>56,083</u>	<u>80,192</u>
Interest received	4	91
Taxation paid	(1,665)	(3,164)
Net cash from operating activities	<u>54,422</u>	<u>77,119</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income from an associate	-	8,025
Proceeds from disposal of property, plant and equipment	60	80
Interest received	8	156
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(89,931)
Purchase of property, plant and equipment	(30,229)	(17,054)
Deposit paid for purchase of property, plant and equipment	(2,197)	(3,654)
Net cash used in investing activities	<u>(32,358)</u>	<u>(102,378)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of short-term borrowings	(10,564)	41,578
Repayment of term loans	(1,277)	(5,936)
Proceeds from exercise of warrants	59	-
Dividends paid to:		
Owners of the Company	(9,821)	-
Non-controlling interests	-	(2,453)
Interest paid	(640)	(2,539)
Interest paid on lease liabilities	(185)	(174)
Repayment of lease liabilities	(235)	(945)
Net cash used in financing activities	<u>(22,663)</u>	<u>29,531</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(599)	4,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	28,484	18,562
Effect of exchange differences	(465)	386
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>27,420</u>	<u>23,220</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2020)

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 JANUARY 2021

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2020 which were prepared under Malaysian Financial Reporting Standards (“MFRS”). 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 31 July 2020.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2020, except for the adoption of the following amendments to MFRSs that are effective for the financial statements effective from 1 August 2020, as disclosed below:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 16	COVID-19 - Related Rent Concessions
Amendments to MFRS 101 and MFRS 108 MFRSs	Definition of Material
	Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of these amendments to MFRSs does not have significant impact on the financial statements of the Group.

A2 Audit report

The Group's preceding annual financial statements for the financial year ended 31 July 2020 was not qualified.

A3 Seasonal or cyclical factors

The business operations of the Group for the current financial quarter under review were not materially affected by any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current financial quarter under review.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior interim periods that have a material effect in the current financial quarter under review.

A6 Changes in debts and equity securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period under review except for the issuance of 22,320 new ordinary shares pursuant to the exercise of 22,320 warrants at an exercise price of RM2.50 per warrant.

As at 31 January 2021, the total number of issued shares of the Company was 327,922,279 ordinary shares, out of which 550,100 ordinary shares were held as treasury shares. As at 31 January 2021, the total number of warrants unexercised was 27,296,992.

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A7 Dividends paid

The amount of dividend paid by the Company since 31 July 2020 was as follows:

	RM'000
In respect of the financial year ended 31 July 2020:	
Single tier final dividend of 3 sen per ordinary share declared on 16 December 2020 and paid on 15 January 2021	9,821

A8 Segment information

The Group did not present operating segment analysis as the business of the Group focuses solely in manufacturing and marketing of flexible plastic packaging materials within their internal reporting system. Accordingly, the chief operating decision makers review the business performance of the Group as a whole.

A9 Disclosure items

The following items have been included in arriving at profit before tax:

	3 months ended		6 months ended	
	31.1.2021	31.1.2020	31.1.2021	31.1.2020
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	(6)	(55)	(12)	(247)
(b) Other income	(929)	(1,280)	(1,992)	(2,134)
(c) Interest expense	301	1,074	640	2,539
(d) Interest on lease liabilities	90	86	185	174
(e) Depreciation of property, plant and equipment	5,838	5,247	11,519	10,326
(f) Depreciation of right-of-use assets	281	226	575	450
(g) Net (write back)/provision of receivables	(111)	(63)	7	(91)
(h) Net (write back)/provision of inventories	(248)	(48)	(20)	667
(i) Write-off of inventories	-	-	-	80
(j) Gain on disposal of plant and equipment	(42)	(14)	(60)	(77)
(k) Property, plant and equipment written off	1	490	169	523
(l) Net foreign exchange gain	(1,262)	(1,035)	(1,474)	(101)
(m) Net gain arising from financial instruments measured at fair value through profit or loss	-	-	-	(113)

In the current financial quarter and current financial year-to-date ended 31 January 2021, there were no:

- Gain or loss on disposal of quoted or unquoted investments;
- Impairment of assets;
- Gain or loss on derivatives; and
- Any other material items not disclosed above.

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A10 Valuation of property, plant and equipment

The valuation of property, plant and equipment were brought forward without any amendments from the preceding annual financial statements.

