

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED
SEPTEMBER 30, 2016

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the third quarter ended September 30, 2016. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		9 Months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	94,066	86,010	280,798	261,840
Operating profit	7,981	9,365	24,914	26,767
Finance costs	(763)	(667)	(2,078)	(1,690)
Share of results of equity-accounted associate	(37)	438	(154)	1,751
Profit before tax	7,181	9,136	22,682	26,828
Income tax expense	(1,178)	(2,379)	(4,095)	(6,695)
Profit for the period	6,003	6,757	18,587	20,133
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	373	512	73	588
Total comprehensive income for the period	6,376	7,269	18,660	20,721
Earnings per ordinary share attributable to owners of the Company				
- Basic (sen)	2.21	2.48	6.82	7.39

The earnings per ordinary share for the quarter/period ended September 30, 2015 had been adjusted to reflect the share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and bonus issue of one (1) for every five (5) split shares held by the entitled shareholders, which were completed on February 22, 2016.

(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, 2015 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As Of 30.09.2016 RM'000	Audited As Of 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	139,069	133,669
Investment in an associate	22,037	22,191
Deferred tax assets	116	114
Total non-current assets	161,222	155,974
Current assets		
Inventories	75,854	65,116
Trade and other receivables	54,093	54,848
Tax recoverable	243	154
Derivative financial assets	-	48
Short-term deposits, cash and bank balances	13,464	18,988
Total current assets	143,654	139,154
Total assets	304,876	295,128
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	136,623	113,853
Share premium	2,896	3,013
Treasury shares	(3,093)	-
Translation reserve	361	288
Retained earnings	49,018	64,320
Total equity	185,805	181,474
Non-current liabilities		
Trade and other payables	364	364
Borrowings		
- interest bearing	14,210	11,961
Deferred tax liabilities	12,360	11,441
Total non-current liabilities	26,934	23,766
Current liabilities		
Trade and other payables	51,543	54,529
Derivative financial liabilities	208	341
Borrowings		
- bank overdraft (interest bearing)	139	-
- others (interest bearing)	40,210	31,960
Tax payable	37	3,058
Total current liabilities	92,137	89,888
Total liabilities	119,071	113,654
Total equity and liabilities	304,876	295,128

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 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, 2016	113,853	-	3,013	288	64,320	181,474
Total comprehensive income for the financial period	-	-	-	73	18,587	18,660
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(11,119)	(11,119)
Bonus shares	22,770	-	-	-	(22,770)	-
Share issuance expenses	-	-	(117)	-	-	(117)
Share buy-back	-	(3,093)	-	-	-	(3,093)
Total transactions with owners	22,770	(3,093)	(117)	-	(33,889)	(14,329)
Balance as of September 30, 2016	136,623	(3,093)	2,896	361	49,018	185,805
Balance as of January 1, 2015	113,853	(2,196)	2,941	(341)	54,067	168,324
Total comprehensive income for the financial period	-	-	-	588	20,133	20,721
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(12,485)	(12,485)
Share buy-back	-	(2,938)	-	-	-	(2,938)
Disposal of treasury shares	-	3,250	34	-	-	3,284
Total transactions with owners	-	312	34	-	(12,485)	(12,139)
Balance as of September 30, 2015	113,853	(1,884)	2,975	247	61,715	176,906

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 9 Months ended 30.09.2016 RM'000	Unaudited 9 Months ended 30.09.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	289,020	297,224
Cash paid to suppliers, employees and other payables	<u>(267,849)</u>	<u>(250,507)</u>
Cash generated from operations	21,171	46,717
Interest received	31	35
Interest paid	(1,397)	(1,008)
Tax paid	<u>(6,292)</u>	<u>(3,454)</u>
Net Cash From Operating Activities	<u>13,513</u>	<u>42,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	50	12
Purchase of property, plant and equipment, net of finance leases drawdown	(14,842)	(7,798)
Proceeds from disposal of property, plant and equipment	<u>95</u>	<u>250</u>
Net Cash Used In Investing Activities	<u>(14,697)</u>	<u>(7,536)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	(3,093)	(2,938)
Proceeds from disposal of treasury shares	-	3,284
Share issuance expenses	(117)	-
Drawdown of term loans	7,626	-
Repayment of term loans	(6,842)	(7,054)
Dividends paid to owners of the Company	(11,119)	(12,485)
Interest paid	(681)	(682)
Proceeds from short-term borrowings (net)	11,670	5,268
Repayment of finance leases	<u>(1,954)</u>	<u>(363)</u>
Net Cash Used In Financing Activities	<u>(4,510)</u>	<u>(14,970)</u>
Net (decrease)/increase in cash and cash equivalents	(5,694)	19,784
Cash and cash equivalents at beginning of financial year	18,988	6,514
Effect of exchange differences	31	234
Cash and cash equivalents at end of financial period *	<u>13,325</u>	<u>26,532</u>
* Cash and cash equivalents at end of financial period consist of:-		
Short-term deposits with licensed banks	-	10,800
Cash and bank balances	13,464	15,732
Bank overdrafts	<u>(139)</u>	<u>-</u>
	<u>13,325</u>	<u>26,532</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 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, 2015. 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, 2015.