A11 Events subsequent to the end of the reporting period

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statements for the said period as at the date of this report, except for the followings:

Incorporation of Daibochi New Zealand Limited

The Company had on 19 February 2021 incorporated a wholly owned subsidiary, namely Daibochi New Zealand Limited (“DNZ”) in New Zealand with an initial issued and paid up capital of NZD1,000.00. The principal activity of DNZ is marketing and trading of flexible packaging materials.

A12 Changes in the composition of the Group

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

A13 Contingent liabilities

There were no contingent liabilities or assets for the Group as at the end of the current financial quarter under review.

A14 Capital commitments

As at the end of the current financial quarter under review, the capital commitments not recognised in the financial statements were as follows:

	As at 31.1.2021 RM'000	As at 31.1.2020 RM'000
Approved and contracted for:		
Purchase of plant and machinery	12,112	33,101
	12,112	33,101

A15 Related party transactions

The Group’s related party transactions in the current financial quarter and current financial year-to-date ended 31 January 2021 were as follows:

	3 months ended		6 months ended	
	31.1.2021 RM'000	31.1.2020 RM'000	31.1.2021 RM'000	31.1.2020 RM'000
An associate				
Dividend income	-	5,885	-	8,025
Other related companies *				
Sale of goods	-	26	-	2,688
Facilities usage income	819	819	1,638	1,638
Purchase of goods	46,260	43,130	88,024	80,073
	46,260	43,130	88,024	80,073

* Other related companies refer to subsidiaries and/or associates of holding company, Scientex Berhad.

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD
INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 JANUARY 2021**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

B1 Review of performance

	INDIVIDUAL QUARTER		Changes %	CUMULATIVE QUARTER		Changes %
	Current year quarter	Preceding year corresponding quarter		Current year-to-date	Preceding year corresponding period	
	31.1.2021 RM'000	31.1.2020 RM'000		31.1.2021 RM'000	31.1.2020 RM'000	
Revenue	161,342	158,963	1.5%	318,020	311,527	2.1%
Operating profit	16,512	21,185	-22.1%	34,129	37,693	-9.5%
Profit attributable to owners of the Company	15,097	14,632	3.2%	27,885	25,608	8.9%

Current quarter review

For the current financial quarter ended 31 January 2021, the Group achieved revenue of RM161.34 million, a marginal increase compared to RM158.96 million recorded in the preceding year corresponding quarter. Domestic market contributed RM89.98 million or 55.8% of group revenue, with exports contributing the balance RM71.36 million or 44.2% of group revenue.

Despite the revenue growth, group operating profit decreased 22.1% to RM16.51 million from RM21.19 million in the preceding year corresponding quarter. The reduction in operating profit was mainly attributable to higher raw material prices and surge in freight costs which depressed the overall margin of the Group.

6-month review

For the 6-month financial period ended 31 January 2021, the Group recorded revenue of RM318.02 million, a slight increase of 2.1% compared to RM311.53 million recorded in the preceding year corresponding period. The increase was mainly due to better sales achieved from domestic market, which made up to RM178.46 million or 56.1% of group revenue. Exports amounted to RM139.56 million or 43.9% of group revenue.

Operating profit however decreased 9.5% to RM34.13 million from RM37.69 million in the preceding year corresponding period. The decline in operating profit was mainly attributed to the reasons as stated for the current quarter under review.

B2 Variations of the quarterly results as compared to the results of the preceding quarter

	Current quarter	Preceding quarter	Changes %
	31.1.2021 RM'000	31.10.2020 RM'000	
Revenue	161,342	156,678	3.0%
Profit before tax ("PBT")	16,121	17,183	-6.2%
Profit attributable to owners of the Company	15,097	12,788	18.1%

For the three months ended 31 January 2021, the Group's revenue increased to RM161.34 million from RM156.68 million in the preceding financial quarter, driven by higher sales in both the domestic and export markets.

Group PBT stood at RM16.12 million compared to RM17.18 million in the preceding financial quarter. The slight reduction in PBT was mainly attributable to higher operating costs particularly freight costs and certain raw material prices.

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B3 Current financial year prospects

The Group continues to register increased traction for its innovative and sustainable flexible plastic packaging (FPP) solutions in the Southeast Asia and Oceania region, hence growing its reputation as a key supplier to major global and regional consumer brands. As FPP solutions are also deemed as essential components in the essential food and beverages packaging supply chain, this has allowed the Group to maintain resilient performance in the current financial period.

Additionally, the Group is continuing the process of undertaking its capital expenditure programme for expansion of production capabilities and enhancement to production efficiency. In 2Q21, it also commissioned two new bag making machines primarily to serve the pet food market, with expanded capacity in packaging formats such as stand up and flat bottom pouch.

Furthermore, the Group's pursuits in developing sustainable, fully-recyclable FPP solutions jointly with Scientex have continued to gain traction, as major customers comprising multinational corporation (MNCs) and prominent domestic brands have gradually adopted its polypropylene (PP) based mono-material laminates since FY2020. In 2Q21, a major MNC client adopted the Group's mono-material laminate structure for two of its popular consumer brands in the food and beverage segment. This is an ongoing process of adoption of sustainable packaging by global businesses, and positions the Group in strong footing to cater to growing global demand for sustainable FPP.

Operationally, while uncertainties continued to persist in the business environment due to the pandemic situation in Malaysia, the Group's domestic and export businesses remained resilient to date, and had not experienced any major impact to production or supply chain. However, there was an increase in freight costs due to global shortage of shipping containers and rising raw materials prices, which the Group continues to manage prudently. Meanwhile, the Group's manufacturing operations in Yangon, Myanmar endured sporadic halt in operations due to the uncertainties in Myanmar's socioeconomic and political climate following developments in February 2021. The Group would continue to monitor the situation in Myanmar.

The Group remains cautiously optimistic that the current financial year would remain positive, on the back of resilient demand for FPP and increasing adoption of its innovative and sustainable FPP solutions.

B4 Variations of actual profit from forecast profit

This note is not applicable as the Group did not issue and publish any profit forecast for the current financial quarter under review.

B5 Taxation

Details of tax expense for the current financial quarter and current financial year-to-date were as follows:

	3 months ended		6 months ended	
	31.1.2021	31.1.2020	31.1.2021	31.1.2020
	RM'000	RM'000	RM'000	RM'000
In respect of current quarter/period:				
- Income tax	1,161	4,606	5,656	8,379
- Deferred tax	(198)	130	(342)	8
In respect of prior year:				
- Income tax	-	(74)	-	(74)
	963	4,662	5,314	8,313

The Group's effective tax rate for the current financial quarter is lower than the statutory income tax rate mainly due to the utilisation of tax incentive.

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B6 Status of corporate proposals

There were no material corporate proposals announced and not completed as at the date of this report.

B7 Borrowings

	Long term RM'000	Short term RM'000	Total borrowings RM'000
As at 31 January 2021			
<u>Unsecured:</u>			
Denominated in USD			
- Trade financing	-	35,235	35,235
Denominated in AUD			
- Trade financing	-	23,560	23,560
Denominated in RM			
- Term loan	1,656	1,883	3,539
- Trade financing	-	2,000	2,000
Total	1,656	62,678	64,334
As at 31 January 2020			
<u>Secured:</u>			
Denominated in RM			
- Finance lease	242	315	557
<u>Unsecured:</u>			
Denominated in USD			
- Term loan	-	4,217	4,217
- Trade financing	-	44,658	44,658
Denominated in AUD			
- Trade financing	-	26,730	26,730
Denominated in RM			
- Term loan	3,557	2,510	6,067
- Trade financing	-	20,500	20,500
Total	3,799	98,930	102,729

B8 Material litigation

There was no material litigation involving any member of the Group as at the date of this report.

B9 Dividend

The Board of Directors does not recommend any dividend for the current financial quarter under review.

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B10 Earnings per share

		3 months ended		6 months ended	
		31.1.2021	31.1.2020	31.1.2021	31.1.2020
(i) Basic earnings per share					
Profit attributable to owners of the Company	RM'000	15,097	14,632	27,885	25,608
Weighted average number of ordinary shares	'000	327,359	327,348	327,354	327,348
Basic earnings per ordinary share	(sen)	4.61	4.47	8.52	7.82
(ii) Diluted earnings per share					
Profit attributable to owners of the Company	RM'000	15,097	N/A	27,885	N/A
Weighted average number of ordinary shares	'000	327,359	N/A	327,354	N/A
Effect of dilution - warrants	'000	1,155	N/A	1,712	N/A
Adjusted weighted average number of ordinary shares	'000	328,514	N/A	329,066	N/A
Diluted earnings per share	(sen)	4.59	N/A	8.47	N/A

By Order of the Board

Tung Wei Yen (MAICSA 7062671)
Geetharani A/P Ranganathan (MAICSA 7070549)
Company Secretaries

9 March 2021