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, 2015 except for the adoption of the following:

Amendments to FRSs		Effective date
Amendments to FRS 7	Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016
Amendments to FRS 10, FRS 12 & FRS 128	Applying the Consolidation Exception	January 1, 2016
Amendments to FRS 101	Disclosure Initiative	January 1, 2016
Amendments to FRS 116 & FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amendment to FRS 119	Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016
Amendments to FRS 127	Equity Method in Separate Financial Statements	January 1, 2016
Amendment to FRS 134	Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016

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 493,300 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM1,038,595 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 RM2.11. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A7 Dividend Paid

	9 months ended	
	30.9.2016	30.9.2015
	RM'000	RM'000
Fourth interim single tier dividend paid for the financial year 2015: 1.30 sen per ordinary share paid on April 8, 2016. (2015: 1.46 sen single tier dividend per ordinary share for the financial year 2014 paid on March 27, 2015).	3,552	3,978
First interim single tier dividend paid for the financial year 2016: 1.45 sen per ordinary share paid on June 10, 2016. (2015: 1.46 sen single tier dividend per ordinary share for the financial year 2015 paid on June 19, 2015).	3,951	3,970
Second interim single tier dividend paid for the financial year 2016: 1.33 sen per ordinary share paid on September 22, 2016. (2015: 1.66 sen single tier dividend per ordinary share for the financial year 2015 paid on September 29, 2015).	3,616	4,537
	=====	=====

The comparative figures for dividend paid per share have been adjusted to take into account the issuance of 1-to-2 share split and 1-for-5 bonus issue of split shares, which were completed on February 22, 2016.

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 nine months ended are as follows:

	Group	
	30.09.2016	30.09.2015
	RM'000	RM'000
Revenue		
Malaysia	233,208	224,007
Australia	45,206	35,031
New Zealand	2,384	2,802
	=====	=====
	280,798	261,840
	=====	=====
	Group	
	30.09.2016	30.09.2015
	RM'000	RM'000
Non-current assets *		
Malaysia	138,964	125,177
Australia	105	131
New Zealand	-	3
	=====	=====
	139,069	125,311
	=====	=====

* 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 September 30, 2016 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	3,956
- Authorised but not contracted for	615
	=====

A12 Subsequent events

There were no material events subsequent to September 30, 2016 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

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 September 30, 2016.

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	3Q16 RM'000	3Q15 RM'000	% Change	9m16 RM'000	9m15 RM'000	% Change
Revenue	94,066	86,010	+9.4	280,798	261,840	+7.2
PBT	7,181	9,136	-21.4	22,682	26,828	-15.5

QUARTER REVIEW

For the three months ended September 30, 2016, the Group recorded 9.4% higher revenue of RM94.07 million compared to RM86.01 million for the corresponding period in the previous year. The revenue growth year-on-year was from both export and local sales, which grew 6.7% and 12.8% respectively.

Despite the higher revenue, PBT in the current quarter declined 21.4% to RM7.18 million, compared to RM9.14 million for the corresponding quarter in the previous year. The Group recognised lower foreign currency gain of RM114,000 compared to RM1.21 million for the corresponding quarter. Additionally, the Group's associate incurred a minor loss of RM37,000 compared to a profit of RM438,000 for the corresponding quarter. The reduction in PBT excluding foreign currency gain and the results of the Group's associate between the two quarters is only RM389,000. The slight decrease in PBT is mainly attributed to higher labour costs due to revised wage policy since January 2016.

NINE MONTHS REVIEW

For the nine months ended September 30, 2016, the Group recorded 7.2% higher revenue of RM280.80 million compared to RM261.84 million in the corresponding period in the previous year. The stronger revenue was mainly attributed to a 14.6% increase in export sales. Exports made up 55% of group revenue compared to 52% a year ago.

However, PBT for the nine months ended September 30, 2016 declined 15.5% to RM22.68 million compared to RM26.83 million in the corresponding period in the previous year.

The lower PBT was mainly attributed to the reasons stated above for the current quarter under review. In addition, there were substantial expenses for air freight cost for a new product launch and repairs and maintenance incurred for the second quarter of 2016.

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:

Description	3Q16 RM'000	2Q16 RM'000	% Change
Revenue	94,066	97,033	-3.1
PBT	7,181	7,428	-3.3

For the three months under review, the Group's revenue declined 3.1% to RM94.07 million compared to RM97.03 million in the preceding quarter. The lower revenue was primarily attributed to the decline in exports to South East Asia. The customer base of the Group has remained stable with no loss of any account in the current quarter.

The high repairs and maintenance and air freight costs incurred in quarter two 2016 have normalised in the current quarter. However, the increase in overtime payouts during the current quarter due to additional public holidays, mitigated the savings in operating costs and resulted in relatively unchanged profit margin in the current quarter.

B3 Prospects

Daibochi remains committed to implementing strategies to ensure long term growth, by expanding our revenue base and employing cost-containment measures.

We continue to work closely with our customers, comprising mainly MNCs, to support their increasing business. We strive to provide impeccable service delivery in line with their global supply chain requirements, and develop new packaging innovations that allow them to gain a competitive edge in the F&B and FMCG markets.

In 3Q16, we commenced packaging supply to a new MNC customer in Australia's F&B sector, and expect the new orders to contribute towards stronger financial performance in the coming years. Furthermore, we would pursue the coverage of a greater range of brands under the customer's portfolio, with a view towards expanding our market share in Australia.

Together with existing and pipeline orders, the Group expects to achieve record revenue for the current financial year ending 31 December 2016 (FY2016), on account of increasing sales both domestically and in our export markets.

Furthermore, the second expansion phase of Daibochi Plant 2 is progressing as planned, and is expected to complete by end-2016 following regulatory approvals. Alongside the facility expansion, we expect to commence operations of a new blown film machine by end 2016, which would enable increased in-house production of base films, leading to lower operating costs and greater efficiency.

We are also working towards mitigating an ongoing labour shortage through applications to the Government for hiring additional foreign workers, which are presently pending approval. We are also reviewing and implementing new employee remuneration and fast-track training programmes towards incentivising greater productivity.

Despite rising operational costs, our long term prospects remain resilient. We intend to capture a greater market share in the Asia Pacific region, and reinforce our position as one of the leading packaging providers in the region.

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		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Interest income	(18)	(20)	(81)	(47)
Other operating income	(586)	(579)	(1,539)	(1,604)
Gain on disposal of property, plant and equipment	(16)	(234)	(95)	(228)
Interest expense	763	667	2,078	1,690
Depreciation of property, plant and equipment	3,146	3,106	9,439	8,930
Inventories write-down - net	894	382	2,416	1,326
Foreign exchange gain	(1,161)	(1,881)	(2,189)	(2,267)
Foreign exchange loss on derivatives	1,047	676	490	296

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		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Current:				
- Malaysian Tax	802	1,421	2,974	5,671
- Foreign Tax	84	84	129	150
- Under provision in prior year	73	204	73	204
	<u>959</u>	<u>1,709</u>	<u>3,176</u>	<u>6,025</u>
Deferred tax:				
- Current	214	678	914	678
- Under/(Over) provision in prior year	5	(8)	5	(8)
	<u>1,178</u>	<u>2,379</u>	<u>4,095</u>	<u>6,695</u>

The effective tax rate for the financial quarter ended September 30, 2016 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 Group Borrowings

Details of the Group's borrowings as of September 30, 2016 were as follows:-

	Current RM'000	Non-Current RM'000
Unsecured - Ringgit Malaysia	25,499	9,680
Unsecured - United States Dollar	12,172	-
Secured - Ringgit Malaysia	2,678	4,530
	<u>40,349</u>	<u>14,210</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 September 30, 2016, 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	19,806	20,014	<u>208</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 third interim single tier dividend of 1.32 sen for the financial year ending December 31, 2016 and the said dividend will be paid on December 22, 2016 to shareholders whose names appear on the Company's Record of Depositors on November 29, 2016. The third interim single tier dividend of 1.46 sen for the previous corresponding period had been adjusted to take into account the issuance of 1 to 2 share split and 1 for 5 bonus issue of split shares.

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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
		(Restated)		(Restated)
Profit attributable to owners of the Company (RM'000)	6,003	6,757	18,587	20,133
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares as of January 1	273,246	273,246	273,246	273,246
Effect of treasury shares held	(1,275)	(764)	(607)	(709)
Weighted average number of ordinary shares as of September 30	271,971	272,482	272,639	272,537
Basic earnings per share (sen)	2.21	2.48	6.82	7.39

The earnings per ordinary share for the financial quarter/period ended September 30, 2015 had been adjusted to reflect the share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and bonus issue of one (1) for every five (5) split shares held by the entitled shareholders, which were completed on February 22, 2016.

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:

	30.09.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	67,143	79,771
- Unrealised	(12,913)	(11,773)
	54,230	67,998
Total share of retained earnings from an associate:-		
- Realised	(522)	(368)
- Unrealised	(9)	(9)
	53,699	67,621
Less: Consolidation adjustments	(4,681)	(3,301)
Total Group retained earnings	49,018	64,320

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: November 10, 2016
c.c. Securities Commission